

This document, which comprises a Prospectus relating to Accident Exchange Group Plc (the “Company”) has been prepared in accordance with the Prospectus Rules made by the Financial Services Authority (the “Prospectus Rules”) pursuant to section 73A of the Financial Services and Markets Act 2000 (“FSMA”).

Application has been made to the Financial Services Authority and to the London Stock Exchange respectively for admission of all of the Ordinary Shares to: (i) the Official List; and (ii) to trading on the London Stock Exchange’s market for listed securities (together “Admission”). No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the Ordinary Shares will commence on 1 November 2006 (International Security Identification Number: GB00B00LL325).

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act 1933 or under the securities laws of any state, district or other jurisdiction of the United States, or of Canada, Japan or Australia, or any other jurisdiction and no regulatory clearances in respect of the Ordinary Shares have been, or will be, applied for in any jurisdiction other than the UK.

Prospective investors should read the entire document and, in particular, the Risk Factors set out in Part II when considering an investment in the Company. Numis Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting only for the Company and no-one else in connection with Admission and will not regard any other person as its client or be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person on the contents of this document.

Investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA or paragraph 3.4 of the Prospectus Rules, the publication of this document does not, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this document. The information on the Company’s website does not form a part of this document.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

Accident Exchange Group Plc

(Registered in England No.4360804)

Introduction to the Official List

Sponsor, financial adviser and broker



Share Capital Following Admission

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>£</i>		<i>Number</i>	<i>£</i>
87,485,500	4,374,275	Ordinary Shares of 5 pence each	69,948,067	3,497,403
12,514,500	625,725	Deferred Shares of 5 pence each	–	–

Forward looking statements

Some of the statements in this document include forward looking statements which reflect the Directors’ current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group’s products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words “expects”, “intends”, “plans”, “believes”, “projects”, “anticipates”, “will”, “targets”, “aims”, “may”, “would”, “could”, “continue” and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group’s actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled “Risk Factors”, which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors’ current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Given these uncertainties investors are cautioned not to place any undue reliance on such forward looking statements.

These forward looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules the Listing Rules, or as otherwise required by law, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

References to Defined Terms

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined, and certain selected industry and technical terms used in this document are defined and explained, in Part VIII: Definitions.

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PART 1

SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision by a prospective investor to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the European Economic Area (“EEA”), the claimant may, under the national legislation of the EEA state in which the claim is brought, be required to bear the cost of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation hereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. All financial data included in this summary is sourced from the financial information set out in Part VI of this document unless otherwise stated.

1. Overview of the Group

Accident Exchange Limited was formed in 2001 to provide accident management and other solutions to the automotive and insurance related sectors. To date this has principally involved the provision of car hire on credit to the non-fault party in motor accidents. Accident Exchange seeks to recover its car hire charges from the insurer of the at-fault driver.

Accident Exchange has historically targeted the prestige vehicle end of this market but now offers replacement mainstream and commercial vehicles and operates a fleet in excess of 3,000 vehicles.

Accident Exchange is a subscriber to the ABI GTA. The ABI GTA is a non-contractual set of protocols, agreed by both the credit hire and insurance industries, which sets out the procedures for the handling of claims made by CHOs, including the setting of hire charges and other costs associated with the car hire at lower rates in return for insurers remitting prompt settlement of the claimed hire charges.

The Group’s strategy for its core business is to establish and maintain relationships with referral partners, including car dealerships, dealership networks, contract hire and leasing companies and more recently vehicle manufacturers and distributors. At 30 September 2006 the Group benefited from referrals from 640 referring partners and continues to focus on the creation and development of new relationships in all areas, including with insurers themselves.

The Group is headquartered in Coleshill, Birmingham and has vehicle distribution depots in Coleshill, Warrington and Glasgow.

2. History and development of the Group

The Group’s principal subsidiary is Accident Exchange Limited, a vehicle credit hire company incorporated in January 2001 which commenced trading in May 2002. This business was founded by Steve Evans, the Group’s current Chief Executive, who has been involved in the credit hire industry since 1983.

On 16 April 2004, Accident Exchange Limited was acquired by XecutiveResearch Group Plc (“XRG Plc”), a cash shell company whose shares were traded on AIM. XRG Plc was renamed Accident Exchange Group Plc and its shares were re-admitted to AIM with a market capitalisation of approximately £15.4 million.

Accident Exchange has been profitable at the operating and pre-tax level since inception. Revenue grew from £4.1 million for the year ended 30 April 2004 to £61.4 million for the year ended 30 April 2006. Over the same period, profit before tax grew from £1.1 million to £18.5 million. The vehicle fleet grew from 250 to 2,767 and employee headcount increased from 45 to 363 over the same period.

As at 25 October 2006, the Company’s market capitalisation was approximately £250 million.

3. The development of the non-fault credit hire industry

Legal position

Accident Exchange seeks to recover the cost of the car hire incurred by the non-fault party to an accident from the insurer of the at fault party. The ability of a non-fault claimant to recover the costs of a replacement vehicle as well as the cost of repairing the damaged vehicle after a road accident is firmly established in law. The current legal position on the recoverability of the cost of hiring a replacement vehicle, and any ancillary costs incurred by a non-fault party, can be found and summarised principally from three decisions, namely *Dimond v Lovell* [1999] 3WLR [2000] ALL ER 2 898 HL and [2002] 1 AC 384, *Clark v Ardington* [2003] QB 36 and *Lagden v O'Connor* [2003] 3 WLR 1571.

These relatively recent decisions, and a growing understanding by consumers of the rights that they confer, have helped to support the Group's revenue growth since its foundation.

The ABI GTA relationship and the current position

Most insurers have grown to recognise that the costs involved in challenging the rates which can be recovered by a CHO outweigh the benefits on an individual case by case basis. Accordingly, the insurance and CHO industries negotiated the first ABI GTA in September 1999 in order to try to avoid the high levels of dispute and litigation that have occurred in the past by agreeing in advance a series of hire charges across a range of vehicles that insurers will accept without contention, in a situation where there is a non-fault party to the accident. This has generally enabled a reduction in the levels of litigation and dispute between ABI GTA insurers and CHOs.

4. Market and Competition

The Board estimates that the market for non-fault credit hire is in the range of 1.0 million to 1.7 million accidents per annum. Based on 1.7 million accidents per year, the Board estimates that the UK's gross annual cost for non-fault credit hire alone would be up to approximately £872 million. Although the value of the prestige market is considerably less than the industry value as a whole, the Directors consider there is still significant potential to expand Accident Exchange's core business of the hire of prestige cars to the non-fault party.

Accidents where the non-fault motorist was driving a prestige car represent a niche section of the potential market. The Board estimates that prestige vehicles represent between approximately 9.0 per cent. and 15.0 per cent. of the UK vehicle market and therefore estimate the maximum size of the prestige market to represent between 420 and 700 non-fault accidents per day. Based on an average rental period of 19 days this would represent an annual market for between 2.9 million and 4.8 million rental days per annum. In the year ended 30 April 2006, the group recorded rental days of 404,000. Accordingly, the Directors believe the potential for the Group's continued growth in the prestige market alone remains high.

The Directors believe that Accident Exchange has differentiated itself from its competitors by providing a higher level of customer service against a background of greater commercial efficiency. Based on their understanding of the market size, the Directors do not believe that this potential competition represents a substantial threat to achieving their objectives for further growth.

5. Group Operations

As at 30 September 2006, the Group employed 446 full-time members of staff located within its headquarters near Birmingham and its distribution centres in Warrington and Glasgow. From these locations, the Group operates a fleet of more than 3,000 primarily prestige vehicles.

Once a request is made for assistance after an accident, details are taken from the potential client by a staff member and an outline of the circumstances surrounding the accident and the resulting damage are assessed. At this point enquiries commence with the fault party or his/her insurer.

Only when Accident Exchange is satisfied that the potential client making the request for a replacement vehicle appears not to be at fault and has a need for a replacement vehicle and that the fault party is insured, will Accident Exchange allocate an appropriate vehicle, enter into a credit hire agreement with the non-fault party and deliver a vehicle.

The vast majority of those cases taken on by Accident Exchange involve either ABI insurers who are subscribers to the ABI GTA and with whom Accident Exchange has protocols agreed or insurers who are not subscribers to the ABI GTA but who have informally agreed to honour the ABI GTA as if they were subscribers.

Accident Exchange's entire back office administration and operational process is geared towards optimising the revenue and profitability from each vehicle. The utilisation rate of Accident Exchange's vehicle fleet is high. Typically it runs at over 70 per cent., which the Directors believe is higher than the industry average.

DCML Limited

On 5 May 2006 the Group acquired DCML for a maximum consideration of £12 million. DCML provides a software platform which allows motor retailers and vehicle manufacturers to operate and control a fleet of their own courtesy cars.

6. Sales and marketing

Accident Exchange's current business has three principal referral sources: car dealerships, body shops and contract hire and leasing companies. In addition Accident Exchange has relationships with a number of vehicle manufacturers who encourage or endorse their services to their dealer community. Sources of business refer claims to Accident Exchange once they receive notification that one of their customers has been in an accident. It is at this point that Accident Exchange then makes contact with the potential client.

Accident Exchange's marketing policy has focused on building long-term relationships with business referrers, including leading dealership groups and motor manufacturers, with a view to increasing the level of referrals provided.

Since April 2005 the Group has extended its distribution opportunity by providing accident management services to dealers 24 hours a day, 365 days a year. By undertaking a dealer or manufacturer branded marketing campaign, the opportunity to interact with accident victims immediately following an accident is increased. The Directors believe that the Group's high level of service has allowed it to increase the level of referrals from participating dealers and has also strengthened relationships with dealers by embedding Accident Exchange's service within their customer relationship management process.

The Group has recently extended its sales efforts to focus on building relationships with insurance companies to negotiate, agree and settle individual claims more efficiently and with a view to providing vehicle rental services to the insurers' clients directly in the future.

7. People and location

The Group's staff headcount at 30 April 2006 was 363 (up from 133 a year earlier) and stood at 446 on 30 September 2006. The operational leadership team, now numbering 11, reflects the delivery resource requirements of the Group's head office and satellite distribution centres, the continuing expansion of the sales, support and collections team and the acquisition of DCML. The Board is in the process of recruiting a Chief Operating Officer to help strengthen further the senior management team.

The Group has recently moved into a new headquarters building. The building is fully operational for fleet operations and certain administrative, sales and marketing activities and consists of approximately 220,000 square feet of floor space. It will be fitted internally with an incremental 70,000 square feet of office accommodation occupying three floors, retaining nearly 200,000 square feet of available vehicle floor space.

8. Business strategy

Accident Exchange has the following strategic objectives:

- to continue to invest in its people, systems and process to retain and extend its competitive position;
- to continue to position Accident Exchange as a supplier of services to motor vehicle accident victims in cooperation with insurers, contract hire and leasing companies, vehicle manufacturers, dealers and larger motor dealer groups and whilst serving this broader audience to broaden the fleet mix; and

- to identify and generate additional revenue streams from the development of new insurance-related products – including those provided by DCML – with the aim of reducing the cost of claim handling within the insurance industry.

9. Directors and senior management

Directors

David Allistair Galloway, *Non-Executive Chairman, aged 61*

Stephen Anthony Evans, *Chief Executive Officer, aged 47*

Martin John Andrews, *Group Finance Director, aged 43*

David John Lees, *Non-Executive Director, aged 59*

Graham Kemble Stanley, *Non-Executive Director, aged 55*

Senior Management

Martin Bramwell, *Chief Information Officer, Accident Exchange Limited, aged 40*

Tim Eaves, *Corporate Sales Director, Accident Exchange Limited, aged 55*

Liz Fisher, *Sales Development Director, Accident Exchange Limited, aged 43*

Alistair Horsburgh, *Commercial Director, Accident Exchange Limited, aged 39*

Nikki Pickering, *Finance Director, Accident Exchange Limited, aged 30*

Vince Powell, *Managing Director, DCML Limited, aged 27*

Rod Seel, *Managing Director – Transport, Accident Exchange Limited, aged 37*

Jean Wood, *Human Resources Director, Accident Exchange Limited, aged 47*

Lee Woodley, *Claims Settlement Director, Accident Exchange Limited, aged 37*

10. Summary financial information

Unless otherwise indicated, the following financial information has been extracted or derived without material adjustment from the financial information in Part VI of this Prospectus and summarises the trading record of the Group for the three financial years ended 30 April 2006.

Trading performance

	<i>UK GAAP</i>		<i>IFRS</i>	
	<i>years ended</i>		<i>years ended</i>	
	<i>30 April</i>		<i>30 April</i>	
	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover ¹ /Revenue ²	4,123	22,418	22,418	61,415
Gross profit	2,773	12,815	12,815	28,734
Operating profit	1,333	7,721	8,323	20,419
Adjusted operating profit ³	1,358	8,377	8,323	17,819
Adjusted operating profit margin	32.9%	37.4%	37.1%	29.0%

1 Turnover as stated in the UK GAAP historical financial information.

2 Revenue as stated in the IFRS historical financial information.

3 Adjusted operating profit is the operating profit before amortisation of goodwill and profit on disposal of property.

Cash flows

	<i>UK GAAP</i>	
	<i>years ended</i>	
	<i>30 April</i>	
	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	78	5,552
Returns on investments and servicing of finance	(245)	(1,016)
Taxation	–	(81)
Capital expenditure and financial investment	(160)	673
Acquisitions	(413)	–
Equity dividends paid	–	(309)
Net cash (outflow)/inflow before use of liquid resources and financing	(740)	4,819
Management of liquid resources	338	–
Net cash inflow/(outflow) from financing	807	(5,158)
Increase/(decrease) in net cash	405	(339)

	<i>IFRS</i>	
	<i>years ended</i>	
	<i>30 April¹</i>	
	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	4,455	1,432
Net cash inflow from investing activities	673	8,175
Net cash used in financing activities	(5,467)	(16,055)
Net decrease in cash and cash equivalents	(339)	(6,448)
Cash and cash equivalents at start of year	322	(17)
Cash and cash equivalents at end of year	(17)	(6,465)

1 IFRS cash flow presented separately to UK GAAP cash flow due to the different presentational requirements of the respective Accounting Standards.

11. Reasons for moving to the Official List

The Directors believe that due to the higher number of institutional investors which regularly trade in companies admitted to the Official List and the higher profile of such companies, the Company will be better placed to achieve improved liquidity in the Ordinary Shares when they are admitted to the Official List and to trading on the London Stock Exchange.

12. Current trading and Prospects

The Group's business is considered by the Board to be seasonal in nature with the darker, wetter winter months (October through March) historically showing an uplift in trading levels due to increased accident rates and longer repair periods and hence longer hire periods per accident.

Hire starts per week and monthly rental days through the summer months have nevertheless been in excess of the levels experienced in the last quarter of the last financial year (to 30 April 2006) and together with the recently announced account wins, will add to business activity levels as the underlying dealer base from those account wins is fully rolled out during the Autumn and beyond. The Board believes that the Group will benefit materially from an uplift in hire start activity in the second half of the financial year. In anticipation of this the Group's infrastructure, personnel resource and fleet has all continued to be expanded in the first half of the current financial year.

The Board is confident that the market opportunity for credit hire is only at the early stages of penetration.

The Group has historically focussed on the prestige sector of the market and the Board feels that recent contracted account wins with major dealership groups and manufacturers, where the agreements are for up to two years' duration, demonstrates that these parties are becoming increasingly aware of the market opportunity and of the mutual benefits that can arise when they partner with a CHO such as the Group.

The Group has also moved into the mainstream market via recent dealership account wins and via the contract hire and leasing relationships beginning to be won. These open the Group's services to the larger mainstream market opportunity.

The Board is therefore confident of a material increase in full year trading levels as compared to last year with the main benefit expected to be observed in the second half of the current financial year.

13. Risk factors

The Directors consider the following risks to be the most significant for potential investors in the Group and are not set out in any particular order of priority.

Risks associated with the credit hire and credit repair market generally

- Competition risks
- Legal risks
- Insurance industry protocols
- Nature of receivables
- Regulatory risks
- Difficulty assessing the business of the Group
- Seasonality
- Fleet costs and efficiency
- Residual value of rental vehicles
- Interest rates

Risks associated with the supply of insurance for courtesy vehicles and the provision of fleet management software generally

- Competition
- Regulatory risks

Risks relating to the Company and the Group

- Dependence on key personnel
- Operational risks and systems
- Financing risks
- Environmental risks

Risks relating to the ordinary shares

- Possible volatility of the price of the Ordinary Shares
- Risks relating to the sale of shares by substantial shareholders and/or Directors

PART II

RISK FACTORS

The following risk factors, which are not presented in any order of priority, should be carefully considered when deciding whether to make an investment in the Company. Additional risks and uncertainties not presently known to the Directors, or that the Board currently considers immaterial, may also adversely affect the business of the Group and the trading price of the Ordinary Shares. If any of the risks actually occurs, the business, financial condition or results of future operations of the Group could be materially adversely affected. In that case, the trading price of the Ordinary Shares could decline and Shareholders may lose all or part of their investments. Before making any investment decision, prospective investors are advised to consult an independent advisor authorised under FSMA who specialises in advising upon investments.

The Directors consider the following risks to be the most material for potential investors, but the risks listed below do not necessarily comprise all those associated with an investment in the Company and are not set out in any order of priority.

RISKS ASSOCIATED WITH THE CREDIT HIRE AND CREDIT REPAIR MARKET GENERALLY

Competition

Barriers to entry into the general credit hire and repair markets at a local level are low. Although barriers to establishing a national or specialist business in this sector are higher, the Group is not able to assure Shareholders that these barriers will remain or will deter new entrants or existing competitors. In addition, there is the potential for local operators to overcome these barriers and establish national networks by forming alliances. There is also the potential for insurance companies, brokers and/or providers of services to motorists or other consumer groups to enter the market, either alone or in collaboration with service providers such as the Group. If the Group is unable to respond adequately to the competitive challenges, it may lose market share. In addition, in more competitive markets there may be pressure on the Group's prices and costs, causing an adverse impact on its revenue and profitability.

Legal risks

There have been a significant number of cases brought (mainly by insurance companies) that have challenged the enforceability of credit hire agreements and the hire rates which can be recovered by CHOs on various grounds. However, the ability of a non-fault claimant to recover the costs of a replacement vehicle as well as the cost of repairing the damaged vehicle after a road accident is firmly established in law.

If insurance companies were to bring further legal challenges to the enforceability of credit hire and repair arrangements or the rates payable, and if those challenges were protracted and/or successful, the Group's turnover, profitability, cash flow and solvency could be materially adversely affected.

Insurance industry protocols

The Group is a signatory to the ABI GTA which sets out a protocol between certain insurance companies and CHOs as to the manner in which claims should be processed, the documentation which clients should complete, the procedures that must be undertaken whilst a client is in a hire vehicle, the hire rates that insurance companies will pay and the timeframe for payment. A copy of the ABI GTA can be obtained from the website www.abi.org.uk. There is no guarantee that insurers will continue to abide by these protocols or that these protocols will not change adversely over time. Either of these events could have a materially detrimental effect on the profitability and cash flow of the Group. Membership of the ABI GTA is voluntary and it is open to members to leave at any time.

Nature of receivables

The business of credit hire involves the provision of goods and services on credit. The Group generally receives payment after a claim has been notified to and pursued against the insurer of the at fault party to the

accident and which can mean that the Group can experience a long period before payment is received. Significant delays in the receipt of payment or changes in market practice, particularly by the insurance industry, could adversely impact the solvency of the Group.

Upon acceptance of a credit hire or credit repair case on behalf of a client, the Group, acting as a credit hire provider, makes a claim against the fault party to the accident which is then usually notified to and handled and negotiated by that fault party's insurer. The sum recorded in the books of the Group as receivable is based on an assessment of recoverability of the hire and/or repair costs involved. This involves, *inter alia*, the Group making an assessment of a third party's liability for the accident. The pursuit of a credit hire or credit repair claim involves the creation of a contractual debt between the Group and the client but not with the insurer of the fault party who will ultimately be pursued for settlement of the claim. Although claims are made in accordance with the terms of industry-wide or bilateral protocol agreements (such as the ABI GTA) and the insurer of a fault driver has a statutory obligation to satisfy judgement against persons insured or secured against third-party risks, there may be a greater risk that the sum is not fully recoverable than there would be if the sum resulted from a direct contractual commitment between the Group and the insurer.

Regulatory risks

The conduct of general insurance business became subject to regulation by the FSA in January 2005. The Group is authorised by the FSA to act in the mediation of general insurance claims such authorisation being required as the Group is involved in the management of general insurance claims.

The Compensation Act 2006 received Royal Assent on 25 July 2006 and will regulate claims management services and those providing these services in the regulated sectors will need to seek authorisation to continue to do so. Applications for authorisation are likely to be required to be submitted in November 2006.

Whilst the Group conducts its business in compliance with applicable regulations and will continue to seek to do so, there remains a risk that regulators will find that the business has not complied fully with such regulations and any subsequent action taken against the Group may adversely affect the Group's business.

Difficulty assessing the business of the Group

Shareholders may have difficulty in assessing the business of the Group because the credit hire and credit repair market is considered by the Directors to be a developing and rapidly evolving sector in which there are few other public companies. Performance and trends are therefore more difficult to assess than in many other more established sectors.

Seasonality

Industry revenues and operating profits can be weighted towards the darker, colder and wetter months of the year, particularly the months of October to March. A significant proportion of the staff costs and overheads of the Group are fixed and cannot be adjusted according to short-term fluctuations in business activities. The Group manages its cost base and its investment decisions in line with forecast activity levels and prior experience. However, any shortfall in revenues during peak trading periods against those anticipated could have a significant impact on the Group's profitability and results.

Fleet costs and efficiency

(a) Suppliers

One of the key propositions for the Group's business is the provision of a wide range of like for like prestige vehicles to the non-fault party to a road traffic accident. The Group currently has three depots within the UK and attempts to minimise overall vehicle costs and optimise vehicle utilisation. The Group sources its vehicles from a variety of automotive manufacturers and dealers on a variety of commercial terms and discounts. In the event that the Group could not procure vehicles from its current sources, an attempt to obtain vehicles from other sources would be made. However there could be risks to business volumes and to financial and operating results as the Group sought alternative supplier arrangements. Any material adverse change by a major supplier to the terms on which the Group obtains fleet vehicles (such as a material increase in price, or a reduction in the number of

vehicles they wish to sell to the Group) which cannot be offset by sourcing alternatives from other manufacturers or dealers, could have an adverse effect on the Group's financial condition and results of operations.

(b) Price of new vehicles

In recent years, the average price of new vehicles has increased however the financing terms available to the Group (and the market generally) have become more competitive. The holding cost of fleet to the Group is dependent on both the purchase price of vehicles and the discounts negotiated with manufacturers and dealers and the residual values at the time of disposal. There is a risk that new vehicle prices will continue to increase or that residual values will worsen, which will mean that the Group may not be able to control effectively the average cost of its fleet by purchasing a mix of less expensive vehicles, or that the Group is unable to pass on the increased cost of vehicles through its rental rates.

(c) Utilisation of the fleet

The Group endeavours to maximise the utilisation of the fleet so as to minimise the costs of holding non-revenue generating vehicles. A deterioration in utilisation rates could adversely affect the Group's profitability.

Residual value of rental vehicles

The Group depreciates its fleet at rates expected to match each vehicle's residual value at the point of eventual disposal. Residual values are not ordinarily guaranteed to the Group by its fleet suppliers and the Group is therefore exposed to an adverse movement in second-hand vehicle prices, which could be a result of a number of factors, including increased capacity of vehicle manufacturers to supply new vehicles to the market, general economic conditions, model changes and legislative requirements (for example, changes to environment legislation). Any such movement in used vehicle prices or a lack of liquidity in the used vehicle market may severely hinder the Group's ability to dispose of these vehicles and could adversely affect the Group's results and cash flows. The Group addresses its exposure to residual value risk through some repurchase programs negotiated at point of purchase, but there is no guarantee that this will be available in the future. The Group expects vehicle depreciation to continue to be a substantial cost factor in its vehicle rental operations. If manufacturers reduce the availability of re-purchase programs or related incentives, or impose more stringent conditions for the physical state of a vehicle prior to return, then this could have a detrimental impact on the Group's results of operations. It is possible that registration taxes (incurred on the acquisition of a new vehicle) could be replaced with circulation taxes (incurred over the holding period of a vehicle). If these changes were implemented, they would impact the industry by changing vehicle residual values and to the extent that circulation taxes increase to compensate, there could be a reduction in the results of operations if the increased circulation taxes could not be passed on through recoverable rental rates.

Interest rates

The Group finances its fleet through a range of financial instruments which include contract hire, operating lease and hire purchase. The Group has facilities in place which fix the interest rates but if interest rates rise then the interest charge on vehicles financed after any rate increase will also rise increasing the cost base of the business.

RISKS ASSOCIATED WITH THE SUPPLY OF INSURANCE FOR COURTESY VEHICLES AND THE PROVISION OF FLEET MANAGEMENT SOFTWARE GENERALLY

Competition

Barriers to entry into the supply of software to provide insurance for the users of courtesy cars are low in respect of the provision of software but higher in respect of providing an underwritten insurance product. The Group is not able to assure Shareholders that these barriers will remain or will deter new entrants or existing competitors. There is also the potential for insurance companies, brokers and/or providers of services to motorists or other consumer groups to enter the market, either alone or in collaboration with other service providers. If the Group is unable to respond adequately to the competitive challenges, it may lose

market share. In addition, in more competitive markets there may be pressure on the Group's prices and costs, causing an adverse impact on its revenue and profitability.

Regulatory risks

The conduct of general insurance business became subject to regulation by the FSA in January 2005. The Group is authorised to act in the sale of general insurance policies.

Whilst the Group conducts its business in compliance with applicable regulations and will continue to seek to do so, there remains a risk that regulators will find that the business has not complied fully with such regulations and any subsequent action taken against the Group may adversely affect the Group's business.

RISKS RELATING TO THE COMPANY AND THE GROUP

Dependence on key personnel

The Group's future success is dependent on the development and performance of its senior management. The loss of the services of any of its senior management team could adversely affect the Group's business.

Operational risks and systems

Operational risks are present in all of the Group's businesses, including the risk of direct and/or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events. The Group's business is dependent on processing a large number of claims and vehicle hires across the UK. The Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but any weakness in the systems, processes or business continuity arrangements could have a negative impact on its results or operations during the affected period. The Group ensures that third party motor liability insurance as a basic minimum is in place in respect of all customers using rental vehicles. This insurance provides financial protection against claims (both personal injury and property damage) from third parties where the Group's customers are at fault.

The Group also insures against various risks arising in the normal course of its business, including damage to its property, business interruption and general liability. Significant risk would exist to the stability of the Group's business if access to insurance was constrained, denied or available at an increased cost that could not be passed on in increased rental prices.

The Group also provides accident assistance policies which insure customers against the irrecoverability of the hire charges arising from a credit hire transaction. These policies are underwritten by certain underwriters at Lloyds of London. There is no guarantee that the cost of underwriting will not increase and any such increase would impact upon the profitability of the Group.

