

RAC Trafficmaster Telematics Limited

Directors' report and financial statements

For the year ended 31 December 2002

Registered Number 3666090



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Directors' report and financial statements

Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report to the members of RAC Trafficmaster Telematics Limited	5
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholders' funds	8
Notes	9

Company information

Registered Number

3666090

Registered Office

University Way
Cranfield
Bedfordshire
MK43 0TR

Auditors

KPMG Audit Plc
Chartered Accountants and
Registered Auditor
1 Waterloo Way
Leicester
LE1 6LP

Bankers

Barclays Bank PLC
11 Bank Court
Hemel Hempstead
HP1 1BX

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company is the provision of telematics and travel services to the motor industry.

Results

The results for the year are set out on the Profit and Loss Account on page 6. These show neither profit nor loss for the year (2001: loss £1,338,000) after tax on turnover of £1,388,000 (2001: £632,000). The directors do not recommend that a dividend be paid.

Directors and directors' interests

The directors who held office during the year were as follows:

T J Beswick	(resigned 31 January 2002)
F M Caldwell	(resigned 1 June 2002)
G J Potts	(resigned 31 January 2002)
C A Blount	
N P Bond	(resigned 2 March 2003)
P D Johnson	(resigned 28 March 2002)
K J Lee	(appointed 1 June 2002)
M A Childs	(appointed 1 June 2002)
S Berman	(appointed 23 September 2002)

None of the directors who held office at the end of the financial year had any interest in the shares of the company.

No emoluments were paid by the company to the directors during the year.

Directors' report *(continued)*

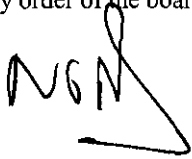
Political and charitable contributions

The company made no political or charitable contributions during the year (2001: £nil).

Auditors

KPMG Audit Plc have expressed their willingness to continue as auditors of the company and in accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Nigel Bond
Company Secretary

University Way
Cranfield
Bedfordshire
MK43 0TR

Date : 24 April 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of RAC Trafficmaster Telematics Limited

We have audited the financial statements on pages 6 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
*Chartered Accountants
Registered Auditor
1 Waterloo Way
Leicester LE1 6LP*

24 April 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover		1,388	632
Cost of sales		(142)	(221)
Gross profit		1,246	411
Administrative expenses		(1,249)	(1,760)
Operating loss		(3)	(1,349)
Interest receivable	2	3	11
Loss on ordinary activities before taxation	3	-	(1,338)
Tax on loss on ordinary activities	5	-	-
Retained loss for the year after taxation		-	(1,338)

There were no recognised gains or losses other than those recorded in the profit and loss account.

The results are derived from continuing operations.

There is no difference between the loss on ordinary activities before taxation as disclosed in the profit and loss account and the loss on an unmodified historical cost basis.

Balance sheet
as at 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Fixed assets			
Tangible assets	6	8	14
		<hr/>	<hr/>
		8	14
Current assets			
Debtors	7	486	258
Cash at bank and in hand		87	60
		<hr/>	<hr/>
		573	318
Creditors: amounts falling due within one year	8	(348)	(99)
		<hr/>	<hr/>
Net current assets		225	219
		<hr/>	<hr/>
Total assets less current liabilities		233	233
Creditors: amounts falling due after more than one year	9	(1,100)	(1,100)
		<hr/>	<hr/>
Net (liabilities)/assets		(867)	(867)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	1,000	1,000
Profit and loss account	11	(1,867)	(1,867)
		<hr/>	<hr/>
Equity shareholders' funds		(867)	(867)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 24 April 2003 and were signed on its behalf by:

M A Childs
 Director



C A Blount
 Director



Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002	2001
	£000	£000
Loss for the financial year after taxation	-	(1,338)
Opening shareholders' funds	(867)	471
Closing shareholders' funds	<u>(867)</u>	<u>(867)</u>

Notes *(forming part of the financial statements)*

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention.

The directors believe that the company will continue to receive financial support from its shareholders sufficient to allow the company to perform its obligations and to meet its liabilities for at least the period of one year from the date these financial statements are approved. For this reason, they continue to adopt the going concern basis in preparing financial statements.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leases and leasehold improvements	-	Over the period of the lease
Motor Vehicles	-	4 years
Fixture & Fittings	-	5 years
Computers	-	3 years

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise recognised by FRS 19.

Net debit balances are recognised as assets only to the extent that they are expected to be recovered.