Financing Risks

Processing claims for the Group's services in order to achieve the optimum settlement in terms of value and time is key to the Group's profitability and its working capital management. Settlement of claims quickly without undue margin erosion requires skilled personnel and systems. There can be no guarantee that the Group will be able to operate within its working capital facilities or that these facilities will rise in line with the Group's own expectations. The Group acquires its vehicles through a range of financial instruments, which includes contract hire, operating leases and hire purchase. There can be no guarantee that these facilities will continue to be made available to the Group, or that the facilities will increase in line with the Group's growth expectations or that the VAT payable when a vehicle is purchased can be either financed within the hire purchase arrangements or, as is the case currently, reclaimed from HM Revenue & Customs. Inclusion of this risk factor does not in any way qualify the statement made by the Directors at paragraph 12 of Part VII of this document relating to the working capital position of the Group being sufficient for at least the next 12 months from the date of this document.

Environmental risks

The Group is regulated by environmental laws and regulations in connection with its operations, including, among other things, with respect to the safe disposal of chemicals used in the cleaning of vehicles. The

Group has incurred, and will continue to incur, expenses to comply with environment laws and regulations. There can be no assurance that compliance with existing or future environmental legislation and regulations will not require further material expenditure by the Group or otherwise have an adverse effect on the Group's operations.

RISKS RELATING TO THE ORDINARY SHARES

Possible volatility of the price of the Ordinary Shares

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares (or securities similar to them) or in response to various factors and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and business developments of the Group or its competitors.

Stock markets have from time to time experienced significant price and volume fluctuations which have affected the market prices for securities which may be unrelated to the Group's operating performance or prospects. Furthermore the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Ordinary Shares. The trading prices of the Ordinary Shares may go down as well as up and Shareholders may, therefore, not recover their original investment costs.

Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline.

There can be no assurance that Directors or other Shareholders will not elect to sell their Ordinary Shares. The market price of Ordinary Shares could decline as a result of any sales of such Ordinary Shares or as a result of the perception that these sales may occur. If these or any other sales were to occur, the Group may in the future have difficulty in offering or selling Ordinary Shares at a time or at a price it deems appropriate.

PART III

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Allistair Galloway (<i>Non-Executive Chairman</i>) Stephen Anthony Evans (<i>Chief Executive Officer</i>) Martin John Andrews (<i>Group Finance Director</i>) David John Lees (<i>Non-Executive Director</i>) Graham Kemble Stanley (<i>Non-Executive Director</i>)
Company Secretary	Nikki Pickering
Registered Office	Unit 1 Roman Park Off Roman Way Coleshill Birmingham B46 1HG
Sponsor, Financial Adviser and Broker	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH
Solicitors to the Company	DLA Piper UK LLP Victoria Square House Victoria Square Birmingham B2 4DL
Solicitors to the Sponsor	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Reporting Accountants and Auditors	PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street Birmingham B3 2DT
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

PART IV

INFORMATION ON THE GROUP

1. Overview of the Group

Accident Exchange Limited was formed in 2001 to provide accident management and other solutions to the automotive and insurance related sectors in the UK. To date, this has principally involved the provision of car hire on credit to the non-fault party in motor accidents. Accident Exchange seeks to recover its car hire charges from the insurer of the “at-fault” driver.

Accident Exchange has historically targeted the prestige vehicle end of this market but now offers replacement mainstream and commercial vehicles and operates a fleet in excess of 3,000 vehicles.

Accident Exchange is a subscriber to the ABI GTA. The ABI GTA is a non-contractual set of protocols, agreed by both the credit hire and insurance industries, which seeks to limit disputes between CHOs and insurers in relation to the hire charges recoverable by a non-fault party from the “at-fault” party’s insurer. The ABI GTA sets out the procedures for the handling of claims by CHOs, including the setting of hire charges and other costs associated with the car hire at lower rates in return for insurers remitting prompt settlement of the claimed hire charges.

Accident Exchange has been profitable at the operating and pre-tax level since inception. For the financial year ended 30 April 2006, the Group achieved a profit before tax of £18.5 million (including £2.6 million profit on disposal of property) on a turnover of £61.4 million.

The Group’s strategy for its core business is to establish and maintain relationships with referral partners, including car dealerships, dealership networks, contract hire and leasing companies and more recently with vehicle manufacturers and distributors. At 30 September 2006 the Group benefited from relationships with 640 referring partners and continues to focus on the creation and development of new relationships in all areas, including with insurers themselves.

As at 30 September 2006, the Group provided generic accident management services for 303 of its dealership partners. Accident management has become a significant part of the Group’s service. Subscribing dealers enrol their clients into the scheme operated by the Group and the Group provides the client with a membership pack which is branded in the dealer or manufacturer’s identity and carries a personalised telephone number (typically on the car’s key fob or displayed on the inside of the windshield), which is answered by the Group in the name of the dealer. The service is available 24 hours a day, 365 days a year and gives the client access to emergency telephone assistance, recovery services for damaged vehicles, mobility following an accident and assistance with the management of claims. The Group also provides accident management and credit hire services to a growing number of contract hire and leasing companies.

The Group is headquartered in Coleshill, Birmingham and has vehicle distribution depots in Coleshill, Warrington and Glasgow.

2. History and development of the Group

The Group’s principal subsidiary is Accident Exchange Limited, a vehicle credit hire company incorporated in January 2001 which commenced trading in May 2002. This business was founded by Steve Evans, the Group’s current Chief Executive, who has been involved in the credit hire industry since 1983.

The initial capital for Accident Exchange Limited’s premises and fleet of vehicles was provided by Steve Evans and some of the other founder shareholders of Accident Exchange Limited. Additional working capital was subsequently arranged through a bank overdraft facility. Vehicle finance facilities were organised through a number of manufacturer finance companies which enabled Accident Exchange Limited’s business to increase the range of hire vehicles it offered to satisfy customer demand.

On 16 April 2004, Accident Exchange Limited was acquired by XecutiveResearch Group Plc (“XRG Plc”), a cash shell company whose shares were traded on AIM. XRG Plc was renamed Accident Exchange Group Plc and its shares were re-admitted to AIM with a market capitalisation of approximately £15.4 million.

Accident Exchange Limited was the Group's sole trading subsidiary from 16 April 2004 until the acquisition of DCML on 5 May 2006.

Revenue grew from £4.1 million in the year ended 30 April 2004 to £61.4 million in the year ended 30 April 2006. Over the same period, profit before tax grew from £1.1 million to £18.5 million. The vehicle fleet grew from 250 to 2,767 and employee headcount rose from 45 to 363 over the same period. This growth reflects the Group's success in winning and then developing relationships with prestige franchise dealers, dealer groups and manufacturers, and more recently with contract hire companies. The number of referral sources grew to more than 550 at 30 April 2006 and the number of rental days was more than 404,000 during the year ended 30 April 2006.

On 5 May 2006, the Group acquired DCML Limited, a provider of software to motor retailers and manufacturers, whose products enable them to operate, control and insure their courtesy fleets.

As at 25 October 2006, the Company's market capitalisation was approximately £250 million.

3. The development of the non-fault credit hire industry

Accident Exchange seeks to recover the cost of the car hire incurred by the non-fault party to an accident from the insurer of the at fault party.

The ability of a non-fault claimant to recover the costs of a replacement vehicle as well as the cost of repairing the damaged vehicle after a road accident is firmly established in law. The current legal position on the recoverability of the cost of hiring a replacement vehicle, and any ancillary costs incurred by a non-fault party, can be found and summarised principally from three decisions, namely *Dimond v Lovell* [1999] 3 WLR, [2000] ALL ER 2 898 HL and [2002] 1 AC 384 ("*Dimond*"), *Clark v Ardington* [2003] QB 36 ("*Clark*") and *Lagden v O'Connor* [2003] 3 WLR 1571 ("*Lagden*").

These relatively recent decisions, and a growing understanding by consumers of the rights that they confer, have helped to support the Group's revenue growth since its foundation.

Dimond v Lovell

In *Dimond*, heard by the House of Lords, the question was whether credit hire agreements were governed by the Consumer Credit Act 1974 and, if so, whether they were enforceable. The House of Lords held that credit hire agreements could in principle fall within the compass of the Consumer Credit Act and, on the facts of the case, found that the agreements in question did not fall within any exemptions under the Consumer Credit Act and were therefore unenforceable. However, the Law Lords pointed out that in future it would be relatively straightforward for credit hire companies to avoid this pitfall by re-drafting their agreements to take advantage of the exemption for various categories of transaction from the regulations. This confirmed therefore that credit hire agreements would be enforceable if drafted accordingly. Accident Exchange's agreements are drafted in the way that the House of Lords suggested, and are exempt from the Consumer Credit Act 1974 and are therefore not unenforceable in this regard. This view has been supported by leading counsel.

The House of Lords also discussed the level of damages that would have been recoverable had the agreement in *Dimond* been enforceable. The House of Lords held that a claimant would be able to recover the cost of hiring a replacement vehicle from a defendant, so long as he or she had a reasonable need for it. Turning to the recoverable amount of hire charges, the House of Lords held that in general the recoverable sums would be limited to a 'reasonable spot hire rate'.

Clark v Ardington et al

In 2003 the Court of Appeal heard five cases on a number of credit hire issues. *Clark* provided important clarifications of the matters raised in the *Dimond* case. Firstly, attempts by third parties to challenge the legality of Consumer Credit Act exempt agreements on technical grounds were rejected. What in *Dimond* had been mere guidance became established law. If agreements are drafted so as to fall within that Act's exemptions, the objections which succeeded in *Dimond* would fail. Secondly, the court defined what was meant by recovering a 'reasonable spot hire rate'. In essence, it was held that a CHO could recover any rate

which fell within the bracket of rates charged by spot hire companies, even if it were at the top of the range. It would, however, be open to a third party to challenge the rate claimed as unreasonable on the particular facts of the case. However, the third party would have to produce evidence to support such an objection.

The definition of 'spot rate' adopted in Clark means that the 'spot rate' will generally be defined with reference to the hire rates charged by the large national 'high street' providers (because a claimant will be able to show that it was not unreasonable to incur rates similar to those charged by Avis or Hertz, for example).

Lagden

Also in 2003, it was held in Lagden that a claimant who is unable to hire on the spot market can reasonably go to a CHO and recover the full credit hire rate without reduction. The House of Lords held that where, as with Lagden, a person was unable to pay hire charges 'without making sacrifices he could not reasonably be expected to make' the full cost was recoverable. This is an important qualification of Dimond, although it will of course only apply in some cases. Where a claimant cannot reasonably be expected to spot hire, he can recover a credit hire rate which may be above the 'spot rate'.

The ABI GTA relationship and the current position

Most insurers have grown to recognise that the costs involved in challenging the rates which can be recovered by a CHO outweigh the benefits on an individual case by case basis. Accordingly, the insurance and CHO industries negotiated the first ABI GTA in September 1999 in order to try to avoid the high levels of dispute and litigation that have occurred in the past by agreeing in advance a series of hire charges across a range of vehicles that the insurers will accept without contention, in a situation where there is a non-fault party to the accident. This has generally enabled a reduction in the levels of litigation and dispute between ABI GTA insurers and CHOs. By agreeing in advance with all ABI GTA insurers the hire rates for their vehicles, (who may themselves include a charge for the credit element of any such hire), the CHOs and the ABI GTA insurers have co-operated in reducing concerns as to the levels of hire and credit for hire that may be recoverable.

Both sets of parties to the ABI GTA have attained the certainty that was lacking before the ABI GTAs were introduced. In June 2003 Accident Exchange first subscribed to the ABI GTA. The ABI GTA sets out agreed protocols for handling claims at a lower cost to the insurer (when compared to litigating each such claim) in return for prompt settlement of invoiced hire charges. The Directors believe that the joint development with insurers of the relevant ABI GTA administrative process assists in the efficient working of the protocols and contributes to better mutual understanding. With the ABI GTA agreed fees and protocols in place, the financial position of the clients of CHOs, and any arguments that may be raised on the Lagden principles are avoided and recoverability is left to be decided on the basis of which driver was at fault.

The vehicle hire rates prevailing under the terms of the ABI GTA are generally reviewed and negotiated every year. The present ABI GTA tariff as it relates to motor vehicles was agreed in April 2006 and these agreed tariffs will remain in place until the next review, which is expected to be in July 2007.

4. Market and Competition

There were approximately 32.3 million registered vehicles in the UK in 2004 according to the Department of Transport. In the same year the total number of motor claims reported to insurers was just under 4 million of which it is estimated that 3.77 million related to motor accident claims according to a report by Snapshots International. This total equates to an average 10,325 accidents per day.

The Group does not market its services direct to motorists on a general basis given that there are approximately 32.3 million registered vehicles in the UK of which approximately 11 per cent. will have an accident in any one year. This volume of vehicles would make it difficult to target marketing activities specifically to those motorists who may be involved in an accident. Instead the Group's marketing is targeted to those parties who are most likely to be contacted by a motorist immediately following an accident.

The Board believes that following an accident the parties likely to be called for immediate assistance include the insurance broker or the insurance company from whom the motorist purchased insurance, the motor dealer from whom the motorist purchased the vehicle, or the vehicle repairing body shop that the motorist contacts to effect repairs to his vehicle.

The Group has historically focussed its marketing efforts on prestige motor dealerships as a significant proportion of prestige vehicle drivers are believed by the Board to contact their dealership for assistance following an accident. More recently, the Group has extended its service direct to vehicle manufacturers and has marketed its service offering direct to existing customers of the motor dealerships with whom the Group has a relationship. This service comprises the provision of a “contact card” that is designed to be placed within the vehicle giving details of the telephone number to be dialled should the motorist decide he would like to turn direct to the vehicle manufacturer or dealership for support following an accident, thereby increasing the proportion of non-fault drivers likely to be referred to the Group.

The Board estimates that the total number of non-fault accidents in the UK is in the range of 1.0 million to 1.7 million per annum. If each non-fault party was provided a replacement vehicle in the 1.7 million incidents detailed above, then based on a rental tariff of £27 per day (the ABI GTA rate for a 1400 cc rental car) and an average repair and consequent rental period of 19 days, the UK’s gross annual cost for non-fault credit hire alone would be up to approximately £872 million. Euromonitor International estimated, in 2002, that the entire UK market for car rental was then worth £571.7 million (excluding credit hire).

Accidents where the non-fault motorist was driving a prestige car represent a niche section of the potential market. The Board estimates that prestige vehicles represent between approximately 9.0 per cent. and 15.0 per cent. of the UK vehicle market and therefore estimate the maximum size of the prestige market to represent between 420 and 700 non-fault accidents per day. Based on an average rental period of 19 days this would represent a maximum annual market of between 2.9 million and 4.8 million rental days per annum. In the year ended 30 April 2006, the Group recorded rental days of 404,000. Accordingly, the Directors believe the potential for the Group’s continued growth in the prestige market alone remains high.

Accident Exchange does encounter competition in the prestige sector but the Directors believe that the Group has differentiated itself from its competitors by providing a high level of customer service to both its referring partners and to the non-fault party to the accident from an operational platform that delivers high levels of commercial efficiency. The fleet utilisation achieved by Accident Exchange, for example, is considered by the Directors to be higher than the average industry utilisation. Very little competition comes from the ‘high street’ car hire companies presently and based on their understanding of the market size, the Directors do not believe that this potential competition represents a substantial threat to achieving their objectives of further growth.

The primary competition for prestige vehicle referrals from automotive dealers and manufacturers referral comes from Swift Limited, a private company acquired by fully listed group Helphire Group Plc (“Helphire”) in September 2005, and Drive Assist UK Limited, a private company that has relationships with some prestige automotive dealership groups and manufacturers. The Board believes that the majority of the revenues derived by Helphire, and Drive Assist UK Limited are derived from the provision of mainstream vehicles where the referral sources comprise vehicle repairers, insurance brokers and more recently insurance companies themselves, rather than exclusively motor dealerships or vehicle manufacturers.

Other competitors include Bristol and London PLC, an AIM listed group that specialises in the prestige sector and Ai Claims Solutions PLC, an AIM listed company that focuses on referrals from insurance companies.

The Group does provide mainstream vehicles as its referral sources have requested that it extends the provision of its services to those of their dealerships that specialise in mainstream vehicles. The Group intends to continue its penetration of the larger mainstream market mainly via extending its service to mainstream dealerships and manufacturers and by commencing discussions with insurers themselves as, in the Directors’ opinion, insurers come to recognise the value of providing mobility solutions to their non-fault customers.

The Group’s growth since the AIM Admission has been wholly organic save for the acquisition on 5 May 2006 of DCML for a maximum consideration of £12 million. DCML is a provider of software and courtesy car insurance to motor dealerships and manufacturers, and its operations are described more fully in paragraph 5 below.

5. Company Operations

As at 30 September 2006, the Group employed 446 full-time members of staff located within its headquarters near Birmingham and its distribution centres in Warrington and Glasgow. From these locations, Accident Exchange operates a fleet of more than 3,000 primarily prestige vehicles from marques including Aston Martin, Audi, Bentley, BMW, Ferrari, Jaguar, Land Rover, Lexus, Lotus, Mercedes Benz, Rolls Royce, Saab, Porsche and Volvo as well as a number of mainstream and commercial vehicles and motor cycles.

Once a request is made for assistance after an accident, details are taken from the potential client by a staff member and an outline of the circumstances surrounding the accident and the resulting damage are assessed. At this point enquiries commence with the at-fault party or his/her insurer. Witnesses may be spoken to and statements obtained; road conditions and road layouts may be reviewed using provided images to allow the assessor to reconstruct the accident circumstances if necessary. The police may be contacted where further enquiries appear appropriate.

The Directors consider that Accident Exchange has developed effective procedures and processes which include a range of computer based applications to aid in the decision making and assessment process. By responding to a series of questions, these programmes allow staff to assess and resolve legal, mitigation and liability issues in a uniform, consistent and efficient manner to ensure that they only accept and approve referrals arising from accidents where liability can clearly be attributed to the third party and where there is an identified third party insurer against whom a claim can be pursued.

Only when Accident Exchange is satisfied that the potential client making the request for a replacement vehicle appears not to be at fault and has a need for a replacement vehicle and that the at-fault party is insured, will Accident Exchange allocate an appropriate vehicle, enter into a credit hire agreement with the non-fault party and deliver a vehicle. The hire costs are then included and sought to be recovered as part of the client's overall insurance claim and the client makes no upfront or ongoing payment. The decision to provide a vehicle is at Accident Exchange's discretion and it bears the commercial risks associated with the transaction.

Accident Exchange adheres to the protocols stipulated in the ABI GTA. This states that the at-fault driver's insurer is notified of the claim as soon as reasonably practical. Admission of liability (where liability is not disputed) usually follows within days of the claim being intimated to the third party insurer as part of those protocols.

The vast majority of those cases taken on by Accident Exchange involve either ABI insurers who are subscribers to the ABI GTA or with insurers who are not subscribers to the ABI GTA but who have informally agreed to honour the ABI GTA as if they were subscribers. Only a small percentage of cases involve insurers with no agreed protocols and these usually comprise foreign insurers or self-insuring organisations.

In circumstances where the client was injured or if he has a more complex claim to pursue, then Accident Exchange may refer additional services sought by the claimants to its panel of approved solicitors. Accident Exchange places a high emphasis on the quality of service delivered to both its rental clients and its referral partners and it solicits feedback from both relating to the level of service delivered by Accident Exchange.

Accident Exchange may also arrange for the repairs to be effected on the client's vehicle and will promptly settle the repair invoice with the repairing body shop in return for a prompt payment settlement discount. The Group then recovers the full repair bill from the at-fault party's insurer. More recently, this 'credit repair' business has been associated with an increasing proportion of credit hire transactions.

Accident Exchange's entire back office administration and operational process is geared towards optimising the revenue and profitability from each vehicle. Return on fleet investment is a key consideration to Accident Exchange given that profitability is a direct consequence of the number of cases approved, the length of the ensuing hire period and the average hire rate of vehicles per day. The utilisation rate of Accident Exchange's vehicle fleet is high. Typically it runs at over 70 per cent., which the Directors believe is higher than the industry average. As at 30 September 2006, the Group had a total fleet size of 3,077 vehicles comprising mainstream, 4x4, people carrier, prestige saloon, prestige sports, luxury, vans and commercial vehicle categories and spread across three operational depots in Glasgow, Warrington and Coleshill. Utilisation rates over the year to 30 April 2006 and over the summer months from 1 May 2006 to 30 September 2006 appear in the table below:

12 months ending 30 April 2006

<i>Vehicle type</i>	<i>Utilisation rate</i>
Prestige	74 per cent.
Mainstream	87 per cent.

5 months ending 30 September 2006

<i>Vehicle type</i>	<i>Utilisation rate</i>
Prestige	67 per cent.
Mainstream	83 per cent.

DCML Limited

On 5 May 2006 the Group acquired DCML Limited for a maximum consideration of £12 million. DCML provides a software platform which allows motor retailers and vehicle manufacturers to operate and control a fleet of their own courtesy cars using a web based application available to their vehicle servicing advisors. The software enables the dealer to charge a fee for the use of its courtesy cars which includes the provision of insurance to their customer whilst the courtesy car is in use. The Directors believe that the operational benefits to dealers who use DCML are significant and that the system also allows the dealer to generate a revenue stream from the operation of that fleet.

DCML has over 1,000 contracted franchised dealers using its product at more than 1,200 geographic locations in the UK. The synergies between the Group and DCML allow the marketing of two differing services to those non-overlapping dealers. DCML also has manufacturer relationships including with BMW, Chrysler Jeep, Jaguar and Peugeot, enabling these manufacturers to manage and insure courtesy vehicles and to run demonstration and test programmes through their dealer networks.

Regulation

The conduct of general insurance business became subject to regulation by the FSA in January 2005. Accident Exchange Group Plc and Accident Exchange Limited are both authorised by the FSA specifically because Accident Exchange Limited is involved in the mediation of general insurance claims on behalf of its clients which is a regulated activity. Both Accident Exchange Group Plc and Accident Exchange Limited are authorised to the extent of being able to advise commercial and retail clients on investments (except on pension transfers and pension opt outs), arranging (bringing about) deals in investments, assisting in the administration and performance of a contract of insurance, dealing in investments as agents and making arrangements with a view to transactions investments.

The Group uses this authorisation to the extent that it acts on behalf of commercial and retail clients following their involvement, as the non negligent party, in a road traffic accident. Acting on behalf of the non fault party, the Group will negotiate the issue of liability for the accident with the insurer of the fault party. It will then agree settlement with that insurer of the client's uninsured loss claim which will include the hire charges incurred by the client and for which the Company has provided credit together with any other head of loss advised to the Company by the client; these other heads of loss may include the recovery of the client's policy excess or the cost of repairs to their damaged vehicle.

6. Sales and marketing

Accident Exchange's current business has three principal referral sources: car dealerships, body shops and contract hire and leasing companies. In addition, Accident Exchange has relationships with a number of vehicle manufacturers who encourage or endorse their services to their dealer community. Sources of business refer claims to Accident Exchange when they receive notification that one of their customers has been in an accident. It is at this point that Accident Exchange then makes contact with the potential client.

The Board believes that the Group's business model has been successful because the referrer of each client (and particularly motor dealerships and manufacturers) acknowledges that their client is going to be provided with a mobility solution whilst the client's car is being repaired and that ordinarily, the client should not have to pay the associated hire costs as these will be recovered from the at fault insurer. The referring partner is therefore providing a high level of service to the client and is reinforcing its brand quality and, the Directors

believe, the referrer should then be better positioned to receive repeat business from their client either when that client, in time, decides to purchase a new vehicle or when their vehicle next requires a service. Additionally, the referring partner benefits by the receipt of commission payments from Accident Exchange (paid at variable rates but ordinarily linked to the value of the rental transaction recovered from the at fault insurer) and because the Group sources the majority of its vehicle fleet from its referring motor dealership partners who therefore benefit from new car sales to the Group.

The credit hire sector is unusual in that each transaction involves a number of parties. Clients are typically introduced to the CHO by a referral source who receives an introductory commission and yet payment for the credit hire is usually received from the insurance company of the party at fault. However, it is the client who (i) enters into the credit hire agreement, (ii) has the benefit of the use of the hire car and (iii) remains the person legally responsible for the payment of the credit hire charges should the insurer legitimately refuse to pay. Accident Exchange's marketing policy has focused on building long-term relationships with business referrers with a view to increasing the level of referrals provided. Accident Exchange has a good relationship with a number of leading dealership groups, including Inchcape and Lookers. The Group has also developed relationships with a number of motor manufacturers, including BMW and Audi, to sponsor the Group's services into the manufacturers' dealer networks. The knowledge that, wherever possible, the client will be provided with a vehicle of the same brand incentivises manufacturers and dealerships to refer their customers to Accident Exchange, as they know that the driver is not driving a competitor marque while their vehicle is being repaired.

The Board acknowledges that not all drivers involved in an accident will contact their motor dealership for assistance in the first instance. A proportion of drivers will contact their insurance company or broker rather than the dealership. However the Board estimates that approximately half of prestige drivers will contact their dealership for assistance following an accident because the drivers of prestige vehicles associate the dealership with having the required expertise to better repair their vehicle. Acknowledging that not all drivers will contact the dealership, since April 2005 the Group has extended its distribution opportunity by providing accident management services to dealers 24 hours a day, 365 days a year. By undertaking a dealer or manufacturer branded marketing campaign using dealer-personalised marketing material that enrolls the dealer or manufacturer's customers into the accident management programme – allowing them access to a dedicated call centre if they are involved in an accident – the opportunity to interact with accident victims immediately following an accident is increased. For instance, the client is provided with a membership pack which is branded in the dealer or manufacturers' identity and carries a personalised telephone number (typically on the car's key fob or displayed on the inside of the windshield), which is answered by the Group in the name of the dealer. The call centre is operated by Accident Exchange staff who undertake much of the administration including the management of the accident process, recovery of damaged vehicles, involvement of insurers, the provision of estimates, approval of repairs and the supply of a replacement vehicle. The Directors believe that this service has allowed the Group to increase the level of referrals from participating dealers and has also strengthened relationships with dealers by embedding Accident Exchange's service within their customer relationship management process.

The Group has focussed considerable effort on building relationships with insurance companies, both to negotiate and agree the settlement of individual claims more efficiently and, more recently, with a view to providing vehicle rental services to their clients directly in the future.

7. People and location

The Group's staff headcount at 30 April 2006 was 363 (up from 133 a year earlier) and stood at 446 on 30 September 2006 comprising 11 operational board members, 248 sales and administration staff and 187 individuals involved in the maintenance or transportation of vehicles. The operational leadership team, now numbering 11, reflects the delivery resource requirements of the Group's head office and satellite distribution centres, the continuing expansion of the sales, support and collections team and the acquisition of DCML. The Directors believe that the capacity to recruit and develop people against a functional and cultural profile and then to train and integrate them into the Group's business is fundamental to continued success. The Group has recently established a recruitment, induction, learning and development team, which recruited and trained over 200 people during the year to 30 April 2006, as well providing personal development resources

for existing employees. The Board is in the process of recruiting a Chief Operating Officer to help strengthen further the senior management team.

The Group has recently moved into a new headquarters building. The building is fully operational for fleet operations and certain administrative, sales support and marketing activities and consists of approximately 220,000 square feet of floor space. It will be fitted internally with an incremental 70,000 square feet of office accommodation occupying three floors, retaining nearly 200,000 square feet of available vehicle floor space. This is zoned into 30 vehicle preparation bays, a vehicle reception area for the receipt and preparation of new vehicle deliveries before they join the fleet, a “SMART” repair area for vehicles which suffer minor damage whilst on hire, a vehicle disposal area for the preparation of vehicles to be sold or returned at the end of their life and an area for vehicle storage and parking.

8. Business strategy

Accident Exchange has the following strategic objectives:

- to continue to invest in its people, systems and process to retain and extend its competitive position;
- to continue to position the Group as a supplier of services to motor vehicle accident victims in cooperation with insurers, contract hire and leasing companies, vehicle manufacturers, dealers and larger motor dealer groups and whilst serving this broader audience to broaden the fleet mix; and
- to identify and generate additional revenue streams from the development of new insurance-related products – including those provided by DCML – with the aim of reducing the cost of claim handling within the insurance industry.

9. Directors and senior management

David Allistair Galloway, *Non-Executive Chairman, aged 61*

David Galloway FCA, has 30 years’ experience in the automotive and support services sectors. He was Managing Director of Lex Vehicle Leasing Ltd and Lex Industrial Services, and a director of RAC plc. He is currently a non-executive director of Speedy Hire plc, Carter & Carter Group plc and May Gurney Integrated Services plc. He chairs the Nomination Committee of the Board.

Stephen Anthony Evans, *Chief Executive Officer, aged 47*

Steve Evans is the founder and Chief Executive of the Group. He was formerly Chief Executive of Accident Assistance Limited, which specialised in handling insurance claims on behalf of the victims of road traffic accidents. He is also a former Group Marketing Director of the United Kenning Rental Group. Steve has 21 years’ commercial experience in developing fast growth entrepreneurial businesses with a key focus on technology, automotive, claim handling and customer service delivery. In 2003, Steve was listed in the AM Power List as one of the hundred people that Automotive Management believed would drive change in the automotive industry.

Martin John Andrews, *ACA, Group Finance Director, aged 43*

Martin Andrews joined Accident Exchange in November 2004 from Diagonal Plc, where he was instrumental in its successful acquisition by Morse in August 2004. Prior to this Martin was finance director of Protagonia Plc, an international customer relationship management software company listed on the Official List, where he helped the company grow substantially in headcount and revenue terms. Prior to that he was with County NatWest Corporate Finance and Price Waterhouse where he qualified as an accountant.

David John Lees, *ACA, Non-Executive Director, aged 59*

David Lees is a Chartered Accountant who qualified in Australia with KPMG. He has extensive experience in the management and promotion of public companies having raised significant funds as a co-founder of Griffiths Brothers Limited, Medeva Plc, Flare Group Plc and Skyepharma Plc. He is currently chairman of

Deal Group Media Plc, Metis Biotechnologies Plc, Network Estates Limited and NamesCo Limited as well as being finance director of Triple Plate Junction Plc. He chairs the Audit Committee of the Board.

Graham Kemble Stanley, *Non-Executive Director, aged 55*

Graham Stanley spent nearly 33 years working in the asset finance arm of HBOS plc. The last 19 years were devoted to heading a team specifically focussed upon developing specialised wholesale funding packages and products for use by large vehicle fleet operators in the corporate, contract hire, daily rental, credit hire, car manufacturer and major dealer group sectors. Until recently he was a Director of Bank of Scotland Vehicle Finance with experience of financing around 120,000 vehicles per annum. He is now a consultant to several companies and specialises in vehicle fleet funding and leasing. He chairs the Remuneration Committee of the Board.

Senior management (“Senior Managers”)

Martin Bramwell, *Chief Information Officer, Accident Exchange Limited, aged 40*

Martin Bramwell has 17 years commercial experience gained in the IT and insurance industries, and in local government. He has a particular focus on IT in growing businesses and was previously in charge of technology at Accident Assistance. He has attained a Master’s degree in the commercial application of computing and is both a Chartered IT Professional and a Member of the British Computer Society.

Tim Eaves, *Corporate Sales Director, Accident Exchange Limited, aged 55*

Tim Eaves joined Accident Exchange in June 2005. Tim was formally Sales and Marketing Director of Kenning Car and Van Rental Ltd, a subsidiary of the United Kenning Rental Group, and helped develop and grow their core vehicle rental offerings substantially. He is a former founding Director of the United Rental Group Ltd, a start up business that successfully developed a unique franchising system within the automotive sector, and prior to that, was UK Sales and Marketing Director of Europcar, an international vehicle rental company.

Liz Fisher, *Sales Development Director, Accident Exchange Limited, aged 43*

Liz Fisher joined Accident Exchange in October 2003 as Development Director having previously held the position of National Account Manager at Bristol and London PLC. Prior to this Liz held senior positions with 3 Arrows and Accident Assistance, where she was instrumental in developing the prestige market for credit hire. Her key focus within Accident Exchange has been customer relationship management within the prestige dealer network, providing profit maximising solutions together with retaining relationships with key manufacturers and dealer groups.

Alistair Horsburgh, *Commercial Director, Accident Exchange Limited, aged 39*

Alistair Horsburgh joined Accident Exchange in November 2004 as Commercial Director having previously held the position of Managing Director at Dane County Ltd which was successfully sold to Arnold Clark Automobiles. Alistair has over 20 years’ experience, specialising in sales, marketing, motor trade web technology and brokering solutions between motor manufacturers and car dealerships.

Nikki Pickering, *Finance Director, Accident Exchange Limited, aged 30*

Nikki Pickering is Finance Director of Accident Exchange Limited, having joined the Group in March 2004. Prior to this Nikki was an Audit Manager in a firm of Chartered Accountants where she was responsible for the financial reporting and forecasting of Accident Exchange following its incorporation and prior to her joining the Group. As Finance Director of Accident Exchange Limited, Nikki is instrumental in building its finance team and implementing its financial systems, procedures and controls.

Vince Powell, *Managing Director, DCML Limited, aged 27*

Vince Powell, who became Managing Director of DCML in September 2006, joined the company in November 2001 after graduating from university and has been instrumental in DCML’s growth. Prior to this,

Vince gained 15 months' commercial experience at BT's Research and Development centre in Ipswich as part of his degree course. In 2005 Vince was identified as one of Britain's young Entrepreneurs by Who's Who and as such was labeled as one of the UK's prominent future business leaders.

Rod Seel, Managing Director – Transport, Accident Exchange Limited, aged 37

Rod Seel joined Accident Exchange at its inception and initially ran both the internal sales department and the logistics operation. As the company has grown, Rod has focused on managing the Transport function which spans the Group's three branches. Prior to this Rod was Regional Manger of a large packaging company with responsibilities for two regional depots.

Jean Wood, Human Resources Director, Accident Exchange Limited, aged 47

Jean Wood joined Accident Exchange in January 2006 from Certegy Inc. where she was responsible for the Human Resource requirements across its European operations. Prior to this, Jean held Human Resources Manager positions with BMG (a division of Bertelsmann AG), the Martin James Group and Road Chef where she completed her CIPD Post Graduate in Personnel and Development. She is a graduate of Queen's University Belfast.

Lee Woodley, Claims Settlement Director, Accident Exchange Limited, aged 37

Lee Woodley joined Accident Exchange in June 2003 having worked for the Group as a consultant since June 2002. He was appointed Claims Settlement Director in May 2005. Lee has 19 years experience in the automotive sector, initially in the vehicle repair industry. He then moved into the credit hire industry in which he has spent the majority of his career, seven years of which were spent with Accident Assistance Limited where he had responsibility for managing the claims recovery and litigation units and for developing operational quality.

10. Summary financial information

Unless otherwise indicated, the following financial information has been extracted or derived without material adjustment from the financial information in Sections B and D of Part VI of this Prospectus and summarises the trading record of the Group for the three financial years ended 30 April 2006. Investors should read fully the text of this Prospectus and not rely solely on this summary in making an investment decision.

Trading performance

	<i>UK GAAP</i>		<i>IFRS</i>	
	<i>years ended</i>		<i>years ended</i>	
	<i>30 April</i>		<i>30 April</i>	
	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover ¹ /Revenue ²	4,123	22,418	22,418	61,415
Gross profit	2,773	12,815	12,815	28,734
Operating profit	1,333	7,721	8,323	20,419
Adjustments				
Amortisation of goodwill	25	656	–	–
Profit on disposal of property	–	–	–	(2,600)
Adjusted operating profit ³	1,358	8,377	8,323	17,819
Adjusted operating profit margin	32.9%	37.4%	37.1%	29.0%

1 Turnover as stated in the UK GAAP historical financial information.

2 Revenue as stated in the IFRS historical financial information.

3 Adjusted operating profit is the operating profit before amortisation of goodwill and profit on disposal of property.

Cash flows

	<i>UK GAAP</i> <i>years ended</i> <i>30 April</i>	
	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	78	5,552
Returns on investments and servicing of finance	(245)	(1,016)
Taxation	–	(81)
Capital expenditure and financial investment	(160)	673
Acquisitions	(413)	–
Equity dividends paid	–	(309)
Net cash (outflow)/inflow before use of liquid resources and financing	(740)	4,819
Management of liquid resources	338	–
Net cash inflow/(outflow) from financing	807	(5,158)
Increase/(decrease) in net cash	405	(339)

	<i>IFRS</i> <i>years ended</i> <i>30 April¹</i>	
	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	4,455	1,432
Net cash inflow from investing activities	673	8,175
Net cash used in financing activities	(5,467)	(16,055)
Net decrease in cash and cash equivalents	(339)	(6,448)
Cash and cash equivalents at start of year	322	(17)
Cash and cash equivalents at end of year	(17)	(6,465)

1 IFRS cash flow is presented separately to the UK GAAP cash flow due to different presentational requirements of the respective Accounting Standards.

11. Reasons for moving to the Official List

The AIM Admission provided the appropriate means of access to the equity financing the Group required at that stage in its development. Since then, the Group has grown rapidly and as such the Directors believe that a move to the senior market of the London Stock Exchange is now appropriate. In addition, the Directors believe that due to the higher number of institutional investors who regularly trade in companies admitted to the Official List and the higher profile of such companies, the Company will be better placed to achieve improved liquidity in the Ordinary Shares when they are admitted to the Official List and to trading on the London Stock Exchange.

12. Current trading and Prospects

The Group's business is considered by the Board to be seasonal in nature with the darker, wetter winter months (October through March) historically showing an uplift in trading levels due to increased accident rates and longer repair periods, and hence longer hire periods per accident.

Hire starts per week and monthly rental days through the summer months have nevertheless been in excess of the levels experienced in the last quarter of the last financial year (to 30 April 2006) and together with the recently announced account wins (for example Audi, European Motor Holdings and Lookers), will add to business activity levels as the underlying dealer base from those account wins is fully rolled out during the Autumn and beyond. The Board believes that the Group will benefit materially from an uplift in hire start activity in the second half of the financial year. In anticipation of this, the Group's infrastructure, personnel resource and fleet has all continued to be expanded in the first half of the current financial year.

Hire starts in the three months to 31 August 2006 were 6,462, up 12 per cent. on the 5,755 hire starts in the three months to 30 April 2006 despite that period benefiting from the seasonal issues referred to above. Similarly rental days in the same period were 141,000, again up 12 per cent. on 126,000 in the quarter ended 30 April 2006. July 2006, traditionally the quietest month in the year, was a record month for the Group in terms of claims generated and hire starts. Hire starts and rental day numbers for the Group continued to be strong in September and October.

Headcount as at 30 September 2006 stood at 446 people (30 April 2006: 363), total fleet stood at 3,077 (30 April 2006: 2,767) and referring dealers stood at 640 (30 April 2006: 566) in addition to which a further 280 dealers have been contracted recently but have yet to make referrals to the Group.

The Board is confident that the market opportunity for credit hire is still at an early stage of penetration.

The Group has historically focussed on the prestige sector of the market and the Board feels that recent account wins with major dealership groups and manufacturers, where the agreements are entered into for up to two years' duration, demonstrates that these parties are becoming increasingly aware of the market opportunity and of the mutual benefits that can arise when they partner with a CHO such as the Group.

The Group has also moved into the mainstream market via recent dealership account wins and through the contract hire and leasing relationships that it is beginning to win. Since the start of the current financial year, in addition to other account wins, new two-year contracts have been announced with two major motor dealerships which have an aggregate of 143 dealer locations, 16 bodyshops and 450,000 customers. In addition, the Group has announced a manufacturer relationship with Audi for credit hire. These recent dealership account wins will help the Group expand into the larger 'mainstream' market for credit hire.

The Group has always expected the insurance sector itself to respond eventually to the customer service benefits of providing credit hire based mobility solutions to their clients and the Board recognises that several insurers have already commenced relationships with rival CHO's. This is a market the Group is actively exploring and will pursue in the future.

In October 2006, the Group raised £12.5 million (net of expenses) via a placing of four million new Ordinary Shares. The placing strengthened the Group's balance sheet and increased flexibility to pursue the Group's stated growth strategy.

The Board is therefore confident of a material increase in full year trading levels as compared to last year with the main benefit expected to be observed in the second half of the current financial year.

13. Corporate governance

The Directors recognise the value and importance of high standards of corporate governance, whilst taking into account the size and nature of the Group. Following Admission, the Company will comply with the provisions of the Combined Code and related guidance in all material ways save that the letters of appointment of each of the non-executive directors, being David Galloway, David Lees and Graham Stanley do not provide for them to be appointed on fixed terms as the Company has not considered this appropriate whilst it has been listed on AIM. The letters of appointment will be reviewed post Admission.

The corporate governance framework includes terms of reference for the audit, nomination and remuneration committees of the Board, a schedule of matters reserved for the Board and a statement of the division of responsibilities between the Chairman and the Chief Executive Officer of the Company.

Audit Committee

The Audit Committee currently comprises David Galloway, David Lees and Graham Stanley. David Lees chairs the committee. Its responsibilities include adopting appropriate accounting policies, monitoring the integrity of the Company's financial statements, reviewing the effectiveness of the Company's internal controls and risk management systems, reviewing whistleblowing arrangements, overseeing the relationship with the external auditor and reviewing the scope and results of audits. The audit committee is expected to meet not less than four times a year.

Nomination Committee

The Nomination Committee currently comprises Steve Evans, David Galloway, David Lees and Graham Stanley. David Galloway chairs the committee. Its responsibilities include reviewing the structure, size and composition of the Board, reviewing succession plans for the Directors, and making recommendations to the Board on membership of the Board and of its committees. The nomination committee is expected to meet not less than twice a year.

Remuneration Committee

The Remuneration Committee currently comprises David Galloway, David Lees and Graham Stanley, who chairs the committee. Its responsibilities include agreeing with the Board the policy for the remuneration of the Chairman, the executive Directors and other senior executives and determining the individual remuneration packages of the Chairman and executive Directors. The remuneration committee is expected to meet not less than twice a year.

To enable the Directors to discharge their duties, the principles of good boardroom practice require that each of them be provided with accurate, timely and clear information. In addition, every Director and every committee has the authority to seek information from any Group director or employee and to obtain independent professional advice.

14. Risk factors

Before investing in Ordinary Shares, prospective investors should consider, together with the information contained in this Prospectus, the factors and risks attaching to an investment in the Company including, in particular, the risk factors set out in Part II of this Prospectus.

15. The Deferred Shares

At the time of the acquisition of Accident Exchange Limited in April 2004, the Company reorganised its share capital, resulting in the creation of 12,514,000 Deferred Shares. Pursuant to the authority given to the Company by Shareholders at the 2006 annual general meeting of the Company held on 20 July 2006, the Company purchased the Deferred Shares for an aggregate consideration of £1 and accordingly there are no longer any Deferred Shares in issue, albeit they still currently form part of the Company's authorised share capital. The Deferred Shares will not be listed on any market or exchange.

16. Taxation

Further information on United Kingdom taxation with regard to certain holders of Ordinary Shares is set out in the paragraph entitled "United Kingdom Taxation" in paragraph 18 of Part VII of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

17. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles of Association of the Company permit the holding of Ordinary Shares under the CREST system. The Company's Ordinary Shares were admitted to CREST on the date of the AIM Admission.

Accordingly, settlement of transactions of the Ordinary Shares following Admission may take place with CREST if any Shareholder wishes. However, CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain certificates will be able to do so.

PART V

OPERATING AND FINANCIAL REVIEW

1. Introduction

This operating and financial review contains financial information stated under UK GAAP for the two years ended 30 April 2004 and 2005, and financial information stated under IFRS for the two years ended 30 April 2005 and 2006. The basis of preparation of this financial information is described in section 3.1 below.

Investors should not rely solely on the summary information contained in this Part V in making an investment decision, but instead, should read the whole of this Prospectus and use the financial information contained in this Part V as reference only.

The Group will be required to apply IFRS in its published consolidated financial statements following admission to the Official List. In any event the Board anticipates that IFRS will be applied with effect from its half year results for the period to 31 October 2006.

2. Business Model

Overview

Accident Exchange operates a core business model which currently revolves around winning and then developing relationships principally with prestige franchise dealers, dealer groups and vehicle manufacturers. In turn, these referral sources introduce the Group to those of their customers who need a replacement vehicle because their own has been damaged in an accident and for which someone else was to blame.

The Group provides a high percentage of these referred customers with a hire car whilst their own car is not usable. Subsequently, the charges incurred are recovered from the insurer of the at-fault party. The growth in the referral base and the increasing number of dealers, dealer groups and manufacturers with whom the Group works supports an increasing penetration in this area.

Primary relationships have been with automotive dealerships for prestige vehicles

The Group's primary source of referrals has been from the prestige automotive dealership sector. The Board believes that, particularly within the prestige vehicle sector, a significant proportion of vehicle owners involved in accidents will, in the first instance, contact their dealership for assistance following an accident because they associate the dealer as having the required expertise to repair their vehicle properly. The Directors believe that the likelihood of this type of action is increased by the Group's use of Accident Management products that embed the Group's presence more deeply in a dealership's client base.

The Group pays commission to dealers and other referrers based on the revenue derived from placing vehicles on hire with their customers. In addition to paying them commission, the Group also purchases vehicles from dealers, linked to their referral volumes and the Group's growth expectations. Vehicles are placed on hire where the Group believes that the client's non-fault status can be proved.

The Board believes that the Group's service standards are extremely high, facilitated by the investment made in technology within the Group. For example, if notification of a non-fault accident is received, and the non-fault party vehicle is not legally safe to drive, the Group's internal systems should enable the delivery of a car of equivalent brand and model within hours. The vast majority of the Group's vehicles are less than two years old and are valeted before personal delivery by a team of experienced drivers direct to the location of choice of the non-fault party.

The Group's referring dealerships therefore benefit not only from the two income streams of commissions plus vehicle purchases by the Group, but also from the enhanced customer loyalty derived from the provision of a high quality and efficient service offering delivered by the Group, albeit that it appears to the non-fault party that these services are being provided by the dealer. The dealer is therefore well positioned to reap the

rewards of this quality service over the long term as the enhanced customer loyalty is reflected in repeat purchase and service revenues when its customer renews or services his vehicle.

Enhanced customer loyalty driving manufacturer interest in sponsoring the Group's service offering to their dealer base

During 2006 the Group has focussed on developing relationships at manufacturer level and has recently launched its first manufacturer sponsored accident management service in conjunction with Audi UK.

This is important for the Group because for the first time a manufacturer will be requesting the whole of its UK dealer network to commence using its recommended bespoke accident management service handled exclusively by the Group.

Extending solution to provide a generic accident management service

Automotive dealers are increasingly recognising the benefits of customer satisfaction associated with assisting their customers when they have had an accident. During the past 18 months, in conjunction with its dealer partners, the Group has proactively contacted customers on the dealers' behalf, sending them details of an accident management service. The Group provides the dealers' customers with a contact card containing details that they can use to call for assistance if they are unfortunate enough to be involved in an accident.

This service provides assistance regardless of whether the customer was responsible for the accident. In those circumstances where the customer was at fault, the vehicle will still be recovered to the dealership for repair and a courtesy car (though not necessarily of a like-for-like variety) will be provided for the first 48 hours after the accident while the fault customer sources a longer term solution to maintaining mobility. The dealer benefits from enhanced customer loyalty provided to a wider proportion of their customer base and the Group benefits from a higher proportion of their customers contacting the Group as their first port of call, thereby increasing the number of non-fault parties to whom the Group can offer the like-for-like replacement service for the duration of the repair period.

Moving into mainstream vehicles as referrer profile changes and expands

The Group has recently expanded its service to the provision of mainstream vehicles as it responds to requests from its dealer partners to extend its service to their non prestige dealerships. The Group's service standards for its mainstream fleet are equivalent to those of its prestige fleet. This move into mainstream vehicles also results from new relationships more recently with a number of contract hire and leasing companies who have substantial fleet volumes under their management.

Focussing on application of technology

The Board considers that the Group remains focussed on the use of technology as the cornerstone of its strategic vision. Technology has been a major contributor to the Group's operational efficiency and financial success. However, in 2005 (the last year for which statistics are available) the insurance industry incurred costs of some £370 million managing and resolving motor claims¹. In the medium term, the Group remains focussed on the opportunity to apply technology to the motor claims supply chain to deliver cost savings and efficiency gains to the UK insurance industry. The Board believes that the recent acquisition of DCML is the first step towards delivery against that strategy.

Future development of performance

The Board believes that the Group is innovative in its ability to lead the provision of high service standards in the provision of accident management services to the automotive and, in the medium term, to the insurance sectors direct.

The Group depends on the insurer paying the costs associated with the non-fault party maintaining mobility in a like-for-like replacement vehicle whilst their own vehicle is repaired. This right is enshrined in case law as insurers and credit hire operators tested the legal framework associated with the legal right to mobility.

1. Source: *Claims management in UK General Insurance 2005; Datamonitor; December 2005.*

Relationships with insurers have improved on these issues over the last decade with the development of the GTA. Further details of recent consultation between insurers and CHO's, and a copy of the GTA, can be obtained from the website www.abi.org.uk.

The Group maintains high standards internally and only takes on credit hire opportunities in cases where it believes it can prove non-fault status. As such, once a case is taken on, recovery of the rental charges is pursued regardless of the timeframe involved. The Group recovers payment from the insurer, but these payment periods can be protracted depending on the individual circumstances of each case and there can be no absolute certainty that the Group will be able to prove non-fault status to facilitate full recovery of the charges. This is reflected in the standards that are applied by the Group before a party is provided with a vehicle (which state that in such circumstances, the client driver will be responsible for the outstanding costs), within the Group's revenue recognition assumptions and in the way the balance sheet is structured so as to be able to finance long working capital periods.

The Board believes that the Group, through its growing referral base and operational capabilities, is well placed to take advantage of opportunities for continued growth.

3. Financial Information

3.1. Basis of preparation

As noted in section 1 of this Part V, this operating and financial review contains financial information stated under UK GAAP for the two years ended 30 April 2004 and 2005, and financial information stated under IFRS for the two years ended 30 April 2005 and 2006.

As is highlighted in note 33 to the IFRS historical financial information in Section D of Part VI, other than the cessation of goodwill amortisation under IFRS, there are no material differences between the financial information reviewed herein under UK GAAP compared to IFRS. Consequently the comments included in this operating and financial review apply equally to the UK GAAP and IFRS financial information.

3.2. Key accounting policies

Details of all key accounting policies adopted in the preparation of the UK GAAP and IFRS results, balance sheets and cash flow statements are set out in full in Sections B and D respectively of Part VI.

3.3. Historical Profit and Loss Accounts

The Group has grown significantly over the past three years with revenue and profit before tax (after eliminating goodwill amortisation) for the year ended 30 April 2004 rising from £4.1 million and £1.1 million respectively to £61.4 million and £18.5 million respectively for the year ended 30 April 2006. Earnings per share increased from 1.2 pence per share to 19.9 pence per share over the same period.

This growth reflects the Group's success in winning and then developing relationships with prestige franchise dealers, dealer groups and manufacturers, and more recently with contract hire companies. From a standing start in 2002, the number of referral sources grew to more than 550 at 30 April 2006 and, as a result, the number of rental days grew to 404,000 during the year ended 30 April 2006.

A summary of the trading results for the Group for the three years ended 30 April 2006 is set out below:

Summary Profit & Loss Accounts/Income Statements

Years ended 30 April

	UK GAAP		IFRS	
	2004	2005	2005	2006
	£'000	£'000	£'000	£'000
Turnover – continuing operations	4,123	22,418	22,418	61,415
Cost of sales	(1,350)	(9,603)	(9,603)	(32,681)
Gross profit	2,773	12,815	12,815	28,734
Gross margin (%)	67.3%	57.2%	57.2%	46.8%
Administrative expenses before goodwill amortisation and profit on disposal of property				
Goodwill amortisation	(25)	(656)	–	–
Profit on disposal of property	–	–	–	2,600
Total administrative expenses	(1,440)	(5,094)	(4,492)	(8,315)
Operating profit	1,333	7,721	8,323	20,419
Finance charges	(245)	(1,016)	(1,016)	(1,912)
Profit before taxation	1,088	6,705	7,307	18,507
Tax	(374)	(2,241)	(2,222)	(5,680)
Profit after taxation	714	4,464	5,085	12,827
Earnings per ordinary share (diluted)	1.2p	7.2p	8.2p	19.9p
Headcount – closing	62	133	133	363
Total Fleet	250	961	961	2,767
Rental Days	not reported	161,000	161,000	404,000
Referring Dealer Partners	not reported	293	293	566

Revenue

Revenue is derived from the Group's principal activity of providing accident management and other solutions to the automotive and insurance related sectors in the UK.

The Group's primary day to day operation is the credit hire of "like-for-like" prestige vehicles to the non-fault parties of motor vehicle accidents. The non-fault party is entitled to recover the costs of maintaining mobility from the insurer of the fault party to the accident and Accident Exchange perform this task on their behalf thereby recovering the rental charge.

The growth in revenues from £4.1 million in the year ended 30 April 2004 to £61.4 million in the year ended 30 April 2006 reflects the Group's success in winning and then developing relationships with prestige franchise dealers, dealer groups and manufacturers. These relationships can be of an exclusive and contracted nature for periods of up to two years. Whilst the revenue derived from these referrers is not of a recurring nature, in so far as the volume of non-fault accident victims contacting the referrer on a day by day basis will vary, the growth in these sources of referral has driven continuous increase during the period in the number of cases referred to the Group and therefore, growth in the number of vehicles placed on hire and the number of rental days invoiced.