Pension Costs

The company does not operate a pension scheme for its employees. It does, however, make contributions to the private pension arrangements of certain employees. These arrangements are of the money purchase type, and the amount charged to profit and loss account represents the contributions payable by the company during the financial year.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Stocks

Stocks are stated at the lower of costs and net realisable value.

Notes *(continued)*

2 Interest receivable

	2002	2001
	£000	£000
Bank interest	3	11
	<hr/>	<hr/>
	3	11
	<hr/>	<hr/>

3 Loss on ordinary activities before taxation

	2002	2001
	£000	£000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit	3	3
Depreciation	5	6
	<hr/>	<hr/>

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Sales and administration	2	1
	<hr/>	<hr/>
	2	1
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	£000
Wages and salaries	84	36
Social security and pension costs	17	7
	<hr/>	<hr/>
	101	43
	<hr/>	<hr/>

The emoluments for the general manager were invoiced by and paid directly to RAC Motoring Services Limited.

Notes (continued)

5 Taxation

	2002 £000	2001 £000
UK corporation tax	-	-
	<u>-</u>	<u>-</u>
	-	-
	<u>-</u>	<u>-</u>

The current tax charge for the year is lower (2001: lower) than the standard rate of corporation tax in the UK, 30% (2001: 30%).

The differences are explained below:

	2002 £000	2001 £000
Loss on ordinary activities before tax	-	(1,338)
	<u>-</u>	<u>(1,338)</u>
Current tax at 30%	-	(402)
Effects of:		
Capital allowances in excess of depreciation	1	-
Utilisation of tax losses	(1)	-
Losses available to carry forward	-	378
Prior year consortium relief	-	24
	<u>-</u>	<u>378</u>
Total current tax	-	-
	<u>-</u>	<u>-</u>

Tax losses of £1,414,000 are available to carry forward against future taxable profits of the same trade.

The company has a deferred tax asset which is not recognised on the basis that the future economic benefit is uncertain.

Notes (continued)

6 Tangible fixed assets

	Motor Vehicles	Computers And Equipment	Total
	£000	£000	£000
<i>At Cost:</i>			
At beginning of the year	17	4	21
Disposals	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	17	3	20
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	6	1	7
Charge for year	4	1	5
	<hr/>	<hr/>	<hr/>
At 31 December 2002	10	2	12
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2002	7	1	8
	<hr/>	<hr/>	<hr/>
At 31 December 2001	11	3	14
	<hr/>	<hr/>	<hr/>

7 Debtors: amounts falling due within one year

	2002 £000	2001 £000
Trade debtors	230	174
Amounts owed by associated companies	236	23
VAT Receivable	-	39
Prepayments and accrued income	20	22
	<hr/>	<hr/>
	486	258
	<hr/>	<hr/>

Notes (continued)

8 Creditors: amounts falling due within one year

	2002	2001
	£000	£000
Trade creditors	7	4
Amounts owed to associated companies	323	78
Taxation and social security	11	1
Accruals and deferred income	7	16
	<hr/>	<hr/>
	348	99
	<hr/>	<hr/>

9 Creditors: amounts falling due after more than one year

	2002	2001
	£000	£000
Medium term loans	1,100	1,100
	<hr/>	<hr/>
	1,100	1,100
	<hr/>	<hr/>

The shareholders, Trafficmaster Plc and RAC Motoring Services Limited, made to the company interest free loans of £550,000 each. The loans commenced on 3 December 2001 and will not be repayable for a minimum of two years. The loans shall continue for a further year from December 2003 and thereafter annually unless either party gives 3 months notice in writing that it wishes to discontinue the loan.

10 Called up share capital

	2002	2001
	£000	£000
<i>Authorised</i>		
500,000 "A" shares of £1.00 each	500	500
500,000 "B" shares of £1.00 each	500	500
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
500,000 "A" shares of £1.00 each	500	500
500,000 "B" shares of £1.00 each	500	500
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>

Notes (continued)

11 Reserves

	Profit and Loss £000
At 1 January 2002	(1,867)
Retained profit/(loss) for the year	-
	<hr/>
At 31 December 2002	(1,867)
	<hr/>

12 Related party disclosures

The company is a joint venture between RAC Motoring Services Limited and Trafficmaster Plc. During the year management and information fees were invoiced by Trafficmaster Plc amounting to £1,115,004 (2001: £1,525,025).

The company has invoiced services to RAC Motoring Services Limited amounting to £459,338 (2001: £73,017).