Credit hire rental income is ordinarily pursued from the insurer of the fault party within the terms of the ABI GTA or some other bilateral agreement on an insurer by insurer basis. The ABI GTA sets out, inter alia, the agreed daily rental charge for the specific replacement vehicle provided to the non-fault party. Rent is charged for the whole of the period that the non-fault party's vehicle is off the road being repaired. The rate paid by the insurer depends on the type of vehicle and the promptness of payment by them.

As examples of the daily rentals chargeable under the GTA, a Ford Focus LX 1.6 litre currently has a day rate of £35.10, an Audi 2.0 litre TDi SE has a day rate of £83, a BMW 5 series 525 diesel has a day rate of £155 per day and a Porsche 911 C2S has a day rate of £310 per day, all assuming payment is remitted by the insurer within 30 days.

The Group has focused historically on “prestige” vehicles (reflecting the brands sold by the underlying referring motor dealerships with whom the Group has relationships) although during the year ended 30 April 2006, the Group’s success in winning relationships with a number of major dealer groups and contract hire companies led to an increase in ‘mainstream’ vehicle hires. Whilst it is not an exhaustive list, “prestige” brands would include those such as Aston Martin, Audi, Bentley, BMW, Ferrari, Jaguar, Land Rover, Lexus, Lotus, Mercedes Benz, Rolls Royce, Saab, Porsche and Volvo.

The GTA day rates effectively represent the day rates available to insurers if they remit payment within 30 days. Should payment not be made in that timeframe the insurer foregoes a 7.5 per cent. settlement discount after 30 days and again at 60 days, and the initial day rate payable becomes commensurately higher.

This process of increasing charges was agreed under the GTA as a mechanism for providing insurers with agreed, and arguably discounted, day rates for vehicles in exchange, *inter alia*, for their commitment to prompt payment.

Where insurers do not take advantage of reducing their effective day rate by making payment promptly the discounted day rates are replaced at day 91 with a commercial spot rate for the vehicle.

The financial penalty that is therefore “self imposed” on the insurer by them not making payment by day 91 are transparent. After day 91 there are reduced tangible financial benefits to the insurer for remitting payment and a consequence of this is that the Group can experience an extended debtor day period, the working capital requirements of which need to be funded by the Group.

The cash flow and balance sheet consequences of this are addressed later in this Part V.

Revenue Recognition

The Group recognises revenue from day one of the rental period at amounts designed to estimate the total amount receivable for each hire transaction. This process involves estimating both the amount of prompt settlement discount that will attach to each hire and furthermore by estimating the amount of any additional settlement discount that may be agreed by the Group prior to payment being received from the insurer.

In certain circumstances, the Group also organises the repair of the vehicle on behalf of the non-fault party. This can involve the Group making payment for the repair to the repairing body shop and the Group undertaking to recover the repair bill from the at-fault insurer. The Group will deduct from the payment to the body shop an early settlement discount which was historically 5 per cent. but can now be between 5 per cent. and 10 per cent. depending on the speed with which the body shop requests payment. Payment is normally made within 30 days of receipt of the repair bill. The Group recovers the repair bill from the insurer and accounts for this as revenue. Payments made to the body shops are accounted for within cost of sales.

The accounting policy which summarises the treatments explained above is as follows:

“Credit hire and repair income, and income derived from other accident management activities, is recognised, net of VAT, as that which is estimated as receivable on transactions which have been completed during the year, together with an appropriate proportion of estimated receivable income in respect of hires and work in progress at the year end. The rates used are based on daily charges for particular categories of vehicles and are accrued on a daily basis by claim”.

Gross margin influencers

Gross profit growth during the period reflects revenue growth. The dilution of gross margin from 67.3 per cent. for year ended 30 April 2004 to 46.8 per cent. for year ended 30 April 2006 is a function of changes in the level of cost of sales, fleet utilisation, fleet mix and growth in credit repair revenue.

Items expensed through cost of sales include commissions payable to referrers of non-fault accidents (predominately motor dealerships and in the year to 30 April 2006 commissions totalled £8.7m), depreciation or contract hire rental charges on the fleet, fleet expenses, cleaning and valeting costs and the delivery and collection charges associated with each rental transaction (the latter two costs being predominately the salary costs of the Group's own employees).

The Group endeavours to maximise fleet utilisation and targets in excess of 70 per cent. Utilisation rates obtained in each of the last three years have reduced as the expansion of the business and the opening of fleet depots in Warrington and Glasgow has required the fleet mix to be balanced across more than one location. The increase in headcount and fleet during year ended 30 April 2006 put particular pressure on operational efficiency and the Board believes that margins will benefit from the re-establishment of all of the Group's departments and principal fleet operation being back under one roof when the fit out of the newly obtained HQ, "Alpha 1" is completed toward the end of this calendar year.

Overheads

Overheads include, *inter alia*, the salary costs of all departmental headcount including directors (but excluding valeters and drivers), premises costs (rent, rates, security, telephones), marketing costs, profits and losses on the disposal of fleet and legal and professional costs. Marketing costs have increased more recently reflecting the launch of the Accident Management initiative whereby the Group pro actively contacts the underlying customer base of participating dealerships, giving them an opportunity to enrol into a service which offers assistance following an accident regardless of non-fault status. The growth in overheads during the three year period reflects the increased operational infrastructure that is required to deliver incremental levels of business. Overheads, before goodwill amortisation and profit on disposal of property, have reduced from 34 per cent. of sales during the year ended 30 April 2004 to 18 per cent. of sales during the year ended 30 April 2006, which reflects the semi-fixed nature of these costs that are principally employee and premises related.

Profit on disposal of property

This item relates to the sale of the headquarters and distribution centre, Alpha 1. The Group contracted to purchase the property for £14.2m following an offer to sell it to a third party for £17.6m. This was concluded and the profit, net of expenses, is reflected in the profit and loss account, with the cash proceeds received in the year being shown in the cashflow statement. Proceeds of £3.1m, being the profit plus VAT, were held in escrow at 30 April 2006 and were received post year end. Cotermious with the sale, the Group entered into a lease with the new owner at an annual commercial market rate.

Finance charges

Interest charges include bank interest on loans and overdrafts, and interest on the Group's hire purchase agreements (the majority of the Group's vehicle fleet is financed on hire purchase with a financial structure for each vehicle comprising a 10 per cent. deposit, a 50 per cent. assumed capital balloon repayable after 24 months, and the balance of 40 per cent. of the capital cost for the vehicle being repaid over 23 equal instalments). The growth in the interest charge principally reflects growth from 170 hire purchased vehicles at 30 April 2004 to 2,523 hire purchased vehicles at 30 April 2006.

3.4. *Historical Balance Sheets*

A summary of the balance sheets for the Group for the three years ended 30 April 2006, which has been extracted without material adjustment from the UK GAAP and IFRS historical financial information in Part VI, is set out below:

Summary Balance Sheets

As at 30 April

	<i>UK GAAP</i>	
	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Fixed assets		
Intangible fixed assets	13,053	12,562
Tangible fixed assets	4,337	16,413
	<u>17,390</u>	<u>28,975</u>
Current assets		
Debtors	2,941	12,272
Cash at bank and in hand	322	–
	<u>3,263</u>	<u>12,272</u>
Creditors: amounts falling due within one year	(2,580)	(9,119)
Net current assets	<u>683</u>	<u>3,153</u>
Total assets less current liabilities	18,073	32,128
Creditors: amounts falling due after more than one year	(2,815)	(12,009)
Provisions for liabilities and charges	(295)	(936)
Net assets	<u>14,963</u>	<u>19,183</u>
Capital and reserves		
Called up share capital	3,707	3,713
Share premium account	2,913	410
Other reserves	10,846	10,846
Profit and loss account	(2,503)	4,214
Total equity shareholders' funds	<u>14,963</u>	<u>19,183</u>

<i>As at 30 April</i>	IFRS	
	2005	2006
	£'000	£'000
Assets		
Non-current assets		
Goodwill	13,053	13,053
Intangible assets	165	124
Property, plant and equipment	16,413	49,448
	<u>29,631</u>	<u>62,625</u>
Current assets		
Claims in progress	2,382	12,402
Trade and other receivables	9,890	32,588
	<u>12,272</u>	<u>44,990</u>
Non-current assets held for sale	–	2,858
	<u>12,272</u>	<u>47,848</u>
Total assets	<u>41,903</u>	<u>110,473</u>
Liabilities		
Current liabilities		
Financial liabilities – borrowings	(5,340)	(24,037)
Trade and other payables	(2,213)	(5,597)
Current tax liabilities – corporation tax	(1,636)	(2,045)
	<u>(9,189)</u>	<u>(31,679)</u>
Net current assets	<u>3,083</u>	<u>16,169</u>
Non-current liabilities		
Financial liabilities – borrowings	(12,009)	(36,668)
Deferred tax liabilities	(912)	(2,769)
	<u>(12,921)</u>	<u>(39,437)</u>
Total liabilities	<u>(22,110)</u>	<u>(71,116)</u>
Net assets	<u>19,793</u>	<u>39,357</u>
Shareholders' equity		
Share capital	3,713	3,887
Share premium account	410	7,959
Other reserves	10,846	10,846
Retained earnings	4,824	16,665
Total shareholders' equity	<u>19,793</u>	<u>39,357</u>

Intangible non-current assets

These principally comprise the goodwill that arose on the acquisition of Accident Exchange Limited by Accident Exchange Group Plc. The amounts shown under IFRS are higher than shown under UK GAAP principally because, under IFRS, goodwill remains as stated under UK GAAP as at 1 May 2004 (the date of transition to IFRS) and is not subject to amortisation, whereas the UK GAAP amounts are net of amortisation.

Tangible non-current assets

These comprise principally of the motor vehicle fleet of the Group which stood at 2,767 vehicles as at 30 April 2006, up from 961 and 250 as at each of the two previous year ends. The majority of vehicles are purchased using hire purchase agreements, as described earlier. The increase in tangible fixed assets is therefore matched broadly by an increase in hire purchase creditors which are disclosed within both creditors due within and after more than one year. Motor vehicles are depreciated at rates designed to match expected residual values after two years, this being reflected in a depreciation rate of 20 per cent. per annum. The vehicles are capitalised at the VAT exclusive cost of the vehicle, with the VAT being reclaimed.

Non-current assets held for sale reflects the value of motor vehicles earmarked for disposal as at the balance sheet date.

Investments

The Group's only investments are the investments made by Accident Exchange Group Plc in its subsidiary companies and as explained in the intangible non-current assets paragraph above. Since 30 April 2006 the Company has acquired DCML Limited for a maximum consideration of £12 million. Further details of this investment are given in note 31 to the IFRS historical financial information in Section D of Part VI.

The Group has held cash balances on deposit within the year ended 30 April 2006 following the issue of shares in June 2005 that raised £7.7 million net of expenses. The Group held no current asset investments at any of the three balance sheet dates for each of the three years ending 30 April 2006.

Current assets

The principal asset within Current assets is trade debtors and claims in progress reflecting amounts outstanding from credit hire and credit repair transactions. In line with both increasing revenues and an increase in the level of outstanding invoiced debtor days, trade debtors and claims in progress have increased over the three years to 30 April 2006 from £2.7 million to £11.8 million and £39.1 million respectively. Of the latter amount credit repair trade debtors comprised £3.5 million up from £266,000 million the year before. This increase in credit repair trade debtors is expected to continue during the current financial year having risen from a nil base in the year ended 30 April 2004 to reflecting approximately 37 per cent. of hire starts in September 2006.

Current and non-current liabilities

These comprise principally of the hire purchase creditors outstanding in relation to the vehicle fleet and overdraft levels. It should be noted that the hire purchase creditor includes the VAT element of the vehicle cost. By financing the VAT, the Group benefits from the cash flow of being able to reclaim the VAT as a net cash inflow.

The cash flows and balances of the Group are discussed below.

Other major creditor items include trade creditors (£2.6 million as at 30 April 2006) and corporation tax liabilities (£2.0 million as at 30 April 2006). The Group started paying corporation tax quarterly on account during the year ended 30 April 2006.

The small difference between current liabilities under UK GAAP and IFRS results from inclusion of a holiday pay accrual under the latter.

Provisions for liabilities and charges

These comprise exclusively deferred tax provisions. The Group's effective tax rate has fallen from 33.6 per cent. to 30.4 per cent. and 30.7 per cent. (when measured on PBT before goodwill amortisation) over the three years ended 30 April 2006 respectively. The Group is able to claim first year allowances in full on the vehicle fleet acquired in the year and hence the deferred tax provision has risen from £0.3 million to £0.9 million and £2.8 million over the three years to 30 April 2006 respectively.

Capital and reserves

The reduction in the share premium account during year ended 30 April 2005 principally reflects Court approval being granted for the reduction of the share premium account by £2.6 million, which was transferred to the profit and loss account reserves on 24 September 2004.

A share placing of 3,478,261 new ordinary shares was undertaken in June 2005 at a price of £2.30 per share, raising £7.7 million after expenses of £0.3 million. The premium of £7.5 million was credited to the Company's share premium account.

3.5. *Historical Cash Flows*

Whilst the Group had a net cash inflow in the year ending 30 April 2004, it has had a net cash outflow over the two years ending 30 April 2006 as follows:

Summary Cash Flow Statements

Years ended 30 April

	<i>UK GAAP</i>	
	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	78	5,552
Returns on investments and servicing of finance		
Interest received	2	2
Interest paid on bank loans and overdrafts	(21)	(39)
Interest element of finance lease payments	(226)	(979)
Net cash outflow from returns on investments and servicing of finance	(245)	(1,016)
Taxation	–	(81)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(435)	(314)
Proceeds from disposal of fixed assets	275	987
Net cash (outflow)/inflow from capital expenditure and financial investment	(160)	673
Acquisitions		
Purchase of subsidiary undertakings	(413)	–
Net cash outflow from acquisitions	(413)	–
Equity dividends paid	–	(309)
Net cash (outflow)/inflow before use of liquid resources and financing	(740)	4,819
Management of liquid resources		
Proceeds from sale of current asset investment	338	–
Net cash inflow from management of liquid resources	338	–
Financing		
Capital element of finance lease agreements	(501)	(5,158)
Issue of shares	1,500	–
Share issue costs	(192)	–
Net cash inflow/(outflow) from financing	807	(5,158)
Increase/(decrease) in cash	405	(339)

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

<i>Years ended 30 April</i>	UK GAAP	
	2004 £'000	2005 £'000
Operating profit	1,333	7,721
Amortisation of goodwill	25	656
Amortisation of intangible assets	–	41
Depreciation	578	2,412
(Profit) on disposal of investments	(18)	–
Loss on sale of tangible fixed assets	12	20
Increase in debtors	(2,545)	(6,446)
Increase in creditors	693	1,148
Net cash inflow from operating activities	<u>78</u>	<u>5,552</u>
<i>Years ended 30 April</i>	IFRS	
	2005 £'000	2006 £'000
Cash flows from operating activities		
Cash generated from operations	5,552	6,729
Interest received	2	119
Interest paid on bank loans and overdrafts	(39)	(47)
Interest element of finance lease payments	(979)	(1,984)
Tax paid	(81)	(3,385)
Net cash inflow from operating activities	<u>4,455</u>	<u>1,432</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(314)	(1,274)
Proceeds from sale of property	–	688
Proceeds from sale of plant and equipment	987	8,761
Net cash inflow from investing activities	<u>673</u>	<u>8,175</u>
Cash flows from financing activities		
Issue of ordinary share capital	–	8,000
Share issue costs	–	(277)
Capital element of finance lease payments	(5,158)	(22,473)
Dividends paid to shareholders	(309)	(1,305)
Net cash used in financing activities	<u>(5,467)</u>	<u>(16,055)</u>
Net decrease in cash and cash equivalents	(339)	(6,448)
Cash and cash equivalents at 1 May	322	(17)
Cash and cash equivalents at 30 April	<u>(17)</u>	<u>(6,465)</u>

Reconciliation of net profit to cash generated from operations

<i>Years ended 30 April</i>	<i>IFRS</i>	
	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Net profit	5,085	12,827
Adjustments for:		
Tax	2,222	5,680
Depreciation	2,412	7,563
Loss/(Profit) on disposal of property, plant and equipment	20	(2,601)
Amortisation of intangibles	41	41
Non cash employee benefit expense – share based payments	10	290
Interest income	(2)	(118)
Interest expense	1,018	2,030
Changes in working capital:		
Increase in trade and other receivables	(4,560)	(11,064)
Increase in claims in progress	(1,886)	(10,020)
Increase in payables	1,192	2,101
Cash generated from operations	5,552	6,729

Net cash inflow from operating activities is lower than operating profit primarily as a consequence of the working capital consumption into credit hire and credit repair debtors and claims in progress. This consumption reflects both increased revenue and increased invoiced debtor day periods. The overall debtor increase has been offset by the receipt of £8.9 million in the year ended 30 April 2006 of VAT reclaimed on the purchase of vehicles (2005: £2.7 million and 2004: £0.7 million).

The only significant difference between UK GAAP and IFRS is the absence of goodwill amortisation deducted in arriving at operating profit under IFRS, and therefore the absence of any add-back.

Increase in debtors

The receipt of payment from insurers is dependent on the timeframes they take before effecting payment. As mentioned above, there are financial incentives in place under the GTA whereby insurers can obtain prompt payment discount if payment is initiated within 90 days. After this period there is no financial benefit to the insurer of effecting payment sooner rather than later. Ultimately the insurer will pay in order to avoid the additional costs of defending a litigated pursuit for payment from the Group.

The Board is of the view that where insurers struggle to make timely payment of the Group's payment demands, this is generally because of inefficiencies in their back office and administration processes. These issues prevent the insurer from benefiting from the discounts available to them should they have been able to remit payment within 30, 60 or 90 days. The Board also believes that insurers will over time allocate increasing resources to remitting payment against the Group's claims as the scale of the Group's operations have increased materially over the last three years and now merit specific attention by insurers.

This has most recently been demonstrated by the settlement agreement reached with a major UK insurer whereby a bulk settlement agreement was reached over 1,653 claims outstanding with that insurer. This agreement was reached with senior management within that insurer and avoided both them and the Group continuing what would otherwise have been a time consuming and administratively burdensome process of pursuing each claim on a case by case basis, most often with different personnel from the insurer being contacted for each claim.

The Board believes that it has recently strengthened its own personnel and infrastructure resources such that it is able to undertake the administration burden of pursuing each claim individually, and the Group is also resourcing itself such that it can robustly commence legal collection processes against each individual insurer of each claim that remains outstanding in excess of 150 days.

Increase in creditors

The Group pays the majority of its creditors reasonably quickly and as the majority of the Group's overheads are people or property related the Group has minimal flexibility to offset working capital consumption in debtors by matching it against a corresponding increase in creditors (in line with growth) or via the extension of the payment periods of its liabilities.

Vehicle purchases and disposals

Other than working capital consumption into debtors, the major cash flows centre around the financing of the vehicle fleet. The effect of acquiring vehicles on hire purchase terms is shown under 'Financing' in the cash flow statements above. The capital element of finance lease payments comprise the 10 per cent. deposits, the balloon payments payable when either the vehicle reaches 2 years old or more commonly the balance of the hire purchase creditor outstanding as at disposal of the vehicle, and the "normal" monthly payments payable on each financed vehicle. In addition to capital payments, 'Returns on Investment and Servicing of Finance' includes hire purchase interest payable monthly on the outstanding capital creditor. 'Proceeds from sale of plant and equipment' principally results from the sale proceeds of vehicles.

The net cash outflows of all of these fleet related items (including the VAT reclaimed on each vehicle addition) resulted in a net cash inflow of £0.3 million in the year ended 30 April 2004 and net cash outflows of £2.4 million and £6.8 million in the years ended 30 April 2005 and 2006 respectively.

Capital expenditure

Purchase of property, plant and equipment relates principally to computer equipment and fixtures and fittings. The proceeds from the sale of property relate to the purchase and immediate sale and leaseback of the Group's headquarters and distribution centre, Alpha 1, which is discussed more fully in section 3.3 above. Cashflows arising from vehicle disposals are discussed above.

Issue of ordinary share capital

On 16 April 2004 60,229,500, Ordinary Shares were issued at 25p per share, 6,000,000 by way of a placing for cash and 54,229,500 as part consideration for the acquisition of Accident Exchange Limited. The acquisition shares were accounted for at nominal value in the Company in accordance with section 131 of the Act. The premium of £1.2 million was credited to the share premium account.

As noted above, a share placing of 3,478,261 new Ordinary Shares was undertaken in June 2005 at a price of £2.30, raising £7.7 million after expenses of £0.3 million. The premium of £7.5 million was credited to the share premium account.

Other cashflows

Other cash flows involve the Group's acquisition of Accident Exchange Limited and disposal of listed investments during year ended 30 April 2004, and payment of overdraft interest, taxation liabilities and dividends. During 2006 the Group commenced the payment of corporation tax on a quarterly payment in advance basis as well as remitting the liability for the year ended 30 April 2005.

The Board intends to pursue a progressive dividend policy bearing in mind the cash consumptive nature of the Group particularly during times of rapid growth.

4. Capital resources, liquidity and indebtedness

4.1 Capital resources

The net cash flow movements for the three years resulted in the following year end cash/(overdraft) and net debt balances, the latter reflecting the following gearing levels:

<i>As at 30 April</i>	<i>UK GAAP</i>		<i>IFRS</i>	
	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash/(overdraft)	322	(17)	(17)	(6,465)
Hire purchase obligations	(4,266)	(17,332)	(17,332)	(54,240)
Net debt	<u>(3,944)</u>	<u>(17,349)</u>	<u>(17,349)</u>	<u>(60,705)</u>
Share capital and reserves	14,963	19,183	19,793	39,357
Gearing	26%	90%	88%	154%
Interest cover (times)	<u>5.4</u>	<u>7.6</u>	<u>8.2</u>	<u>10.7</u>

Net cash/(overdraft)

The Group is reasonably young having been formed in 2001 and commenced trading in 2002. The Group has gradually increased its overdraft facilities over the last three years, reflecting the growth in its level of business, and as at 30 April 2006 overdraft facilities stood at £7 million (up from £2.8 million the year before).

Since 30 April 2006 the Group's bank facilities have been extended materially and now comprise total three year rolling credit facilities ("RCF") of £20.0 million from a combination of two banking sources. The Group has covenants in place on the RCF whereby the borrowing level must be less than the aggregate of 60 per cent. of debtors aged under 120 days. This level of facility has increased materially from the year end where borrowing levels were restricted to 50 per cent. of debtors aged less than 90 days.

The RCF is also subject to covenants that (i) limit the amount of net debt relative to profitability; (ii) specify maximum gearing ratios; (iii) require a level of interest cover to be maintained; and (iv) require the Group to achieve at least 65 per cent. utilisation of its revenue generating fleet.

As at 30 September 2006 the Group is not committed to any future investments or capital expenditure plans that will require it to raise funds, other than the acquisition of vehicles under finance lease arrangements in its normal course of business and the satisfaction of the deferred consideration relating to the acquisition of DCML.

Hire purchase obligations

The gearing level predominately reflects the strategy of financing the vehicle fleet through the use of hire purchase facilities. Hire purchase facilities totalled £137.5 million as at 30 April 2006 and were therefore 40 per cent. utilised.

Share capital and reserves

Share capital and reserves at 30 April 2006 consists of share capital and associated share premium of £11.8 million, Other reserves of £10.8 million that arose upon the acquisition of Accident Exchange Limited by Accident Exchange Group Plc and retained profits of £16.7 million.

Since 30 April 2006 the Group has raised £13.0 million before costs (£12.5 million net) through a placing of 4 million new Ordinary Shares at a price of £3.25 per Ordinary Share, which were admitted to trading on AIM on 4 October 2006. This placing has strengthened the Group's balance sheet and increased the Group's flexibility to pursue its stated growth strategy. The net proceeds of the placing have been applied to reduce the net borrowings of the Company and for general corporate purposes.

Bank loan

As is mentioned in note 31 – Post balance sheet events in Section D of Part VI the Group acquired DCML on 5 May 2006 for a maximum total consideration of £12 million. £8 million of initial consideration was satisfied as to £5 million in cash and £3 million by the issue of 721,587 Ordinary Shares (issued at 415.75p per Ordinary Share). The cash consideration was financed by the inception of a six year £5 million term loan. The balance of £4 million is payable as deferred consideration dependent on the attainment of revenue targets in the period to 31 December 2006.

The deferred consideration is payable at the Group's option by the issue of equity or the issue of loan notes.

Borrowing costs

The Group's borrowing costs are currently 1.25 per cent. above LIBOR for the RCF for utilisation of that facility up to £15.0 million and 1.75 per cent. above LIBOR for utilisations that take aggregate borrowing under the facility above £15.0 million. The Group's weighted average borrowing cost under its hire purchase facilities averaged 6.03 per cent. during the year ended 30 April 2006.

Borrowing requirements

As at 30 September 2006 the Group is not committed to any future investments or capital expenditure plans that will require it to raise funds, other than the acquisition of vehicles under finance lease arrangements in its normal course of business.

Restrictions on use of capital resources

The Group is not subject to any material restrictions over the use of its capital resources other than the facility limits and covenants outlined above.

4.2 *Liquidity*

The Group's gearing has increased during the three years ended 30 April 2006 to 154 per cent., reflecting the acquisition of motor vehicles under hire purchase arrangements and the working capital investment consequent from the significant growth seen in levels of business. As noted above, however, the Group has recently strengthened its balance sheet through the placing of 4.0 million shares raising net proceeds of £12.5 million.

Interest cover has increased during the period as operating profit growth has increased at a significantly greater rate than interest charges, reflecting the semi-fixed nature of the Group's overhead cost base.

5. Qualitative disclosures about financial risks

The Group's operations expose it to a number of financial risks that include liquidity issues, interest rate management, credit risk and pricing risks on both purchases and on the charges made for hire.

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Directors are implemented by the finance department.

5.1 Liquidity risk

The Group actively forecasts, manages and reports upon its working capital requirements on a regular basis to ensure it has sufficient funds for its operations. The timing of the receipt of funds from the insurer of the party from whom recovery of rental charges is made is uncertain and can be protracted. This is the primary financial risk covered by the Group's financial risk management process and underpins the Director's financing strategies.

5.2 *Credit risk*

The Group recovers its charges from the insurer of the fault party to the associated accident. As such, the Group's customers are well known UK based regulated insurance companies. No credit insurance is taken out given the nature of these entities. Where cash is placed on deposit, the Group has used only UK based clearing banks for such purposes. Hire purchase debt finance is obtained from a variety of lenders, ranging from highly rated financial institutions to vehicle manufacturer related finance houses. All institutions utilised by the Group require the advance approval of the Board. Since 30 April 2006, the Group has entered into a loan with its clearing bank for the purposes of acquiring DCML.

5.3 *Interest rate management*

The Group has in place a policy of minimising finance charges on overdraft balances through the monitoring and offsetting of cash balances across the Group and by forecasting and financing its working capital requirements. As at 30 April 2006 the Group had net debt of £60.7 million (2005: £17.3 million) of which £6.5 million (2005: £17,000) related to bank overdraft and the remainder to hire purchase facilities associated with the purchase of vehicles.

The Group had interest bearing assets for part of the year ended 30 April 2006 and at that date had interest bearing liabilities. Interest bearing assets consisted of short and medium term deposits which were placed on fixed rate deposits and cash balances which earned interest at variable rates.

For the majority of the year ended 30 April 2006 the Group's hire purchase borrowings were financed on variable rate agreements. Given the growth of the Group and the increasing size of hire purchase borrowings the Board reviewed the appropriateness of this policy and has now refinanced the majority of the hire purchase debt on fixed rate terms.

5.4 *Price risk*

The majority of the Group's cost base reflects the acquisition and financing costs of its vehicles, fuel and repair costs, property rental and salary costs. No costs are incurred that the Director's consider would be appropriate for the Group to hedge with financial instruments, subject to the comments made above on interest rate management. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

The rental charges applied to each vehicle are enshrined within the GTA as explained and described elsewhere in this Prospectus.

6. Transition to IFRS

As highlighted in note 33 to the IFRS historical financial information in Section D of Part VI, other than the cessation of goodwill amortisation under IFRS, there are no material differences between the Group's financial statements prepared under IFRS compared to its financial statements prepared under UK GAAP.

The Group will be required to apply IFRS in its published consolidated financial statements should its application for admission to the Official List be successful. In any event the Board anticipates that IFRS will be applied with effect from its half year results for the period to 31 October 2006. The Group does not anticipate any material impact on its operations as a result of adopting IFRS.

PART VI

FINANCIAL INFORMATION ON THE GROUP

SECTION A – ACCOUNTANTS’ REPORT ON UK GAAP HISTORICAL FINANCIAL
INFORMATION RELATING TO ACCIDENT EXCHANGE GROUP PLC FOR THE TWO
YEARS ENDED 30 APRIL 2005



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26 October 2006

Dear Sirs

Accident Exchange Group Plc

We report on the financial information of Accident Exchange Group Plc as at and for the years ended 30 April 2004 and 30 April 2005 as set out in Section B of this Part VI (the “UK GAAP financial information”). This UK GAAP financial information has been prepared for inclusion in the Prospectus dated 26 October 2006 of Accident Exchange Group Plc (the “Prospectus”) on the basis of the accounting policies set out in the principal accounting policies and basis of preparation of the UK GAAP financial information. This report is required by item 20.1 of Annex 1 of the PD regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of Accident Exchange Group Plc are responsible for preparing the UK GAAP financial information on the basis set out in the principal accounting policies and basis of preparation and in accordance with generally accepted accounting principles in the UK.

It is our responsibility to form an opinion on the UK GAAP financial information as to whether the UK GAAP financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and save for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and

will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the UK GAAP financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the UK GAAP financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 UK GAAP financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the UK GAAP financial information gives, for the purposes of the Prospectus dated 26 October 2006, a true and fair view of the state of affairs of Accident Exchange Group Plc as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in the principal accounting policies and basis of preparation and in accordance with generally accepted accounting principles in the UK as described in the principal accounting policies and basis of preparation to the UK GAAP financial information.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B – UK GAAP HISTORICAL FINANCIAL INFORMATION

The UK GAAP historical financial information for the two years ended 30 April 2005 as set out below has been prepared by the Directors on the basis set out in the principal accounting policies and basis of preparation.

Combined and consolidated profit and loss accounts

		<i>Year ended</i> 30 April 2004 £'000	<i>Year ended</i> 30 April 2005 £'000
Turnover	1	4,123	22,418
Cost of sales		(1,350)	(9,603)
Gross profit		2,773	12,815
Administrative expenses		(1,440)	(5,094)
Operating profit before amortisation of goodwill		1,358	8,377
Amortisation of goodwill		(25)	(656)
Operating profit		1,333	7,721
Net interest payable	2	(245)	(1,016)
Profit on ordinary activities before taxation	1	1,088	6,705
Tax on profit on ordinary activities	4	(374)	(2,241)
Profit on ordinary activities after taxation		714	4,464
Equity dividends	5	–	(309)
Profit on ordinary activities for the year		714	4,155
Basic and diluted earnings per share	6	1.2p	7.2p

The reported results relate to continuing operations.

There were no recognised gains or losses other than the profit for the financial years and therefore no separate Statement of Total Recognised Gains and Losses is presented.

There is no difference between the reported profit on ordinary activities before tax and the historical cost profit on ordinary activities before tax.

Combined and consolidated balance sheets

		<i>As at</i> <i>30 April</i> <i>2004</i> <i>£'000</i>	<i>As at</i> <i>30 April</i> <i>2005</i> <i>£'000</i>
	<i>Note</i>		
Fixed assets			
Intangible fixed assets	7	13,053	12,562
Tangible fixed assets	9	4,337	16,413
		<u>17,390</u>	<u>28,975</u>
Current assets			
Debtors	10	2,941	12,272
Cash at bank and in hand		322	–
		<u>3,263</u>	<u>12,272</u>
Creditors: amounts falling due within one year	11	<u>(2,580)</u>	<u>(9,119)</u>
Net current assets		<u>683</u>	<u>3,153</u>
Total assets less current liabilities		18,073	32,128
Creditors: amounts falling due after more than one year	12	(2,815)	(12,009)
Provisions for liabilities and charges	13	<u>(295)</u>	<u>(936)</u>
Net assets		<u>14,963</u>	<u>19,183</u>
Capital and reserves			
Called up share capital	15	3,707	3,713
Share premium account	16	2,913	410
Other reserves	16	10,846	10,846
Profit and loss account	17	<u>(2,503)</u>	<u>4,214</u>
Total equity shareholders' funds	18	<u>14,963</u>	<u>19,183</u>

Combined and consolidated cash flow statements

		<i>Year ended</i> 30 April 2004 £'000	<i>Year ended</i> 30 April 2005 £'000
Net cash inflow from operating activities	21	78	5,552
Returns on investments and servicing of finance			
Interest received		2	2
Interest paid on bank loans and overdrafts		(21)	(39)
Interest element of finance lease payments		(226)	(979)
Net cash outflow from returns on investments and servicing of finance		(245)	(1,016)
Taxation		–	(81)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(435)	(314)
Proceeds from disposal of fixed assets		275	987
Net cash (outflow)/inflow from capital expenditure and financial investment		(160)	673
Acquisitions			
Purchase of subsidiary undertakings		(413)	–
Net cash outflow from acquisitions		(413)	–
Equity dividends paid		–	(309)
Net cash (outflow)/inflow before use of liquid resources and financing		(740)	4,819
Management of liquid resources			
Proceeds from sale of current asset investment		338	–
Net cash inflow from management of liquid resources		338	–
Financing			
Capital element of finance lease agreements		(501)	(5,158)
Issue of shares		1,500	–
Share issue costs		(192)	–
Net cash inflow/(outflow) from financing		807	(5,158)
Increase/(decrease) in cash	22	405	(339)

Principal accounting policies and basis of preparation

Basis of accounting

The financial information is prepared on the going concern basis, under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently to both the years presented, are set out below.

Corporate history

The principal activity of Accident Exchange Group Plc (the “Company”) and its subsidiaries (together the “Group”) is the delivery of accident management and other solutions to the automotive and insurance related sectors. This principally involves the provision of cars on credit hire to motorists involved in accidents where they are not at fault – the Group then recovering its hire charges from the insurer of the “at-fault” driver. This business is carried on by the Company’s principal subsidiary, Accident Exchange Limited.

Accident Exchange Limited was incorporated in January 2001 and commenced trading in May 2002. On 16 April 2004, Accident Exchange Group Plc, a company listed on AIM (until then named XecutiveResearch Group Plc) acquired the entire issued share capital of Accident Exchange Limited for a total consideration of £14.0m (the “Acquisition”). From 17 March 2003 to the date of the Acquisition, XecutiveResearch Group Plc was a non trading shell company, having allowed its only subsidiary, XecutiveResearch Limited, to go into liquidation on that date.

The combined and consolidated financial information of the Group represents the following:

Year ended 30 April 2004

The combined and consolidated information for the year ended 30 April 2004 has been prepared as follows:

- for the period from 1 May 2003 to 16 April 2004, the financial information of Accident Exchange Limited has been aggregated with the financial information of Accident Exchange Group Plc (previously XecutiveResearch Group Plc)
- from the date of acquisition, the financial information is the consolidated financial information of the Group.

Year ended 30 April 2005

The consolidated financial information for the year ended 30 April 2005 is the consolidated results of Accident Exchange Group Plc for the year ended 30 April 2005.

Accounting policies

The principal accounting policies that have been applied in the preparation of this financial information are as follows:

(a) *Combination and consolidation*

The combined and consolidated financial information includes the consolidated financial statements of the companies described in note 1. Acquisitions have been accounted for under acquisition accounting rules, except that, as described above, the results and cashflows of the business acquired on 16 April 2004 have been included for the full financial year as if it had always been part of the Group rather than from its date of acquisition. The results of DCML acquired on 5 May 2006, have not been consolidated in this financial information.

(b) *Revenue recognition*

Credit hire and repair income, and income derived from other accident management activities, is recognised, net of VAT, as that which is estimated receivable on transactions which have been completed during the year, together with an appropriate proportion of estimated receivable income in

respect of hires and work in progress at the year end. The rates used are based on daily charges for particular categories of vehicles and are accrued on a daily basis by claim.

Credit repair revenues were accounted for on an agency basis in the UK GAAP statutory accounts during the years ended 30 April 2004 and 2005, with the net margin being credited to revenue. As a result of the recent increased scale of credit repair revenues, and having conducted a detailed review of the risks and rewards of this revenue stream, the Directors are now of the opinion that the Group acts as Principal in its credit repair relationships. The Group's credit repair revenue recognition policy has therefore been changed so that credit repair revenues and the associated cost of sale are recognised gross.

This resulted in an uplift to both revenue and cost of sales of £738,000 for the year ended 30 April 2005 (2004: £nil).

(c) *Claims in progress*

Amounts recoverable on claims in progress, which are included in debtors, are stated as the net claim value after estimated allowances for amounts considered irrecoverable less amounts received as interim payments on account.

(d) *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by annual instalments over the shorter of their expected useful economic lives and the lease term. The rates generally applicable are:

Computer equipment	–	33% straight line
Plant, fixtures and fittings	–	25% straight line
Motor vehicles	–	20% straight line

(e) *Intangible fixed assets and amortisation*

Intangible fixed assets are stated at cost less amortisation. Intangible fixed assets are written off over their estimated useful economic life. Prior to the transfer of items from tangible fixed assets to intangible fixed assets which occurred in 2005, such items were depreciated at 33% straight line. In 2005 this was re-assessed resulting in the assets being reclassified and their useful economic life, from the date of transfer, re-assessed. The rates used for the amortisation of the acquired software and other intangible assets is 20% straight line based on the net book value at the date of this reclassification.

(f) *Goodwill*

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised over its useful economic life. Provision is made for any impairment.

(g) *Leased assets*

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over the shorter of their expected useful economic lives and the lease term. The interest element of lease payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

(h) *Deferred taxation*

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred

by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date. Where assets and liabilities for deferred taxation arise they are not discounted.

(i) *Pensions*

The company facilitates the operation of a defined contribution scheme for employees. The pension costs arising are charged to the profit and loss account to represent the amount of contributions payable to the scheme in respect of the accounting period.

(j) *Financial instruments*

The Group does not utilise complex financial instruments. Any income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

(k) *Share options*

Share option costs are charged to the profit and loss account in accordance with FRS20 “Share based payments”. This has resulted in the calculation of an embedded value for the option grants as at their date of grant and the resulting fair value charge is spread over the three year vesting period. The charge reflects for example, the time value of money (as the options are not paid for until the end of the three year vesting period) and also factors such as share price volatility.

(l) *Dividends*

In accordance with FRS21 “Events after the balance sheet date”, dividends which are declared after the relevant balance sheet date are not accrued for.

(m) *Estimation techniques*

The preparation of the consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and underlying assumptions are reviewed on an ongoing basis.

Notes to the financial information for the two years ended 30 April 2005

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation were all derived from the delivery of accident management and other solutions to the automotive and insurance sectors. On this basis, the directors believe there is only one business segment.

The profit on ordinary activities is stated after charging:

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2005 £'000</i>
Auditors' remuneration:		
Audit services	20	50
Taxation services	4	9
Other services	–	15
Depreciation and amortisation:		
Goodwill	25	656
Intangible assets	–	41
Tangible fixed assets, owned	125	115
Tangible fixed assets, held under hire purchase contracts	453	2,297
Loss on disposal of tangible fixed assets	12	20
Operating lease rentals:		
Land and buildings	27	67
Other	137	330

2 Net interest payable

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2005 £'000</i>
Bank interest payable	21	39
Finance charges in respect of hire purchase contracts	226	979
Other interest receivable	(2)	(2)
Net interest payable	245	1,016

3 Employees and directors

	<i>Year ended 30 April 2004</i>	<i>Year ended 30 April 2005</i>
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Directors and senior management	7	9
Drivers and valeters	10	39
Sales and administration	9	47
	<u>26</u>	<u>95</u>
	<i>£'000</i>	<i>£'000</i>
Staff costs (including Directors) during the year were as follows:		
Wages and salaries	701	2,999
Social security costs	76	321
Other pension costs (note 26)	23	50
Cost of employee share scheme	–	10
	<u>800</u>	<u>3,380</u>

Directors' remuneration

Year ended 30 April 2004

	<i>Basic salary & fees £'000</i>	<i>Annual bonuses £'000</i>	<i>Benefits £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>	<i>Pension £'000</i>
Executive directors						
Steve Evans	36	–	5	–	41	–
Mike Bull (resigned 19 April 2004)	13	–	–	–	13	–
Paul Wildes	39	–	5	–	44	–
Non-executive directors						
The Rt Hon Lord Young (appointed 19 April 2004)	–	–	–	–	–	–
David Lees	16	–	–	–	16	–
Frances Worsley	15	–	–	–	15	–
David Heynes (resigned 20 July 2003)	3	–	–	–	3	–
Total	<u>122</u>	<u>–</u>	<u>10</u>	<u>–</u>	<u>132</u>	<u>–</u>

As at 30 April 2004, no retirement benefits were accruing under money purchase schemes in respect of any directors.

Directors' remuneration

Year ended 30 April 2005

	<i>Basic salary & fees £'000</i>	<i>Annual bonuses £'000</i>	<i>Benefits £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>	<i>Pension £'000</i>
Executive directors						
Steve Evans	109	–	6	–	115	6
Martin Andrews (appointed 10 November 2004)	52	34	7	–	93	4
Paul Wildes (resigned 5 May 2005)	–	–	–	10	10	–
Non-executive directors						
The Rt Hon Lord Young	30	–	–	–	30	–
David Lees	20	–	–	–	20	–
Frances Worsley	20	–	–	–	20	–
Total	231	34	13	10	288	10

Mr Wildes resigned from the Company on 5 May 2004 and a payment of £10,000 was made to him as an alternative to accepting his contracted right to give 6 months' notice.

As at 30 April 2005, retirement benefits were accruing under money purchase schemes in respect of two directors.

Directors' share options

Executive Directors are entitled to participate in the share option schemes of the Group. The maximum number of options that a Director can be granted will, ordinarily, be two times basic salary per annum. Details of the movements in Directors' share options in the period are as follows.

<i>Option scheme and grant date</i>	<i>Exercise period</i>	<i>Exercise price (p)</i>	<i>As at 1 May 2003</i>	<i>Granted in period</i>	<i>As at 30 April 2004</i>	<i>Lapsed in period</i>	<i>Granted in period</i>	<i>As at 30 April 2005</i>
LTIP								
Martin Andrews	30 Mar 08 – 29 March 2005	Nil	–	–	–	–	100,000	100,000
Unapproved scheme								
Paul Wildes	Lapsed 5 April 2004	25p	–	1,047,500	1,047,500	(1,047,500)	–	–

Paul Wildes' options lapsed on his resignation from the Company on 5 May 2004.

For the LTIP options granted on 29 March 2005 one sixth of the underlying shares comprising the options have now vested as adjusted eps (defined as before goodwill and cost of employee share schemes) for the year ended 30 April 2005 exceeded 8.0p. A further one half of the underlying shares comprising the options have vested as adjusted EPS for the year ended 30 April 2006 exceeded 19p. Half of the remaining one third of the underlying options will vest if adjusted eps for the year ending 30 April 2007 exceeds 27p, with the remaining half vesting on a straight line basis dependent on adjusted EPS being between 27p and 37p.

Any options that do not vest as a result of the application of these performance conditions in either the first or second years are added to the options that are capable of vesting in either the second or third year. Adjusted EPS was selected as being the most appropriate, measurable performance target that linked reward to shareholder interests at that stage in the Group's growth phase.

The mid-market price of the shares at 30 April 2005 was 249p and the range during the year was 31p to 302p.

Directors' interests in share capital

The directors had the following interests in the share capital of the parent company:

	<i>As at 30 April 2004 Number</i>	<i>As at 30 April 2005 Number</i>
S A Evans	31,561,571	31,661,571
The Rt Hon Lord Young	2,711,475	2,674,211
D J Lees	998,068	998,068
F E Worsley	60,000	100,000

The Rt Hon Lord Young gifted, on 29 March 2005, 50,000 ordinary shares of 5p each to a charitable trust. He is a trustee of the trust but does not have a beneficial ownership in these shares.

4 Tax on profit on ordinary activities

The tax charge represents:

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2005 £'000</i>
UK corporation tax at 30%	103	1,636
Prior year adjustment	16	(36)
Total current tax	<u>119</u>	<u>1,600</u>
Deferred taxation – current year	278	641
Prior year adjustment	(23)	–
Total deferred tax (note 14)	<u>255</u>	<u>641</u>
Taxation on profit on ordinary activities	<u>374</u>	<u>2,241</u>
The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:		
Profit on ordinary activities before tax	<u>1,088</u>	<u>6,705</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	326	2,012
Effect of:		
Expenses not deductible for tax purposes	53	260
Capital allowances in excess of depreciation	(267)	(627)
Prior year adjustment	16	(36)
Marginal relief	(9)	–
Utilised losses	–	(9)
Current tax charge for the year	<u>119</u>	<u>1,600</u>

The current taxation charge is lower than the United Kingdom standard rate of tax primarily due to capital allowances being in excess of depreciation, net of goodwill amortisation which is not allowable for tax. Changes in capital allowances and depreciation may affect the current tax charge in the future.

5 Equity dividends

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£'000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£'000</i>
Ordinary shares		
Interim dividend 0.5p per share paid (2004: nil)	–	309

6 Earnings per share

Basic and diluted earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Whilst share options over 1,074,500 shares were issued in April 2004 (these subsequently lapsed in May 2004) and further share options over 197,861 shares were issued in aggregate in April 2005, the dilutive effect of these potential ordinary shares is not material, and consequently there is no material difference between basic earnings per share and diluted earnings per share.

Details of the earnings and weighted average number of shares used in the calculations are set out below:

	<i>Year ended</i> <i>30 April</i> <i>2004</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i>
Profit on ordinary activities after taxation (£'000)	714	4,464
Weighted average number of shares	61,620,000	61,710,273
Basic and diluted earnings per share (pence)	1.2	7.2

Adjusted earnings per share

The calculation of the adjusted earnings per share is based on earnings before goodwill amortisation as set out below:

Profit on ordinary activities after taxation (£'000)	714	4,464
Goodwill amortisation (£'000)	25	656
Cost of share option schemes (£'000)	–	10
Adjusted profit on ordinary activities after taxation (£'000)	739	5,130
Weighted average number of shares	61,620,000	61,710,273
Basic and diluted earnings per share (pence)	1.2	7.2
Goodwill amortisation (pence)	–	1.1
Cost of share option schemes (pence)	–	–
Adjusted earnings per share (pence)	1.2	8.3

To understand the underlying trading performance the directors consider it appropriate to disclose earnings before and after amortisation of goodwill and cost of share option schemes.

7 Intangible fixed assets

	<i>Software</i> £'000	<i>Goodwill</i> £'000	<i>Total</i> £'000
Cost			
At 1 May 2003	–	–	–
Additions (note 8)	–	13,078	13,078
	<hr/>	<hr/>	<hr/>
At 30 April 2004	–	13,078	13,078
Transferred during year (see below)	285	–	285
	<hr/>	<hr/>	<hr/>
At 30 April 2005	285	13,078	13,363
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 May 2003	–	–	–
Charged in the year	–	25	25
	<hr/>	<hr/>	<hr/>
At 30 April 2004	–	25	25
Transferred during year	79	–	79
Amortised in the year	41	656	697
	<hr/>	<hr/>	<hr/>
At 30 April 2005	120	681	801
	<hr/>	<hr/>	<hr/>
Net book amount at 30 April 2005	<hr/> 165	<hr/> 12,397	<hr/> 12,562
Net book amount at 30 April 2004	<hr/> –	<hr/> 13,053	<hr/> 13,053

Goodwill above relates to the following:

	<i>Date of acquisition</i>	<i>Period of amortisation</i>	<i>Original cost £'000</i>
Accident Exchange Limited	16 April 2004	20 Years	13,078
	<hr/>	<hr/>	<hr/>

On the basis of the strength of the relationship Accident Exchange Limited has with both its customers and the major insurance companies, and its underlying technology platform, the Directors consider that the useful economic life of the goodwill is at least 20 years.

During 2005 certain software was transferred from Accident Exchange Limited to Accident Exchange Group Plc. The asset was reclassified as an intangible fixed asset and its useful life extended to five years reflecting the value to the business.

8 Acquisitions

On 16 April 2004 the Company acquired the entire issued share capital of Accident Exchange Limited.

The assets / (liabilities) acquired were as follows:

	<i>£'000</i>
Fixed assets	3,935
Debtors	2,715
Bank overdraft	(852)
Trade creditors	(223)
Hire purchase liabilities	(3,804)
Other creditors	(609)
Deferred taxation	(270)
Net assets acquired	<u>892</u>
Purchased goodwill capitalised	<u>13,078</u>
	<u>13,970</u>
Satisfied by:	
Issue of shares	13,557
Cash payable to vendors	50
Costs of acquisition	<u>363</u>
	<u>13,970</u>

No adjustments were considered necessary in 2004 to the book values of assets / (liabilities) acquired in order to reflect fair values.

Goodwill arising on the acquisition of Accident Exchange Limited has been capitalised. Advantage has been taken by the Company of section 131 of the Companies Act 1985 in respect of the premium on the issue of shares to finance this acquisition.

The summarised results of Accident Exchange Limited for the period from 1 May 2003 to 16 April 2004 are as follows:

	<i>£'000</i>
Turnover	3,776
Operating profit	1,276
Profit before taxation	1,042
Tax on profit on ordinary activities	(340)
Retained profit	<u>702</u>

During the year ended 30 April 2003, Accident Exchange Limited recorded a profit after tax of £131,000.

9 Tangible fixed assets

	<i>Computer Equipment</i> £'000	<i>Fixtures and Fittings</i> £'000	<i>Motor Vehicles</i> £'000	<i>Total</i> £'000
Cost				
At 1 May 2003	83	18	791	892
Additions	350	84	4,013	4,447
Disposals	(1)	–	(383)	(384)
Eliminated on acquisition	(431)	(89)	(3,988)	(4,508)
Acquisition of Accident Exchange Limited	309	75	3,551	3,935
At 30 April 2004	310	88	3,984	4,382
Additions in the year	221	93	15,453	15,767
Transferred in the year (Note 7)	(285)	–	–	(285)
Disposals in the year	–	–	(1,473)	(1,473)
At 30 April 2005	246	181	17,964	18,391
Depreciation				
At 1 May 2003	14	5	119	138
Charged in the year	115	10	453	578
Disposals	–	–	(98)	(98)
Eliminated on acquisition	(122)	(14)	(437)	(573)
At 30 April 2004	7	1	37	45
Charged in the year	78	37	2,297	2,412
Transferred in the year (Note 7)	(79)	–	–	(79)
Disposals	–	–	(400)	(400)
At 30 April 2005	6	38	1,934	1,978
Net book amount at 30 April 2005	240	143	16,030	16,413
Net book amount at 30 April 2004	303	87	3,947	4,337

The figures stated above include assets held under hire purchase contracts as follows:

	<i>Motor Vehicles</i> £'000
Net book amount at 30 April 2005	16,030
Net book amount at 30 April 2004	3,947

10 Debtors

	<i>As at 30 April 2004</i> £'000	<i>As at 30 April 2005</i> £'000
Claims in progress	496	2,382
Trade debtors	2,226	9,428
Other debtors	152	265
Prepayments and accrued income	67	197
	2,941	12,272

11 Creditors: amounts falling due within one year

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>
Bank loans and overdrafts	–	17
Trade creditors	474	1,124
Corporation tax	119	1,636
Social security and other taxes	187	650
Other creditors	198	179
Amounts due under hire purchase contracts	1,451	5,323
Accruals and deferred income	151	190
	<u>2,580</u>	<u>9,119</u>

12 Creditors: amounts falling due after more than one year

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>
Amounts due under hire purchase contracts	<u>2,815</u>	<u>12,009</u>
Borrowings are repayable as follows:		
Within one year:		
Bank loans and overdrafts	–	17
Hire purchase	1,745	6,665
After one and within two years:		
Hire purchase	2,561	12,274
After two and within five years:		
Hire purchase	341	52
Less interest on the above	<u>(381)</u>	<u>(1,659)</u>
	<u>4,266</u>	<u>17,349</u>

The bank overdraft is secured with a fixed and floating charge over certain assets of the Group. Amounts secured under hire purchase contracts are secured on the assets to which they relate.

13 Provisions for liabilities and charges

	<i>Deferred taxation £'000</i>
At 1 May 2003	40
Provided in the year (note 4)	278
Prior year adjustment (note 4)	(23)
At 30 April 2004	<u>295</u>
Provided in the year (note 4)	641
At 30 April 2005	<u><u>936</u></u>

14 Deferred taxation

Deferred taxation provided for in the financial information is set out below and is the full potential deferred tax liability:

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>
Accelerated capital allowances	315	936
Other timing differences	(20)	–
	<u>295</u>	<u>936</u>

15 Share capital

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>
Authorised		
87,485,500 ordinary shares of 5p and 12,514,500 deferred shares of 5p	<u>5,000</u>	<u>5,000</u>
Allotted, issued and fully paid		
61,748,219 (2004: 61,620,000) ordinary shares of 5p and 12,514,500 deferred shares of 5p	<u>3,707</u>	<u>3,713</u>

Allotments during the year ended 30 April 2004

On 16 April 2004 the following movements in share capital occurred:

- Every 500 issued ordinary share of 0.1p each was consolidated into one ordinary share of 5p and nine deferred shares of 5p each and every 50 unissued ordinary share of 0.1p into one ordinary share of 5p.
- The authorised share capital of the Company was increased from £2,500,000 to £5,000,000 by the creation of an additional 50,000,000 ordinary shares of 5p each.
- 60,229,500 ordinary shares of 5p each were issued at 25p per share, 6,000,000 by way of a placing and 54,229,500 as part consideration for the acquisition of Accident Exchange Limited. The acquisition shares were accounted for at nominal value in the Company in accordance with Section 131 of the Companies Act 1985. The £1,200,000 difference between the total consideration in respect of the placing of shares of £1,500,000 and the total nominal value of £300,000 has been credited to the share premium account.

Allotments during the year ended 30 April 2005

On 30 June 2004, 128,219 ordinary shares were issued to directors and senior employees at 43p amounting to £55,134. The aggregate nominal value of shares issued amounted to £6,412.

Deferred Shares

The Deferred Shares carry no right to dividend or to attend or vote at a general meeting or on a return of capital, other than the right only to receive the amount paid up thereon after the holders of Ordinary Shares have received the aggregate amount paid up thereon plus £100,000 per share. These shares were cancelled on 20 July 2006 (note 29).

Potential issue of ordinary shares

Under the group's long term incentive plans for executive directors and employees, such individuals hold rights over ordinary shares which may result in the issue of up to 197,861 5p ordinary shares by 30 April 2007.

16 Reconciliation of share capital and reserves of Accident Exchange Group Plc

	<i>Share capital</i> £'000	<i>Share premium account</i> £'000	<i>Other reserves</i> £'000	<i>Total</i> £'000
At 1 May 2003	696	1,905	–	2,601
Acquisition shares issued	2,711	–	10,846	13,557
Issue costs	–	(192)	–	(192)
On share placing	300	1,200	–	1,500
At 30 April 2004	3,707	2,913	10,846	17,466
Share premium reduction	–	(2,552)	–	(2,552)
Issue of shares	6	49	–	55
Cost of employee share schemes	–	–	–	–
Retained profit for the year	–	–	–	–
At 30 April 2005	3,713	410	10,846	14,969

At the AGM on 25 August 2004, approval was obtained to reduce the share premium amount by the sum of £2,552,000 and transfer it to the credit of the profit and loss account reserves. On 24 September 2004, Court approval was granted for the reduction.

Other reserves consist of the difference between the market value and the nominal value of shares issued as consideration for the acquisition of Accident Exchange Limited where the Group has taken advantage of section 131 of the Companies Act 1985.

17 Profit and loss account reconciliation

	<i>Total</i> £'000
At 1 May 2003	(2,384)
Retained profit for the period 1 May 2003 to 16 April 2004	644
Profit and loss reserve of Accident Exchange Limited eliminated on acquisition	(833)
Retained profit for period 17 April 2004 to 30 April 2004	70
At 30 April 2004	(2,503)
Share premium reduction	2,552
Cost of employee share schemes	10
Retained profit for the year	4,155
At 30 April 2005	4,214

18 Reconciliation of movements in shareholders' funds

	<i>Total</i> £'000
Combined shareholders' funds at 1 May 2003	275
Combined retained profit for period 1 May 2003 – 16 April 2004	644
Share capital and reserves of Accident Exchange Limited eliminated on acquisition on 16 April 2004	(892)
Acquisition shares issued by Accident Exchange Group Plc	13,558
Issue costs	(192)
Share placing by Accident Exchange Group Plc	1,500
Retained profit for period 17 April 2004 – 30 April 2004	70
At 30 April 2004	<u>14,963</u>
Issues of shares	55
Cost of employee share schemes	10
Retained profit for the year	4,155
At 30 April 2005	<u><u>19,183</u></u>

The elimination of capital and reserves of £892,000 represents the capital and reserves of Accident Exchange Limited at the date of acquisition.

19 Capital commitments and contingent liabilities

Capital commitments relate to the replacement of some existing motor vehicles and the purchase of new motor vehicles. The purchase of new motor vehicles is contingent on specific motor dealers operating an exclusive relationship with Accident Exchange Limited in respect of the introduction of credit hire claims involving their customers.

Included in capital commitments as at 30 April 2005 due within one year are confirmed orders for motor vehicles amounting to £1,051,000 (2004: £nil) ordered in the normal course of business, which are not contingent on an exclusive relationship being upheld.

	<i>As at 30</i> <i>April</i> <i>2004</i> £'000	<i>As at 30</i> <i>April</i> <i>2005</i> £'000
<i>Amounts contracted for in relation to capital items</i>		
In one year or less	–	13,026
Between one and five years	–	1,250
	<u>–</u>	<u>14,276</u>

20 Leasing commitments

The annual commitments under non-cancellable operating leases falling due are as follows:

	<i>Land and Buildings</i>	<i>Other</i>	<i>Total</i>	<i>Land and Buildings</i>	<i>Other</i>	<i>Total</i>
	<i>As at 30 April 2004</i>	<i>As at 30 April 2004</i>	<i>As at 30 April 2004</i>	<i>As at 30 April 2005</i>	<i>As at 30 April 2005</i>	<i>As at 30 April 2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Expiring:</i>						
In one year or less	–	201	201	–	282	282
Between one and five years	–	12	12	–	37	37
In five years on more	64	–	64	166	–	166
	<u>64</u>	<u>213</u>	<u>277</u>	<u>166</u>	<u>319</u>	<u>485</u>

21 Reconciliation of operating profit to net cash flow from operating activities

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2005 £'000</i>
Operating profit	1,333	7,721
Amortisation and impairment of goodwill	25	656
Amortisation of intangible assets	–	41
Depreciation	578	2,412
Loss on sale of tangible fixed assets	12	20
Profit on disposal of investments	(18)	–
Increase in debtors	(2,545)	(6,446)
Increase in creditors	693	1,148
Net cash inflow from operating activities	<u>78</u>	<u>5,552</u>

22 Reconciliation of net cash flow to movement in net funds/(debt)

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2005 £'000</i>
Increase /(decrease) in cash in period	405	(339)
Capital element of hire purchase contracts	501	5,158
Cash flow from liquid resources	(338)	–
Change in net debt resulting from cash flows	<u>568</u>	<u>4,819</u>
Inception of hire purchase contracts	(4,013)	(18,224)
Other non-cash items	18	–
Movement in net debt in period	<u>(3,427)</u>	<u>(13,405)</u>
Net funds / (debt) brought forward	(517)	(3,944)
Net debt carried forward	<u>(3,944)</u>	<u>(17,349)</u>

23 Analysis of changes in net funds /(debt)

	<i>As at</i>			<i>As at</i>			<i>As at</i>
	<i>1 May</i>	<i>Cash</i>	<i>Non-cash</i>	<i>30 April</i>	<i>Cash</i>	<i>Non-cash</i>	<i>30 April</i>
	<i>2003</i>	<i>flows</i>	<i>items</i>	<i>2004</i>	<i>flows</i>	<i>items</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	–	322	–	322	(322)	–	–
Bank overdraft	(83)	83	–	–	(17)	–	(17)
	(83)	405	–	322	(339)	–	(17)
Current asset investments	320	(338)	18	–	–	–	–
Hire purchase	(754)	501	(4,013)	(4,266)	5,158	(18,224)	(17,332)
Net funds /(debt)	(517)	568	(3,995)	(3,944)	4,819	(18,224)	(17,349)

24 Major non-cash transactions

During the year ended 30 April 2005 the Group entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the arrangement of £18,224,000 (2004: £4,013,000).

A substantial part of the consideration for the purchase of Accident Exchange Limited comprised shares. Further details of this acquisition are given in note 10.

25 Financial instruments

Financial risk management

The Group's operations expose it to a number of financial risks that include liquidity issues, interest rate management, credit risk and pricing risks on both purchases and on the charges we make for hire.

Given the size of the Group the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Directors are implemented by the finance department.

Liquidity risk

The Group actively forecasts, manages and reports its working capital requirements on a regular basis to ensure that it has sufficient funds for its operations. The timing of the receipt of funds from the insurer of the party from whom we seek to recover our rental charges is uncertain and can be protracted. This is the primary financial risk covered by the Group's financial risk management process and underpins the Directors' financing strategies.

Credit risk

The Group recovers its charges from the insurer of the fault party to the associated accident. As such, the Group's customers are well known UK based regulated insurance companies. No credit insurance is taken out given the nature of these entities. Where cash is placed on deposit we have used only our UK based clearing bank for such purposes. Hire purchase debt finance is obtained from a variety of lenders, ranging from highly rated financial institutions to vehicle manufacturer related finance houses. All institutions utilised by the Group require the advance approval of the Board.

Interest rate management

The Group has in place a policy of minimising finance charges on overdraft balances via the monitoring and offsetting of cash balances across the Group and by forecasting and financing working capital requirements. As at 30 April 2005 the Group had net debt of £17.3 million (2004: £3.9 million) of which £17,000 related to bank overdraft (2004: cash at bank of £322,000) and the remainder to hire purchase facilities associated with the purchase of vehicles.

Interest rate risk

The Group finances its operations through a mixture of hire purchase arrangements, bank overdraft and cash at bank. Vehicles are financed over two years on hire purchase arrangements. The hire purchase arrangements were materially all at variable rates of interest; the weighted average annual rate is 6.25% (2004: 6.75%).

Interest on the overdraft is charged at 1.5% over bank base rate (2004: 2.0%).

Price risk

The majority of the Group's cost base reflects the acquisition and financing costs of its vehicles, fuel and repair costs, property rental and salary costs. No costs are incurred that the Directors consider would be appropriate for the Group to hedge with financial instruments, subject to the comments made above on interest rate management. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

There is no difference between the fair values of financial instruments and the amounts at which they are included in the financial information.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all following disclosures.

Borrowing facilities

In addition to hire purchase arrangements, the Group had uncommitted borrowing facilities of £2,800,000 (2004: £750,000) available until 26th January 2006, which were not utilised as at 30th April 2005 or as at 30 April 2004.

26 Pensions

The company facilitates the operation of a defined contribution scheme for employees. The total contributions in the year were £50,000 (2004: £23,000).

27 Transactions with related parties

Amounts owing to directors

	<i>Maximum in the year ended, and as at 30 April 2004 £'000</i>	<i>Maximum in the year ended 30 April 2005 £'000</i>	<i>As at 30 April 2005 £'000</i>
The Rt. Hon. Lord Young	5	5	–
S A Evans	168	168	–
	<u>173</u>	<u>173</u>	<u>–</u>

On 30th June 2004 100,000 Ordinary Shares were issued at 43p (market value at date of issue) to S A Evans in part satisfaction of a loan due from the Company. The remaining balance was satisfied in cash.

On 30th June 2004 12,735 Ordinary Shares were issued at 43p (market value at date of issue) to the Rt. Hon. Lord Young in full satisfaction of a loan due from the Company.

By a deed dated 23 March 2004, Autohit plc, a Company in which S A Evans and The Rt. Honourable Lord Young are also directors, assigned all rights in the Accident Exchange Back Office Software, the Web Enable SQL database, the BEACON Software, the Accident Exchange website, the Carpricheck website and various domain names to Accident Exchange Limited in consideration of £285,000.

The consideration was partly satisfied by the transfer of existing directors' loan accounts from Autohit plc to Accident Exchange Limited. S A Evans and The Rt. Honourable Lord Young had loan accounts at the date of the transaction amounting to £165,000 and £5,476 respectively.

28 Principal subsidiaries

At 30 April 2004 and 2005, the company holds 100% of the ordinary share capital of the following subsidiaries, all of which are registered in England and Wales.

<i>Subsidiary</i>	<i>Nature of business</i>
Accident Exchange Limited	Provision of non-fault accident management assistance and related services
AXI Limited	Dormant
AX Finance Limited	Dormant
AX Insurance Solutions Limited	Dormant
Accident Exchange (2004) Limited	Dormant

29 Post balance sheet events

On 10 June 2005, the company issued 3,478,261 new Ordinary Shares at £2.30 per share, which after expenses raised approximately £7.7 million in new funds for the Group.

On 2 May 2006 the Group announced the conditional acquisition of DCML for a total consideration of up to £12 million.

DCML provides business software solutions across the automotive industry, from car manufacturers through their franchised dealers, into repairers and bodyshops. In the year ended 30 June 2005 DCML's turnover was £2.3 million, profit before taxation was £715,000 and net assets were £711,000. DCML operates from long leasehold premises in Stockport, Cheshire and employs 27 people.

The total consideration for the acquisition is made up of initial consideration of £8 million and deferred consideration of up to £4 million. The initial consideration was satisfied as to £5 million in cash (raised by entering into a 6 year term loan) and £3 million by the issue of 721,587 new Ordinary Shares direct to the vendors of DCML at a price of 415.75p per share (being the average of the mid market price for the five previous days prior to the announcement of the acquisition). The deferred consideration is payable dependent on DCML attaining certain financial targets for the period from 1 May 2006 to 31 December 2006 and is payable in shares or loan notes at the option of Accident Exchange.

The acquisition was conditional on the admission of the new Ordinary Shares to trading on the Alternative Investment Market and this occurred on Friday 5 May 2006. Therefore the acquisition, the share issue, the commencement of the loan and the assets and liabilities of DCML are not accounted for, consolidated nor reported in anyway other than as a post balance sheet event.

On 20 July 2006 the company purchased the Deferred Shares for an aggregate consideration of £1.

On 4 October 2006, the Company issued 4,000,000 new ordinary shares at £3.25 per share, raising approximately £12.5 million after expenses for the Group.

SECTION C – ACCOUNTANTS’ REPORT ON IFRS HISTORICAL FINANCIAL
INFORMATION RELATING TO ACCIDENT EXCHANGE GROUP PLC FOR THE TWO
YEARS ENDED 30 APRIL 2006



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26 October 2006

Dear Sirs

Accident Exchange Group Plc

We report on the financial information of Accident Exchange Group Plc for the years ended 30 April 2005 and 30 April 2006 as set out in Section D of Part VI (the “IFRS financial information”). This IFRS financial information has been prepared for inclusion in the Prospectus dated 26 October 2006 of Accident Exchange Group Plc on the basis of the accounting policies set out in the Principal Accounting Policies of the IFRS financial information. This report is required by item 20.1 of Annex 1 to the PD regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of Accident Exchange Group Plc are responsible for preparing the IFRS financial information on the basis of preparation set out in the Principal Accounting Policies to the IFRS financial information and on the basis of International Financial Reporting Standards.

It is our responsibility to form an opinion on the IFRS financial information as to whether the IFRS financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and save for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the

amounts and disclosures in the IFRS financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the IFRS financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 IFRS financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the IFRS financial information gives, for the purposes of the Prospectus dated 26 October 2006, a true and fair view of the state of affairs of Accident Exchange Group Plc as at the dates stated and of its profits, cash flows and recognised income and expense for the periods then ended in accordance with the basis of preparation set out in the Principal Accounting Policies and on the basis of International Financial Reporting Standards as described within the Principal Accounting Policies.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION D – IFRS HISTORICAL FINANCIAL INFORMATION

The IFRS historical financial information for the two years ended 30 April 2006 as set out below has been prepared by the Directors on the basis set out in the principal accounting policies and basis of preparation.

Consolidated Income Statements, for the two years ended 30 April 2006

	<i>Note</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Continuing operations			
Revenue	1	22,418	61,415
Cost of sales		(9,603)	(32,681)
Gross profit		<u>12,815</u>	<u>28,734</u>
Administrative expenses		(4,492)	(8,315)
Operating profit before profit on disposal of property		8,323	17,819
Profit on disposal of property	2	–	2,600
Operating profit		8,323	20,419
Finance costs	3	(1,018)	(2,030)
Interest receivable	3	2	118
Profit before tax	2	<u>7,307</u>	<u>18,507</u>
Tax on profit on ordinary activities	6	(2,222)	(5,680)
Profit for the year from continuing operations		<u>5,085</u>	<u>12,827</u>
Basic and diluted earnings per share	8	<u>8.2p</u>	<u>19.9p</u>

The above income statements should be read in conjunction with the accompanying notes.

Group Statements of Recognised Income and Expense for the two years ended 30 April 2006

	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Deferred tax on share options	—	29
Net income recognised directly in equity	<u>—</u>	<u>29</u>
Profit for the year	5,085	12,827
Total recognised income and expense for the year	<u>5,085</u>	<u>12,856</u>

Balance Sheets

	<i>Note</i>	<i>As at 30 April 2005 £'000</i>	<i>As at 30 April 2006 £'000</i>
Assets			
Non-current assets			
Goodwill	9	13,053	13,053
Intangible assets	10	165	124
Property, plant and equipment	11	16,413	49,448
		<u>29,631</u>	<u>62,625</u>
Current assets			
Claims in progress		2,382	12,402
Trade and other receivables	12	9,890	32,588
		<u>12,272</u>	<u>44,990</u>
Non-current assets held for sale	13	–	2,858
		<u>12,272</u>	<u>47,848</u>
Total assets		<u>41,903</u>	<u>110,473</u>
Liabilities			
Current liabilities			
Financial liabilities – borrowings	14	(5,340)	(24,037)
Trade and other payables	15	(2,213)	(5,597)
Current tax liabilities – corporation tax		(1,636)	(2,045)
		<u>(9,189)</u>	<u>(31,679)</u>
Net current assets		<u>3,083</u>	<u>16,169</u>
Non-current liabilities			
Financial liabilities – borrowings	14	(12,009)	(36,668)
Deferred tax liabilities	17	(912)	(2,769)
		<u>(12,921)</u>	<u>(39,437)</u>
Total liabilities		<u>(22,110)</u>	<u>(71,116)</u>
Net assets		<u>19,793</u>	<u>39,357</u>
Shareholders' equity			
Share capital	18	3,713	3,887
Share premium account	20	410	7,959
Other reserves	21	10,846	10,846
Retained earnings	22	4,824	16,665
Total shareholders' equity	23	<u>19,793</u>	<u>39,357</u>

The above balance sheets should be read in conjunction with the accompanying notes.

Cash Flow Statements for the two years ended 30 April 2006

	<i>Note</i>	<i>2005</i> £'000	<i>2006</i> £'000
Cash flows from operating activities			
Cash generated from operations	24	5,552	6,729
Interest received		2	119
Interest paid on bank loans and overdrafts		(39)	(47)
Interest element of finance lease payments		(979)	(1,984)
Tax paid		(81)	(3,385)
Net cash inflow from operating activities		<u>4,455</u>	<u>1,432</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(314)	(1,274)
Proceeds from sale of property		–	688
Proceeds from sale of plant and equipment		987	8,761
Net cash inflow from investing activities		<u>673</u>	<u>8,175</u>
Cash flows from financing activities			
Issue of ordinary share capital		–	8,000
Share issue costs		–	(277)
Capital element of finance lease payments		(5,158)	(22,473)
Dividends paid to shareholders		(309)	(1,305)
Net cash used in financing activities		<u>(5,467)</u>	<u>(16,055)</u>
Net decrease in cash and cash equivalents		(339)	(6,448)
Cash and cash equivalents at 1 May		322	(17)
Cash and cash equivalents at 30 April	14	<u>(17)</u>	<u>(6,465)</u>

The above cash flow statements should be read in conjunction with the accompanying notes.

Principal Accounting Policies

The principal accounting policies of the Group are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, including International Accounting Standards and interpretations issued by the International Financial Reporting Interpretations Committee.

The financial information has been prepared under the historical cost convention, except for share options as part of employee share schemes, which are stated at fair value.

The preparation of the financial information requires management to make judgements and estimates in the selection and application of accounting policies.

IFRS 1 First Time Adoption

The Group reported under UK GAAP in its previously published financial statements for the year ended 30 April 2006. Therefore this financial information has been prepared in accordance with IFRS for the first time.

IFRS 1 sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its financial information. The Group is required to establish its IFRS accounting policies as at 30 April 2006 and in general apply these retrospectively to determine the IFRS opening balance sheet at its date of transition.

This standard provides a number of optional exemptions to this general principal. Set out below is a description of the significant first time adoption choices made by the Group:

a) *Business combinations before the transition date (IFRS 3 “Business Combinations”)*

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place prior to the date of transition. As a result, in the opening balance sheet, goodwill arising from business combinations prior to the date of transition remains as stated under UK GAAP at 1 May 2004 at £13,053,000.

b) *Share based payments (IFRS 2 “Share-based Payment”)*

The Group has elected to apply IFRS 2 only to share based payment transactions granted after 7 November 2002.

c) *Financial instruments (IAS 32 “Financial Instruments: Disclosure and Presentation”) and IAS 39 (“Financial Instruments: Recognition and Measurement”)*

Comparative information under IAS 32 and IAS 39 has not been applied in the first year of transition.

The accounting policy adopted for trade receivables is set out under ‘Financial Instruments’ below.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are set out in note 32 to the financial information.

Basis of consolidation

The consolidated financial information includes the accounts of Accident Exchange Group Plc and all subsidiaries (entities controlled by the Company). The Company’s only significant subsidiary is Accident Exchange Limited.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control. Control is assumed where the Company

has the power to govern the financial and operating policies of an investee entity so as to gain benefits from its activities.

Inter-company transactions and balances are eliminated on consolidation.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those adopted by the Group.

The financial statements of all subsidiaries are prepared to the same reporting date as the parent Company.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill.

Revenue recognition

Revenue derived from accident management activities is recognised, net of VAT, as that which is receivable on transactions which have been completed during the year, together with an appropriate proportion of estimated receivable income in respect of claims in progress at the year end. The rates used are based on daily charges for particular categories of vehicles and are accrued on a daily basis by claim.

Credit repair revenues were accounted for on an agency basis in the UK GAAP statutory accounts during the year ended 30 April 2005 with the result that the net margin was credited to revenue. As a result of the recent increased scale of credit repair revenues, and having conducted a detailed review of the risks and rewards of this revenue stream, the Directors are now of the opinion that the Group acts as Principal in its credit repair relationships. The Group's credit repair revenue recognition policy has therefore been changed so that credit repair revenues and the associated cost of sale are recognised gross. This results in an uplift to both revenue and cost of sales of £738,000 and £7.9 million for the years ended 30 April 2005 and 2006 respectively.

Claims in progress

Amounts recoverable on claims in progress are stated as the net claim value after estimated allowances for amounts considered irrecoverable.

Segmental reporting

The Group operates in one business segment, being the delivery of accident management and other solutions to the automotive and insurance sectors. The business operates wholly within the UK, which the directors consider to be a single geographical segment.

Accordingly, no segmental information for business segment or geographical segment is disclosed.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their fair value less any provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

Trade payables

Trade payables are stated at their nominal value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Group after deducting all of its liabilities.

Interest bearing borrowings

Interest bearing bank loans and overdrafts are initially recorded at the value of the amount received, net of attributable transaction costs.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Property, plant and equipment and depreciation

Property, plant and equipment (including motor vehicles) is stated at cost less accumulated depreciation less any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value on a straight line basis over the expected useful economic lives, which are generally as follows:

Computer equipment	–	3 years
Fixtures and fittings	–	4 years
Motor vehicles	–	the shorter of the lease term and useful economic life

Assets held under finance leases (principally motor vehicles) are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted if appropriate.

The gain or loss on disposal is determined by comparing sales proceeds with carrying value and is recognised in the income statement.

Leased assets

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as a finance lease. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Capitalised leased assets are subsequently depreciated over the shorter of the lease term or the asset's useful life. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate in creditors. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

All other leases are classified as operating leases. Lease payments made under operating leases are charged to the income statement as an expense on a straight line basis over the term of the lease. If a sale and leaseback transaction results in an operating lease, any profit or loss is recognised in the income statement immediately.

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair value of the identifiable net tangible and intangible assets acquired.

Under IFRS 3 'Business Combinations' goodwill arising on acquisitions made since 1 May 2004 (the date of transition to IFRS) is not subject to amortisation but is tested for impairment at the date of transition to IFRS, whenever there is an indication that it may be impaired and in any case at each reporting date.

An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its recoverable amount. Any such impairment losses recognised are not reversed.

The Group has taken the allowed exemption not to apply IFRS 3 retrospectively to business combinations that took place prior to 1 May 2004. As a result, goodwill arising from past business combinations remains as stated under UK GAAP at 1 May 2004, less any provision for impairment.

Intangible assets

Intangible assets comprise acquired software which meets the recognition criteria of IAS 38 'Intangible assets' and is capitalised at cost less amortisation less any provision for impairment. Intangible assets are written off on a straight line basis over their estimated useful economic life, which is 5 years.

Internal software development costs do not meet the recognition criteria of IAS 38 and are therefore recognised in the income statement in the year in which they are incurred.

Impairment of non-current assets excluding goodwill

Intangible assets and property, plant and equipment are tested for impairment whenever there is an indication that an asset may be impaired. An impairment loss is recognised in the income statement if the recoverable amount (being the higher of fair value less costs to sell and value in use) of an asset or cash generating unit falls below its carrying value in the balance sheet.

Such impairment losses may be reversed in subsequent periods if there is an indication that the impairment loss recognised in prior periods may no longer exist or may have decreased.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand, short and medium term deposits with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Pensions

The Group operates a defined contribution pension scheme. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's

liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

No deferred tax is recognised in respect of temporary differences associated with investments in subsidiaries where the Group is able to control the timing of reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments (“share options”) to certain employees. Share options are measured at fair value at the date of grant, which is expensed on a straight-line basis over the vesting period, being the period in which the services are received, based on the Group’s estimate of shares that will eventually vest. Where an option is unable to be exercised because vesting conditions are not met (for example, if a performance target is not met, or the employee leaves the employment) the cost of the options is reversed. However, if the employer cancels the options, the full value of the options is recognised immediately in the income statement. At each balance sheet date before vesting, the cumulative expense is calculated and the movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in retained earnings.

Fair value is measured using the Black Scholes model. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Use of assumptions and estimates

The preparation of the consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and underlying assumptions are reviewed on an ongoing basis.

The resulting accounting estimates calculated using these judgements and assumptions will, by definition, vary from the related actual results. The key judgements and estimations that most impact upon the Group’s

financial information include estimation of income receivable from accident management activities, estimation of the residual values of property, plant and equipment – particularly motor vehicles, assessment of whether goodwill has suffered any impairment loss, assessment of whether the carrying values of financial and non-financial assets have been impaired and the calculation of share option charges.

Financial risk management

The Group's operations expose it to a number of financial risks that include liquidity issues, interest rate management, credit risk and pricing risks on both purchases and on revenues.

Given the size of the Group the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Directors are implemented by the finance department.

Liquidity risk

The Group actively forecasts, manages and reports its working capital requirements on a regular basis to ensure that it has sufficient funds for its operations. The timing of the receipt of funds from the insurer of the party from whom we seek to recover our rental charges is uncertain and can be protracted. This is the primary financial risk covered by the Group's financial risk management process and underpins the Directors' financing strategies.

Credit risk

The Group recovers its charges from the insurer of the fault party to the associated accident. As such, the Group's customers are well known UK based regulated insurance companies. No credit insurance is taken out given the nature of these entities.

Where cash is placed on deposit, the Group uses only its UK based clearing bank for such purposes. Hire purchase debt finance is obtained from a variety of lenders, ranging from highly rated financial institutions to vehicle manufacturer related finance houses. All institutions utilised by the Group require the advance approval of the Board.

Since 30 April 2006, the Group entered into a loan with its clearing bank for the purposes of acquiring DCML (see note 31).

Interest rate management

The Group has in place a policy of minimising finance charges on overdraft balances via the monitoring and offsetting of cash balances across the Group and by forecasting and financing its working capital requirements. As at 30 April 2006 the Group had net debt of £60.7 million (2005: £17.3 million) of which £6.5 million (2005: £17,000) related to bank overdraft and the remainder to hire purchase facilities associated with the purchase of vehicles.

The Group had interest bearing assets for part of the year and ended the year with interest bearing liabilities. Interest bearing assets consisted of short and medium term deposits which were placed on fixed rate deposits and cash balances which earned interest at variables rates.

For the majority of the period under review, the Group's hire purchase borrowings were financed largely on variable rate agreements. Given the growth of the Group and the increasing size of hire purchase borrowings, the Board reviewed the appropriateness of this policy and has now refinanced all of the hire purchase debt on fixed rate terms.

Price risk

The majority of the Group's cost base reflects the acquisition and financing costs of its vehicles, fuel and repair costs, property rental and salary costs. No costs are incurred that the Directors consider would be appropriate for the Group to hedge with financial instruments, subject to the comments made above on

interest rate management. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Recent accounting developments

Certain new standards, amendments and interpretations to existing standards that have been published and which are mandatory for the Group's future accounting periods, but which have not been early adopted include:

- IFRS 7 'Financial Instruments: Disclosures'
- IFRIC 8 'Scope of IFRS 2'
- IFRIC 9 'Reassessment of embedded derivatives'
- Amendment to IAS 1 'Presentation of financial statements – Capital disclosures'

The Group has considered the above standards, interpretations and amendments and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial information.

Notes to the Financial Information for the two years ended 30 April 2006

1. Revenue and segmental reporting

The Board of Directors has determined that the Group operates one reportable business segment and in one geographical segment, being the delivery of accident management and other solutions to the automotive and insurance sectors in the United Kingdom.

2. Profit before tax

The following items have been included in arriving at profit before tax:

	2005 £'000	2006 £'000
Staff costs (note 4)	3,435	8,825
Depreciation of property, plant and equipment		
– Owned assets	115	344
– Leased assets	2,297	7,219
Amortisation of intangibles	41	41
(Profit)/ loss on disposal of fixed assets (excluding property)	20	(1)
(Profit) on disposal of property	-	(2,600)
Other operating lease rentals payable		
– Plant and machinery	330	1,217
– Property	67	400

Services provided by the Group's auditors and network firms

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	2005 £'000	2006 £'000
Audit services – Statutory audit	50	60
Taxation services	9	27
Other services	15	18
	<u>74</u>	<u>105</u>

Included in the Group audit fees and expenses paid to the group's auditors is £15,000 (2005: £12,000) paid in respect of the parent Company.

The profit on disposal of the property relates to the sale of the headquarters and distribution centre, Alpha 1. The Group contracted to purchase the property for £14.2m following an offer to sell it to a third party for £17.6m. This was concluded and the profit, net of expenses, is reflected in the income statement, with the cash proceeds received in the year being shown in the cash flow statement. Proceeds of £3.1m, being the profit plus VAT, were held in escrow at 30 April 2006 (see note 12) and were received post year end. Coterminous with the sale, the Group entered into an operating lease with the new owner at an annual commercial market rate.

Development of the Group and the GTA, particularly the GTA's rate review effective on 1 April 2005 and the longer trading history of the Group, has provided greater empirical evidence to support estimation of the Group's revenue streams. Had the current basis of revenue recognition been applied in 2005 and 2006, additional revenue and profit of approximately £0.9 million would have been recognised in the year ended 30 April 2005, and revenue and profit would have been reduced by approximately £0.1 million in the year ended 30 April 2006 respectively.

3. Finance costs

	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Bank interest payable	39	46
Interest payable on finance leases	979	1,984
Finance costs	1,018	2,030
Bank interest receivable	(2)	(118)
Finance costs – net	<u>1,016</u>	<u>1,912</u>

4. Employment costs, including Directors' remuneration

Staff costs (including Directors) for the Group during the year

	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	3,058	7,805
Social security costs	327	807
Other pension costs (note 28)	50	213
	<u>3,435</u>	<u>8,825</u>
Average monthly number of people (including executive directors) employed	<u>95</u>	<u>249</u>

Key management compensation

	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	265	455
Social security costs	21	53
Pension costs	10	28
Short-term employee benefits	13	39
Termination benefits	10	–
Share based payments	7	86
	<u>326</u>	<u>661</u>

The key management figures given above relates to Directors' remuneration.

5. Directors' emoluments

The Directors' emoluments were as follows:

Year ended 30 April 2005

	<i>Basic salary & fees £'000</i>	<i>Annual bonuses £'000</i>	<i>Benefits £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>	<i>Pension £'000</i>
Executive Directors						
Steve Evans	109	–	6	–	115	6
Martin Andrews (appointed 10 November 2004)	52	34	7	–	93	4
Paul Wildes (resigned 5 May 2005)	–	–	–	10	10	–
Non-Executive Directors						
The Rt. Hon. Lord Young	30	–	–	–	30	–
David Lees	20	–	–	–	20	–
Frances Worsley	20	–	–	–	20	–
	<u>231</u>	<u>34</u>	<u>13</u>	<u>10</u>	<u>288</u>	<u>10</u>

As at 30 April 2005, retirement benefits were accruing under money purchase schemes in respect of two directors.

Year ended 30 April 2006

	<i>Basic salary & fees £'000</i>	<i>Annual bonuses £'000</i>	<i>Benefits £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>	<i>Pension £'000</i>
Executive Directors						
Steve Evans	200	–	18	–	218	16
Martin Andrews	150	–	21	–	171	12
Paul Wildes (resigned 5 May 2005)	–	–	–	–	–	–
Non-Executive Directors						
The Rt. Hon. Lord Young	30	–	–	–	30	–
David Lees	20	–	–	–	20	–
Frances Worsley (resigned 3 October 2005)	13	–	–	–	13	–
David Galloway (appointed 21 July 2005)	23	–	–	–	23	–
Graham Stanley (appointed 21 July 2005)	19	–	–	–	19	–
	<u>455</u>	<u>–</u>	<u>39</u>	<u>–</u>	<u>494</u>	<u>28</u>

As at 30 April 2006, retirement benefits were accruing under money purchase schemes in respect of two directors.

Mr Wildes resigned from the Group on 5 May 2005 and a payment of £10,000 was made to him as an alternative to accepting his contracted right to give six months' notice.

Directors' share options

Executive Directors are entitled to participate in the share option schemes of the Group. The maximum number of options that a Director can be granted will ordinarily be two times basic salary per annum. Details of the movements in Directors' share options in the period are as follows.

<i>Option scheme and grant date</i>	<i>Exercise period</i>	<i>Exercise price (p)</i>	<i>As at 1 May 2004</i>	<i>Granted</i>	<i>Lapsed</i>	<i>As at 30 April 2005</i>
LTIP						
Martin Andrews 29 March 2005	30 Mar 08 – 29 Mar 15	nil	–	100,000	–	100,000
Unapproved scheme						
Paul Wildes April 2004	Lapsed 5 May 2004	25	1,047,500	–	(1,047,500)	–

No options were granted or lapsed during the year ended 30 April 2006 and, therefore, the only outstanding options at 30 April 2006 were those granted to Martin Andrews as shown above. Paul Wildes' options lapsed on his resignation from the Company on 5 May 2004.

For the LTIP options granted on 29 March 2005 one sixth of the underlying shares comprising the option have now vested as adjusted eps (defined as before goodwill and cost of employee share schemes) for the year ended 30 April 2005 exceeded 8.0p. A further one half of the underlying shares comprising the options have vested as adjusted eps for the year ended 30 April 2006 exceeded 19p. Half of the remaining one third of the underlying options will vest if adjusted eps for the year ending 30 April 2007 exceeds 27p, with the remaining half vesting on a straight line basis dependent on adjusted eps being between 27p and 37p.

Any options that do not vest as a result of the application of these performance conditions in either the first or second years are added to the options that are capable of vesting in either the second or third year. Adjusted EPS was selected as being the most appropriate, measurable performance target that linked reward to shareholder interests at that stage in the Group's growth phase.

The performance conditions for the two years ended 30 April 2006 were met in full.

The mid-market price of the shares at 30 April 2006 was 402.25p and the range during the year was 225p to 500p (2005: 249p with a range of 31p to 302p during the year).

Directors' interests in share capital

The directors had the following interests in the share capital of the parent company:

	<i>2005 Number</i>	<i>2006 Number</i>
Steve Evans	31,661,571	31,661,571
The Rt. Hon. Lord Young	2,674,211	2,674,211
David Lees	998,068	1,020,626
Martin Andrews	–	17,391
David Galloway	–	10,000

The Rt Hon Lord Young gifted, on 29 March 2005, 50,000 ordinary shares of 5p each to a charitable trust. He is a trustee of the trust but does not have a beneficial ownership in these shares.

6. Taxation

Analysis of charge in the period

	2005 £'000	2006 £'000
Current tax:		
UK Corporation tax	1,600	3,794
Deferred tax (note 17)	622	1,886
	<u>2,222</u>	<u>5,680</u>

Tax on items charged to equity

	2005 £'000	2006 £'000
Deferred tax (credit) on share options (note 22)	<u>-</u>	<u>(29)</u>

The tax for the year is higher (2005: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2006 £'000
Profit before tax	<u>7,307</u>	<u>18,507</u>
Profit before tax multiplied by the rate of corporation tax in the UK of 30% (2005: 30%)	2,192	5,552
Effect of:		
Expenses/ (income) not deductible for tax purposes	78	208
Prior year adjustment	(36)	7
Deferred tax on share option charges	(3)	(87)
Utilised losses	(9)	-
Total income tax charge for the year from continuing operations	<u>2,222</u>	<u>5,680</u>

7. Equity dividends

	2005 £'000	2006 £'000
Final paid: 1p (2005: Nil) per 5p share	-	617
Interim dividend: 1p (2005:0.5p) per 5p share	309	688
	<u>309</u>	<u>1,305</u>

In addition, the Directors proposed a final dividend in respect of the financial year ended 30 April 2006 of 2p per share. The payment, amounting to £1,318,961 was paid on 21 July 2006 to shareholders on the register on 23 June 2006.

8. Earnings per share

Basic and diluted earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Whilst 721,587 ordinary shares were issued in connection with the acquisition of DCML Limited on 2 May 2006 (see note 31) the impact on basic and diluted earnings per share is not material. Further, whilst share options were in issue over 840,757 shares as at 30 April 2006 (2005: 197,861), the dilutive effect of these potential ordinary shares is not material, and consequently there is no material difference between basic earnings per share and diluted earnings per share.

Details of the earnings and weighted average number of shares used in the calculations are set out below:

	<i>Year ended 30 April 2005</i>	<i>Year ended 30 April 2006</i>
Earnings attributable to ordinary shareholders (£'000)	5,085	12,827
Weighted average number of shares	61,710,273	64,319,615
Basic and diluted earnings per share (pence)	8.2	19.9

Adjusted earnings per share

The calculation of the adjusted earnings per share is based on earnings before profit on disposal of property (note 2) and share option charges as set out below:

Profit on ordinary activities after taxation (£'000)	5,085	12,827
Profit after tax on disposal of property (£'000) (note 2)	–	(1,803)
Profit on ordinary activities after taxation before property disposal (£'000)	5,085	11,024
Cost of share option schemes (£'000)	10	203
Adjusted profit on ordinary activities after taxation (£'000)	5,095	11,227
Weighted average number of shares	61,710,273	64,319,615
Basic and diluted earnings per share (pence)	8.2	19.9
Profit on disposal of property (pence)	–	(2.8)
Earnings per share before disposal of property (pence)	8.2	17.1
Cost of share option schemes (pence)	0.1	0.3
Adjusted earnings per share (pence)	8.3	17.4

To understand the underlying trading performance, the directors consider it appropriate to disclose earnings per share before and after amortisation of goodwill, costs of share option schemes and profit on disposal of property.

9. Goodwill

	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Cost		
At 30 April	<u>13,053</u>	<u>13,053</u>

Goodwill is reviewed annually for impairment or more frequently if there are indications that it may be impaired. This is carried out by allocating goodwill to the cash generating unit ("CGU") and assessing the recoverable amounts for this CGU based on value in use.

The Group's goodwill is wholly attributable to one cash generating unit – Accident Exchange Limited, which was acquired on 16 April 2004. Recoverable amounts for this CGU are calculated from Accident Exchange Limited's internal cashflow forecasts for the period ending 30 April 2009 and are based on value in use.

The key assumptions in those forecasts are the rate of revenue growth, the timing of the receipt of funds from insurers and the discount rate. Revenue growth rates and timing of receipt of funds are based on past experience and management's expectations of future changes in the Group's business and market. The forecast cash flows were discounted using a pre-tax discount rate of 10.1%, which is derived from the Group's weighted average cost of capital.

Impairment reviews were performed as at 30 April 2004, 2005 and 2006 by comparing the carrying value of goodwill with the recoverable amount of the CGU at those year ends. Management are satisfied that there has been no impairment in the value of goodwill.

10. Intangible assets

Software

	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Cost		
At 1 May and 30 April	<u>285</u>	<u>285</u>
Amortisation		
At 1 May	79	120
Amortisation	<u>41</u>	<u>41</u>
At 30 April	<u>120</u>	<u>161</u>
Net book amount at 30 April	<u>165</u>	<u>124</u>

Amortisation of intangible assets has been presented within administration expenses.

11. Property, plant and equipment

<i>Year ended 30 April 2005</i>	<i>Computer Equipment £'000</i>	<i>Fixtures and Fittings £'000</i>	<i>Motor Vehicles £'000</i>	<i>Total £'000</i>
Cost				
At 1 May 2004	25	88	3,984	4,097
Additions	221	93	15,453	15,767
Disposals	–	–	(1,473)	(1,473)
At 30 April 2005	<u>246</u>	<u>181</u>	<u>17,964</u>	<u>18,391</u>
Depreciation				
At 1 May 2004	3	1	37	41
Charge	3	37	2,297	2,337
Disposals	–	–	(400)	(400)
At 30 April 2005	<u>6</u>	<u>38</u>	<u>1,934</u>	<u>1,978</u>
Net book amount at 30 April 2005	<u>240</u>	<u>143</u>	<u>16,030</u>	<u>16,413</u>
<i>Year ended 30 April 2006</i>	<i>Computer Equipment £'000</i>	<i>Fixtures and Fittings £'000</i>	<i>Motor Vehicles £'000</i>	<i>Total £'000</i>
Cost				
At 1 May 2005	246	181	17,964	18,391
Additions	793	481	50,979	52,253
Transfer to held for sale	–	–	(3,568)	(3,568)
Disposals	(1)	–	(11,977)	(11,978)
At 30 April 2006	<u>1,038</u>	<u>662</u>	<u>53,398</u>	<u>55,098</u>
Depreciation				
At 1 May 2005	6	38	1,934	1,978
Charge	233	111	7,219	7,563
Transfer to held for sale	–	–	(710)	(710)
Disposals	–	–	(3,181)	(3,181)
At 30 April 2006	<u>239</u>	<u>149</u>	<u>5,262</u>	<u>5,650</u>
Net book amount at 30 April 2006	<u>799</u>	<u>513</u>	<u>48,136</u>	<u>49,448</u>

Assets held under hire purchase contracts have the following net book value

	<i>2005 £'000</i>	<i>2006 £'000</i>
Cost	17,964	53,398
Aggregate depreciation	(1,934)	(5,262)
Net book value	<u>16,030</u>	<u>48,136</u>

The property transactions above relate to the sale and leaseback of the Group's headquarters and distribution centre, Alpha 1, details of which are contained in note 2. The Group leases Alpha 1 under an operating lease agreement and, as such, is not exposed to the risks and rewards of ownership, these being substantially retained by the lessor.

12. Trade and other receivables

	2005	2006
	£'000	£'000
Trade debtors	9,428	26,718
Value added tax	–	757
Sale of property proceeds	–	3,084
Other debtors	265	863
Prepayments and accrued income	197	1,166
	<u>9,890</u>	<u>32,588</u>

13. Non-current assets held for sale

At 30 April 2006, the Group had designated £2,858,000 (2005: £nil) of motor vehicles at net book value as 'available for sale' and was actively seeking buyers for those vehicles. These vehicles, which are expected to be sold within 12 months of the balance sheet date, are expected to realise their carrying value and accordingly, no gain or loss was recognised upon their transfer to current assets.

14. Financial liabilities – borrowings

Current

	2005	2006
	£'000	£'000
Overdrafts due within one year or on demand	17	6,465
Amounts due under hire purchase contracts	5,323	17,572
	<u>5,340</u>	<u>24,037</u>

Non-current

	2005	2006
	£'000	£'000
Amounts due under hire purchase contracts	12,009	36,668

The bank overdraft is secured by a fixed and floating charge over certain assets of the Group. Interest on this overdraft is charged at a rate of 1.25% (2005: 1.5%) over bank base rate. This facility is repayable upon demand with no fixed date of renewal.

Hire purchase contracts are secured by a charge over the assets to which they relate. The majority of vehicles are financed over two years at fixed rates of interest.

In addition to the hire purchase contracts, the Group had uncommitted borrowing facilities of £7,000,000 (2005: £2,800,000) which were not fully utilised at 30 April 2006.

The effective interest rates at the balance sheet dates were as follows:

	2005	2006
Bank overdraft	6.00%	5.75%
Finance leases	6.25%	6.03%

The minimum lease payments under hire purchase contracts fall due as follows:

	2005 £'000	2006 £'000
Not later than one year	6,665	20,521
After one and within two years	12,274	38,103
After two and within five years	52	–
	<u>18,991</u>	<u>58,624</u>
Future finance charges on finance leases	(1,659)	(4,384)
Finance lease obligations	<u>17,332</u>	<u>54,240</u>

15. Trade and other payables

	2005 £'000	2006 £'000
Trade creditors	1,124	2,614
Social security and other taxes	650	1,393
Other creditors	179	550
Accruals and deferred income	260	1,040
	<u>2,213</u>	<u>5,597</u>

16. Financial instruments

The Group uses financial instruments comprising cash and overdrafts, short term deposits and finance leases. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably. The difference between book value and fair value of these financial instruments is not material.

Borrowing facilities as at 30 April 2006 were repayable on demand with no fixed date of renewal.

17. Deferred tax liabilities

The movement in the Group deferred tax account is shown below:

	2005 Accelerated capital allowances £'000	2006 Accelerated capital allowances £'000
At 1 May	290	912
Charge to the Income Statement (note 6)	622	1,886
Credit to equity (note 6)	–	(29)
At 30 April	<u>912</u>	<u>2,769</u>

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%).

18. Share capital

Authorised

	2005	2006
	£'000	£'000
87,485,500 (2005: 87,485,500) ordinary shares of 5p	4,374	4,374
12,514,500 (2005:12,514,500) deferred shares of 5p	626	626
	<u>5,000</u>	<u>5,000</u>

Allotted, issued and fully paid

	2005	2005	2006	2006
	<i>Number of shares</i>	<i>£'000</i>	<i>Number of shares</i>	<i>£'000</i>
At 1 May				
– ordinary shares of 5p	61,620,000	3,081	61,748,219	3,087
– deferred share of 5p	12,514,500	626	12,514,500	626
	<u>74,134,500</u>	<u>3,707</u>	<u>74,262,719</u>	<u>3,713</u>
Allotted during the year				
– ordinary shares of 5p	128,219	6	3,478,261	174
At 30 April	<u>74,262,719</u>	<u>3,713</u>	<u>77,740,980</u>	<u>3,887</u>

Deferred Shares

The Deferred Shares carry no right to dividend or to attend or vote at a general meeting and on a return of capital, the right only to receive the amount paid up thereon after the holders of Ordinary Shares have received the aggregate amount paid up thereon plus £100,000 per share. These shares were cancelled on 20 July 2006. (Note 31)

Potential issue of ordinary shares

Certain senior executives and employees hold options to subscribe for shares in the Company at prices ranging from nil to 300p under three share option schemes, details of which are given in note 19.

19. Share based payments

Share options are granted to the Group's directors and employees by the Remuneration Committee. Options are granted with a fixed exercise price and exercise is subject to continued employment. The Group operates three share option schemes, details of which are given below:

<i>Option scheme and grant date</i>	<i>Exercise price pence</i>	<i>Exercise period</i>	<i>2005 Number</i>	<i>2006 Number</i>
Long Term Incentive Plan ("LTIP")				
29 March 2005	Nil	29 March 2008 – 28 March 2015	138,998	133,185
22 July 2005	Nil	23 July 2008 – 22 July 2015	–	15,000
Approved Scheme				
29 April 2005	252.5	29 April 2008 – 28 April 2015	47,270	35,389
22 July 2005	300.0	22 July 2008 – 21 July 2015	–	608,513
Unapproved Scheme				
29 April 2005	252.5	29 April 2008 – 28 April 2015	11,593	6,033
22 July 2005	300.0	22 July 2008 – 21 July 2015	–	42,637
			197,861	840,757

Under the Group's long-term incentive plan for executive directors, such individuals hold rights over ordinary shares that may result in the issue of up to 100,000 (2005: 100,000) Ordinary Shares between 30 March 2008 and 29 March 2015.

The following tables reconcile the number of share options outstanding and the weighted average exercise price ("WAEP"):

<i>Year ended 30 April 2006</i>	<i>LTIP</i>		<i>Approved Scheme</i>		<i>Unapproved Scheme</i>	
	<i>Number</i>	<i>WAEP pence</i>	<i>Number</i>	<i>WAEP pence</i>	<i>Number</i>	<i>WAEP pence</i>
Outstanding at 1 May	138,998	–	47,270	252.5	11,593	252.5
Granted	17,250	–	639,113	300.0	42,637	300.0
Lapsed	(8,063)	–	(42,481)	286.7	(5,560)	252.5
Outstanding at 30 April	148,185	–	643,902	297.4	48,670	294.1
Weighted average remaining contractual life (years)		8.9		9.2		9.2

No options were exercisable at 30 April 2006.

<i>Year ended 30 April 2005</i>	<i>LTIP</i>		<i>Approved Scheme</i>		<i>Unapproved Scheme</i>	
	<i>Number</i>	<i>WAEP pence</i>	<i>Number</i>	<i>WAEP pence</i>	<i>Number</i>	<i>WAEP pence</i>
Outstanding at 1 May	–	–	–	–	1,047,500	25.0
Granted	138,998	–	47,270	252.5	11,593	252.5
Lapsed	–	–	–	–	(1,047,500)	25.0
Outstanding at 30 April	<u>138,998</u>	<u>–</u>	<u>47,270</u>	<u>252.5</u>	<u>11,593</u>	<u>252.5</u>
Weighted average remaining contractual life (years)		<u>9.9</u>		<u>10.0</u>		<u>10.0</u>

No options were exercisable at 30 April 2005.

The fair value of share options is estimated at the date of grant using the Black-Scholes option pricing model. The assumptions applied to the options granted during the years ended 30 April 2005 and 2006, as detailed above, are as follows:

	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2006</i>
	<i>LTIP</i>	<i>Approved Scheme</i>	<i>Unapproved Scheme</i>	<i>LTIP</i>	<i>Approved Scheme</i>	<i>Unapproved Scheme</i>
Expected volatility	35%	35%	35%	35%	35%	35%
Risk free rate of return	4.7%	4.7%	4.7%	4.2%	4.7%	4.7%
Expected life of option (years)	3	3	3	3	3	3
Fair value per option (pence)	258	75	75	300	86	86

The measure of volatility, being the amount by which the share price is expected to fluctuate, is based on the annualised standard deviation of the continuously compounded rates of return on that share over the most recent time period that, in the Directors' opinion, is commensurate with the expected term of the option. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a five year term. No assumptions have been made to incorporate dividend yield or the effects of the forfeiture. The calculations assume that the performance criteria attaching to the options are met in full.

The IFRS 2 share option charge to the Income Statement was £290,000 (2005: £10,000).

20. Share premium

	<i>£'000</i>
At 1 May 2004	2,913
Share premium reduction	(2,552)
Premium on shares issued during the year (net of expenses)	<u>49</u>
At 30 April 2005	410
Premium on shares issued during the year (net of expenses)	<u>7,549</u>
At 30 April 2006	<u>7,959</u>

At the Company's AGM on 25 August 2004, approval was obtained to reduce the share premium amount by the sum of £2,552,000 and transfer it to the credit of the profit and loss account reserves. On 24 September 2004, Court approval was granted for the reduction.

21. Other reserves

	<i>£'000</i>
At 1 May 2004	10,846
At 30 April 2005	10,846
At 30 April 2006	10,846

Other reserves relate to the difference between the market value and the nominal value of shares issued as consideration for the acquisition of Accident Exchange Limited in April 2004, where the Group has taken advantage of Section 131 of the Companies Act 1985.

22. Retained earnings

	<i>£'000</i>
At 1 May 2004	(2,514)
Share premium reduction (note 20)	2,552
Profit for the year	5,085
Value of employee service (note 19)	10
Dividends paid (note 7)	(309)
At 30 April 2005	4,824
Profit for the year	12,827
Value of employee service (note 19)	290
Deferred tax on share options	29
Dividends paid (note 7)	(1,305)
At 30 April 2006	16,665

23. Shareholders' funds and statement of changes in shareholders' equity

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>	<i>Other reserves £'000</i>	<i>Total £'000</i>
At 1 May 2004	3,707	2,913	(2,514)	4,106	10,846	14,952
Proceeds from shares issued	6	49	–	55	–	55
Share options – value of employee services	–	–	10	10	–	10
Share premium reduction	–	(2,552)	2,552	–	–	–
Profit for the year	–	–	5,085	5,085	–	5,085
Dividends paid	–	–	(309)	(309)	–	(309)
At 30 April 2005	3,713	410	4,824	8,947	10,846	19,793
Proceeds from shares issued	174	7,549	–	7,723	–	7,723
Share options – value of employee services	–	–	290	290	–	290
Deferred tax on share options	–	–	29	29	–	29
Profit for the year	–	–	12,827	12,827	–	12,827
Dividends paid	–	–	(1,305)	(1,305)	–	(1,305)
At 30 April 2006	3,887	7,959	16,665	28,511	10,846	39,357

24. Cash generated from operations

Reconciliation of net profit to cash generated from operations

	2005 £'000	2006 £'000
Net profit	5,085	12,827
Adjustments for:		
Tax	2,222	5,680
Depreciation	2,412	7,563
Profit on disposal of property, plant and equipment	20	(2,601)
Amortisation of intangibles	41	41
Non cash employee benefit expense – share based payments	10	290
Interest income	(2)	(118)
Interest expense	1,018	2,030
Changes in working capital:		
Increase in trade and other receivables	(4,560)	(11,064)
Increase in claims in progress	(1,886)	(10,020)
Increase in payables	1,192	2,101
Cash generated from operations	5,552	6,729

25. Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the arrangements of £59,381,000 (2005: £18,220,000).

26. Capital commitments

Capital commitments relate to the replacement of some existing motor vehicles and the purchase of new motor vehicles. The purchase of new motor vehicles is contingent upon specific motor dealers operating an exclusive relationship with Accident Exchange Limited in respect of the introduction of credit hire claims involving their customers.

Included in capital commitments due within one year are confirmed orders for motor vehicles amounting to £2,094,989 (2005: £1,051,000) ordered in the normal course of business, which are not contingent on an exclusive relationship being upheld.

	2005 £'000	2006 £'000
<i>Capital commitments – Motor Vehicles</i>		
In one year or less	13,026	41,470
Between one and five years	1,250	41,514
	<u>14,276</u>	<u>82,984</u>

27. Operating lease commitments – minimum lease payments

The Group operates from various premises, including its Alpha 1 headquarters that are held under non-cancellable operating leases. The Group also leases some vehicles to service its mainstream fleet requirements.

Total commitments under non-cancellable operating leases:

	<i>Land and buildings 2005 £'000</i>	<i>Vehicles, plant and equipment 2005 £'000</i>	<i>Land and buildings 2006 £'000</i>	<i>Vehicles, plant and equipment 2006 £'000</i>
Within one year	–	282	10	69
Later than one year and less than five years	–	45	1,420	101
After five years	889	–	11,492	–
	<u>889</u>	<u>327</u>	<u>12,922</u>	<u>170</u>

28. Pensions

The company facilitates the operation of a defined contribution scheme for employers. The total contributions in the year were £213,000 (2005: £50,000).

29. Related party transactions

During the year the following transactions were carried out with related parties:

	<i>2005 £'000</i>	<i>2006 £'000</i>
Payment of royalties and management fees levied to subsidiary by parent	1,744	3,881
Recharge of salaries and expenses by subsidiary to parent	644	1,629
Transfer of software from subsidiary to parent	242	–

Royalties are paid on the basis of a contractually agreed rate and management fees are based on actual costs incurred. Expenses are recharged as incurred.

30. Transactions with directors

Year ended 30 April 2005

On 30 June 2004, 100,000 Ordinary Shares were issued at 43p (market value at the date of the issue) to S A Evans in part satisfaction of a loan to the Company. The remaining balance was satisfied in cash.

On 30 June 2004, 12,735 Ordinary Shares were issued at 43p (market value at the date of the issue) to Rt. Hon. Lord Young of Graffham in full satisfaction of a loan to the Company.

Year ended 30 April 2006

The Group had transactions with Williams BMW of which David Galloway is a director. The Group purchased one motor vehicle from Williams BMW Liverpool amounting to £23,000 and disposed of five motor vehicles to Williams BMW Liverpool, the proceeds of which amounted to £115,000.

31. Post balance sheet events

Acquisition of DCML

On 2 May 2006, the Group announced the conditional acquisition of DCML for a total consideration of up to £12 million.

DCML provides business software solutions across the automotive industry, from car manufacturers through their franchised dealers, into repairers and bodyshops. In the year ended 30 June 2005 DCML's turnover was

£2.3 million, profit before taxation was £715,000 and net assets were £711,000. DCML operates from long leasehold premises in Stockport, Cheshire and employs 27 people.

The total consideration for the acquisition was made up of initial consideration of £8 million and deferred consideration of up to £4 million. The initial consideration was satisfied as to £5 million in cash (raised by entering into a 6 year term loan) and £3 million by the issue of 721,587 new Ordinary Shares direct to the vendors of DCML at a price of 415.75p per share (being the average of the mid market price for the five previous days prior to the announcement of the acquisition). The deferred consideration is payable in shares or loan notes at the option of Accident Exchange.

The acquisition was conditional on the admission of the new Ordinary Shares to trading on the Alternative Investment Market and this occurred on Friday 5 May 2006. Therefore the acquisition, the share issue, the commencement of the loan and the assets and liabilities of DCML are not accounted for, consolidated nor reported in any way other than as a post balance sheet event within this financial information.

	<i>Carrying values pre-acquisition £'000</i>
Property, plant and equipment	449
Receivables	673
Payables	(1,048)
Taxation	
– Current	(16)
– Deferred	4
Cash and cash equivalents	556
Bank loan	(22)
Hire purchase contracts	
– Due within one year	(79)
– Due after more than one year	(93)
Net assets acquired	<u>424</u>
Consideration satisfied by:	
Cash	5,000
Shares issued	3,000
Deferred consideration	4,000
	<u>12,000</u>

A review of the acquired assets and liabilities to determine their fair values is in progress at the date of this financial information. As that process has yet to be concluded it is impracticable for fair value information to be included in the above information at the current time.

Purchase of deferred shares

In order to simplify its share structure, the Group acquired 12,514,500 of its own unlisted deferred shares of 5 pence each on 20 July 2006 for an aggregate consideration of £1.

Placing of Ordinary Shares

On 4 October 2006, the company issued 4,000,000 new Ordinary Shares at £3.25 per share, raising approximately £12.5 million after expenses for the Group.

32. Principal subsidiaries

At 30 April 2006, the company holds 100% of the ordinary share capital of the following subsidiaries, all of which are registered in England and Wales.

<i>Subsidiary</i>	<i>Nature of business</i>
Accident Exchange Limited	Provision of non-fault accident management assistance and related services
AXI Limited	Dormant
AX Finance Limited	Dormant
AX Insurance Solutions Limited	Dormant
Accident Exchange (2004) Limited	Dormant

Subsequent to the period under review, the Group acquired DCML Limited together with its subsidiary, Dealer Car Manager Limited, details of which are given in note 31.

33. Reconciliation of net assets and profit under UK GAAP to IFRS

i) Reconciliation of net assets under UK GAAP to IFRS at the transition date for the Group, being 1 May 2004:

	<i>Note</i>	<i>UK GAAP £'000</i>	<i>Effect of transition to IFRS £'000</i>	<i>IFRS £'000</i>
Assets				
Non-current assets				
Goodwill		13,053	–	13,053
Intangible assets	(a)	–	206	206
Property, plant and equipment	(a)	4,337	(206)	4,131
		<u>17,390</u>	<u>–</u>	<u>17,390</u>
Current assets				
Claims in progress	(b)	–	496	496
Trade and other receivables	(b)	2,941	(496)	2,445
Cash and cash equivalents		322	–	322
		<u>3,263</u>	<u>–</u>	<u>3,263</u>
Total assets		<u>20,653</u>	<u>–</u>	<u>20,653</u>
Liabilities				
Current liabilities				
Financial liabilities – Borrowings		(1,451)	–	(1,451)
Trade and other payables	(c)	(1,010)	(16)	(1,026)
Current tax liabilities – Corporation tax		(119)	–	(119)
		<u>(2,580)</u>	<u>(16)</u>	<u>(2,596)</u>
Net current assets		<u>683</u>	<u>(16)</u>	<u>667</u>
Non-current liabilities				
Financial liabilities – Borrowings		(2,815)	–	(2,815)
Deferred tax liabilities	(d)	(295)	5	(290)
		<u>(3,110)</u>	<u>5</u>	<u>(3,105)</u>
Total liabilities		<u>(5,690)</u>	<u>(11)</u>	<u>(5,701)</u>
Net assets		<u>14,963</u>	<u>(11)</u>	<u>14,952</u>
Shareholders' equity				
Ordinary shares		3,707	–	3,707
Share premium		2,913	–	2,913
Other reserves		10,846	–	10,846
Retained earnings		(2,503)	(11)	(2,514)
Total shareholders' equity		<u>14,963</u>	<u>(11)</u>	<u>14,952</u>

ii) **Reconciliation of net assets as reported under UK GAAP as at 30 April 2005 to the revised net assets under IFRS as at 30 April 2005 as reported in this financial information:**

	<i>Note</i>	<i>UK GAAP £'000</i>	<i>Effect of transition to IFRS £'000</i>	<i>IFRS £'000</i>
Assets				
Non-current assets				
Goodwill	(e)	12,397	656	13,053
Intangible assets		165	–	165
Property, plant and equipment		16,413	–	16,413
		<u>28,975</u>	<u>656</u>	<u>29,631</u>
Current assets				
Claims in progress	(b)	–	2,382	2,382
Trade and other receivables	(b)	12,272	(2,382)	9,890
		<u>12,272</u>	<u>–</u>	<u>12,272</u>
Total assets		<u>41,247</u>	<u>656</u>	<u>41,903</u>
Liabilities				
Current liabilities				
Financial liabilities – Borrowings		(5,340)	–	(5,340)
Trade and other payables	(c)	(2,143)	(70)	(2,213)
Current tax liabilities – Corporation tax		(1,636)	–	(1,636)
		<u>(9,119)</u>	<u>(70)</u>	<u>(9,189)</u>
Net current assets		<u>3,153</u>	<u>(70)</u>	<u>3,083</u>
Non-current liabilities				
Financial liabilities – Borrowings		(12,009)	–	(12,009)
Deferred tax liabilities	(d)	(936)	24	(912)
		<u>(12,945)</u>	<u>24</u>	<u>(12,921)</u>
Total liabilities		<u>(22,064)</u>	<u>(46)</u>	<u>(22,110)</u>
Net assets		<u>19,183</u>	<u>610</u>	<u>19,793</u>
Shareholders' equity				
Ordinary shares		3,713	–	3,713
Share premium		410	–	410
Other reserves		10,846	–	10,846
Retained earnings		4,214	610	4,824
Total shareholders' equity		<u>19,183</u>	<u>610</u>	<u>19,793</u>

iii) **Reconciliation of profit as reported under UK GAAP for the year ended 30 April 2005 to the revised profit under IFRS for the year ended 30 April 2005 as reported in this financial information:**

	<i>Note</i>	<i>UK GAAP – as reported £'000</i>	<i>Effect of change in accounting policy £'000</i>	<i>UK GAAP – as restated £'000</i>	<i>Effect of transition to IFRS £'000</i>	<i>IFRS £'000</i>
Continuing operations						
Revenue	(f)	21,680	738	22,418	–	22,418
Cost of sales	(f)	(8,865)	(738)	(9,603)	–	(9,603)
Gross profit		<u>12,815</u>	<u>–</u>	<u>12,815</u>	<u>–</u>	<u>12,815</u>
Administrative expenses	(c,e)	(5,094)	–	(5,094)	602	(4,492)
Operating profit		<u>7,721</u>	<u>–</u>	<u>7,721</u>	<u>602</u>	<u>8,323</u>
Finance costs – Net		(1,016)	–	(1,016)	–	(1,016)
Profit before tax		<u>6,705</u>	<u>–</u>	<u>6,705</u>	<u>602</u>	<u>7,307</u>
Taxation	(d)	(2,241)	–	(2,241)	19	(2,222)
Profit for the year from continuing operations		<u>4,464</u>	<u>–</u>	<u>4,464</u>	<u>621</u>	<u>5,085</u>
Basic and diluted earnings per share		<u>7.2p</u>	<u>–</u>	<u>7.2p</u>	<u>1.0p</u>	<u>8.2p</u>

iv) **Reconciliation of net assets as reported under UK GAAP as at 30 April 2006 to the revised net assets under IFRS as at 30 April 2006 as reported in this financial information:**

	<i>Note</i>	<i>UK GAAP £'000</i>	<i>Effect of transition to IFRS £'000</i>	<i>IFRS £'000</i>
Assets				
Non-current assets				
Goodwill	(e)	11,741	1,312	13,053
Intangible assets		124	–	124
Property, plant and equipment	(g)	52,306	(2,858)	49,448
		<u>64,171</u>	<u>(1,546)</u>	<u>62,625</u>
Current assets				
Claims in progress	(b)	–	12,402	12,402
Trade and other receivables	(b)	44,990	(12,402)	32,588
		<u>44,990</u>	<u>–</u>	<u>44,990</u>
Non-current assets held for sale	(g)	–	2,858	2,858
		<u>44,990</u>	<u>2,858</u>	<u>47,848</u>
Total assets		<u>109,161</u>	<u>1,312</u>	<u>110,473</u>
Liabilities				
Current liabilities				
Financial liabilities – Borrowings		(24,037)	–	(24,037)
Trade and other payables	(c)	(5,472)	(125)	(5,597)
Current tax liabilities – Corporation tax		(2,045)	–	(2,045)
		<u>(31,554)</u>	<u>(125)</u>	<u>(31,679)</u>
Net current assets		<u>13,436</u>	<u>2,733</u>	<u>16,169</u>
Non-current liabilities				
Financial liabilities – Borrowings	(d)	(36,668)	–	(36,668)
Deferred tax liabilities		(2,925)	156	(2,769)
		<u>(39,593)</u>	<u>156</u>	<u>(39,437)</u>
Total liabilities		<u>(71,147)</u>	<u>31</u>	<u>(71,116)</u>
Net assets		<u>38,014</u>	<u>1,343</u>	<u>39,357</u>
Shareholders' equity				
Ordinary shares		3,887	–	3,887
Share premium		7,959	–	7,959
Other reserves		10,846	–	10,846
Retained earnings		15,322	1,343	16,665
Total shareholders' equity		<u>38,014</u>	<u>1,343</u>	<u>39,357</u>

v) **Reconciliation of profit as reported under UK GAAP for the year ended 30 April 2006 to the revised profit under IFRS for the year ended 30 April 2006 as reported in this financial information:**

	Note	UK GAAP – as reported £'000	Effect of change in accounting policy £'000	UK GAAP – as restated £'000	Effect of transition to IFRS £'000	IFRS £'000
Continuing operations						
Revenue	(f)	53,460	7,955	61,415	–	61,415
Cost of sales	(f)	(24,726)	(7,955)	(32,681)	–	(32,681)
Gross profit		28,734	–	28,734	–	28,734
Administrative expenses	(c,e)	(11,516)	–	(11,516)	601	(10,915)
Profit on disposal of property	(h)	–	–	–	2,600	2,600
Operating profit		17,218	–	17,218	3,201	20,419
Profit on disposal of property	(h)	2,600	–	2,600	(2,600)	–
Finance costs – Net		(1,912)	–	(1,912)	–	(1,912)
Profit before tax		17,906	–	17,906	601	18,507
Taxation	(d)	(5,783)	–	(5,783)	103	(5,680)
Profit for the year from continuing operations		12,123	–	12,123	704	12,827
Basic and diluted earnings per share		18.8p	–	18.8p	1.1p	19.9p

vi) **Explanation of reconciling items between UK GAAP as reported, UK GAAP as restated and IFRS**

- The Group reported purchased software within property, plant and equipment in its UK GAAP accounts for year ended 30 April 2004. This asset was subsequently transferred to intangible assets in its accounts for year ended 30 April 2005. IAS 38 'Intangible assets' requires that this asset be reclassified as an intangible asset at transition.
- The value of claims in progress has been presented separately on the face of the balance sheet given the significance of this un-invoiced receivable in the context of the total receivables.
- IAS 19 'Employee benefits' requires the Group to provide the cost of holiday pay earned by its employees but not taken as at each year end. The cost of providing for holiday pay resulted in reductions in pre-tax profits of £54,000 and £55,000 in years ended 30 April 2005 and 2006 respectively. Shareholders' equity at 1 May 2004 is reduced by £16,000 and is reduced by £70,000 and £125,000 at 30 April 2005 and 2006 respectively.
- The deferred tax adjustment results from two items. Firstly, the holiday pay provision described under item (c) above gives rise to a deferred tax asset as a future tax benefit is expected to accrue when the holiday pay provision is recognised in the company's accounts. Secondly, IFRS requires deferred tax to be provided on the difference between the share option exercise price and the market price at the balance sheet date. As a result, the tax effect will not correlate to the Income Statement charge. The excess of the deferred tax over the cumulative Income Statement charge at the tax rate is recognised directly in equity.
- Under IFRS 3 'Business combinations' goodwill arising on acquisitions made since 1 May 2004 is not subject to amortisation but is tested for impairment annually and whenever there is an indication that it may be impaired. Goodwill was tested for impairment at transition (1 May 2004) and at each subsequent year end (30 April 2005 and 2006) and no impairment

adjustments were identified. Non-amortisation of goodwill results in an increase in pre-tax profits of £656,000 per annum in the years ended 30 April 2005 and 2006 and increases in shareholders' equity of £656,000 and £1,312,000 at 30 April 2005 and 2006 respectively.

- f) The Directors have reviewed the Group's policy for accounting for credit repair revenues during the IFRS conversion process. During the years ended 30 April 2005 and 2006 these revenues were accounted for on an agency basis in the UK GAAP accounts, with the result that the net margin was credited to revenue. As a result of the recent increased scale of credit repair revenues, and having conducted a detailed review of the risks and rewards of this revenue stream, the Directors are now of the opinion that the Group acts as Principal in its credit repair relationships. The Group's credit repair revenue recognition policy has therefore been changed so that revenues and the associated cost of sale are recognised gross.

This change in accounting policy affects the historical results as published under UK GAAP and does not result from IFRS conversion. Accordingly, the UK GAAP results have been restated in the profit reconciliations presented above. The change in accounting policy is purely presentational and has no impact upon profit or shareholders' equity.

- g) Under IFRS 5 any non-current assets held for sale at the balance sheet date are reclassified as current assets. This has no impact upon profits or shareholders' equity.
- h) IFRS requires profit on disposal of non-current assets to be classified within operating profit whereas under UK GAAP, FRS 3 requires such profits to be shown below operating profit where material.

PART VII

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1. The Company and the Directors, whose names appear on page 14 of this document, accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is to the best of the knowledge of the Company and the Directors in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION

- 2.1. The Company was incorporated under the name XecutiveResearch Group Plc on 25 January 2002 under the Act as a public limited company under the laws of England and Wales, with registered number 4360804. The Company changed its name on 20 April 2004 to Accident Exchange Group Plc.
- 2.2. The Company's registered office and principal place of business is Unit 1, Roman Park, Off Roman Way, Coleshill, Birmingham B46 1HG. The Company's telephone number is 0870 011 6720.
- 2.3. The liability of the shareholders of the Company is limited.
- 2.4. The principal legislation under which the Company operates is the Act and the regulations made under the Act.
- 2.5. On 16 April 2002, the Company was granted a certificate under section 117 of the Act entitling it to commence business.
- 2.6. On 19 April 2004 the Ordinary Shares were admitted to trading on AIM.

3. DETAILS OF SUBSIDIARY UNDERTAKINGS

The Company is the holding company of the Group. The significant subsidiary undertakings of the Company are set out below. The proportion of the share capital indicated in each of the Companies is directly owned by the Company. The issued share capital of each subsidiary company is fully paid.

<i>Name of Subsidiary</i>	<i>Incorporated and registered in</i>	<i>Proportion of share capital owned by the Company</i>
Accident Exchange Limited	England and Wales	100 per cent.
DCML Limited	England and Wales	100 per cent.
AXI Limited	England and Wales	100 per cent.
AX Finance Limited	England and Wales	100 per cent.
AX Insurance Solutions Limited	England and Wales	100 per cent.
Accident Exchange (2004) Limited	England and Wales	100 per cent.
Dealer Car Manager Limited	England and Wales	100 per cent.

4. SHARE CAPITAL OF THE COMPANY

- 4.1. The authorised, issued and fully paid share capital of the Company at the date of this document is as follows:

	<i>Number of Ordinary Shares</i>	<i>Number of Deferred Shares*</i>
Authorised share capital	87,485,500	12,514,500
Issued share capital	69,948,067	Nil

* The 12,514,500 issued Deferred Shares in the capital were purchased by the Company on 20 July 2006 for a sum in aggregate of £1. See paragraph 15 of Part IV for further details.

- 4.2. Following Admission, the authorised, issued and fully paid share capital of the Company will be as follows:

	<i>Number of Ordinary Shares</i>	<i>Number of Deferred Shares</i>
Authorised share capital	87,485,500	12,514,500
Issued share capital	69,948,067	Nil

- 4.3. As at 1 May 2005 (being the beginning of the year ended 30 April 2006) and as at 30 April 2006 (being the date of the most recent balance sheet included in the financial information) the authorised and fully issued share capital of the Company was:

<i>(i)</i>	<i>Number of Ordinary Shares</i>	<i>Number of Deferred Shares</i>
<i>As at 1 May 2005</i>		
Authorised share capital	87,485,500	12,514,500
Issued and fully paid up share capital	61,748,219	12,514,500
<i>(ii)</i>	<i>Number of Ordinary Shares</i>	<i>Number of Deferred Shares</i>
<i>As at 30 April 2006</i>		
Authorised share capital	87,485,500	12,514,500
Issued and fully paid up share capital	65,226,480	12,514,500

On 10 June 2005, 3,478,261 Ordinary Shares were issued in connection with a placing of shares at a price of £2.30 per share (see paragraph 11.1.1 of this Part VII).

No Ordinary Shares have been issued not fully paid and save as set out in this paragraph 4.3 of this Part VII, no Ordinary Shares have been paid for with assets other than cash.

During the years covered by the financial information set out in this Prospectus the following Ordinary Shares have been paid for with assets other than cash: on 23rd March 2004, 54,229,500 Ordinary Shares were issued in exchange for the entire issued share capital of Accident Exchange Limited.

- 4.4. As at 30 April 2006, the Company had the following options outstanding:

i) Options

The following Options have been granted to employees and directors of the Company:

<i>Plan</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise Price (p)</i>	<i>Expiry Date</i>	<i>Exercise period</i>
LTIP				
29 March 2005	133,185	nil	28 March 2015	29 March 2008 – 28 March 2015
22 July 2005	15,000	nil	22 July 2015	23 July 2008 – 22 July 2015
Unapproved Scheme				
29 April 2005	6,033	252.5	28 April 2015	29 April 2008 – 28 April 2015
22 July 2005	42,637	300.0	21 July 2015	22 July 2008 – 21 July 2015
Approved Scheme				
29 April 2005	35,389	252.5	28 April 2015	29 April 2008 – 28 April 2015
22 July 2005	608,513	300.0	21 July 2015	22 July 2008 – 21 July 2015

- 4.5. Save as disclosed in paragraph 4.4 of this Part VII, no share or loan capital of the Company or any other member of the Group is under option or is, or will, immediately following Admission, be agreed, conditionally or unconditionally, to be put under option.

- 4.6. On incorporation the authorised share capital of the capital was £600,000 divided into 60,000,000 ordinary shares of 1p each. Pursuant to resolutions passed at an extraordinary general meeting of the

Company held on 15 April 2002, the existing share capital of £600,000 was divided into 600,000,000 ordinary shares of 0.1p each and the authorised share capital of the Company was increased to £2,500,000 by the creation of 1,900,000,000 ordinary shares of 0.1p each ranking *pari passu* with the then existing ordinary shares.

- 4.7. The following changes to the authorised and issued share capital have occurred since 1 May 2003 being the start of the period covered by the financial information set out in Part VI:
- 4.7.1 on 23 March 2004, a total number of 54,229,500 Ordinary Shares were issued in exchange for the entire issued share capital of Accident Exchange Limited (company number 4141140);
- 4.7.2 Pursuant to resolutions passed at an extraordinary general meeting of the Company held on 16 April 2004:
- (a) every 500 of the 695,250,000 issued ordinary shares of 0.1p each in the capital of the Company were consolidated into one Ordinary Share, ranking *pari passu* in all respects and nine Deferred Shares ranking *pari passu* in all respects ;
 - (b) every 50 of the existing 1,804,750,000 authorised but unissued ordinary shares of 0.1p each in the capital of the company were consolidated into one Ordinary Share ranking *pari passu* in all respects;
 - (c) the authorised share capital of the company was increased from £2,500,000 to £5,000,000 by the creation of 50,000,000 Ordinary Shares of 5 pence each in the capital of the Company such Ordinary Shares to rank *pari passu* in all respects with the existing Ordinary Shares of the Company;
- 4.7.3 on 30 June 2004, a total number of 128,219 Ordinary Shares were issued at a price of 43 pence each to Lord Young of Graffham, Stephen Evans and Steine Paget-Wall;
- 4.7.4 at an extraordinary general meeting of the Company held on 25 August 2004 a special resolution was passed authorising the amount standing to the credit of the share premium account of the Company to be reduced by the sum of £2,552,000. On 24 September 2004, the High Court of Justice, Chancery Division confirmed such reduction of the share premium account and such Order was registered pursuant to section 138 of the Act on 20 October 2004;
- 4.7.5 on 10 June 2005, a total number of 3,478,261 Ordinary Shares were issued to Numis Nominees Limited at a price of 230 pence per share pursuant to the placing of certain of the Company's Ordinary Shares that took place on 10 June 2005;
- 4.7.6 on 5 May 2006, a total number of 721,587 Ordinary Shares were issued as part consideration pursuant to the purchase of the entire issued share capital of DCML Limited. Paragraph 11 of this Part VII contains further details of the transaction;
- 4.7.7 on 4 October 2006, a total number of 4,000,000 Ordinary Shares were issued at a price of 325 pence per share pursuant to the placing of certain of the Company's Ordinary Shares.
- 4.8. On 20 July 2006, pursuant to a special resolution passed by Shareholders at the annual general meeting of the Company held on 20 July 2006, the Company purchased a total of 12,514,500 Deferred Shares for the aggregate sum of £1, in accordance with article 5.1.3 of the articles of association of the Company. The payment of £1 was made out of the Company's distributable reserves in accordance with section 160(1)(a) of the Act.
- 4.9. The legislation under which the Ordinary Shares have been created is the Act and regulation made under the Act. The Ordinary Shares are denominated in Sterling.
- 4.10. The Ordinary Shares are in registered form and capable of being held in uncertified form and title to such shares may be transferred by means of a relevant system as defined in the Regulations.

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

5.1. *Memorandum of Association*

The principal objects of the Company are set out in paragraph 4 of its memorandum of association (which is available for inspection at the address specified in paragraph 18 below) and principally include acting as a holding company and the carrying of business as a general commercial company (including the carrying on of any business whatsoever and the doing of all things that are incidental or conducive to the carrying on of any business).

5.2. *Articles of Association*

5.2.1. *Share Capital*

The share capital of the Company is £5,000,000 divided into 87,485,500 Ordinary Shares and 12,514,500 Deferred Shares.

5.2.2. *Voting Rights*

5.2.2.1. Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles at general meeting every ordinary shareholder on a show of a hands who (being an individual) is present in person or (being a corporation) is present by representative not being himself a member, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which is the holder. Where there are joint holders of a share anyone of them may vote at any meeting either personally or by proxy in respect of the share as if he were solely entitled to it (but if more than one joint holder is present at a meeting either personally or by proxy that one of them whose name stands first in the registry of members in respect of the shares shall alone be entitled to vote in respect of it.

5.2.2.2. The holders of the Deferred Shares do not have the right to receive notice of any general meeting of the Company nor the right to attend speak or vote at any such general meeting.

5.2.3. *Dividends*

5.2.3.1. Subject to the Articles and the Act, the Company may by ordinary resolution declare a dividend to be paid to the members in accordance with their respective rights and priorities but no dividend may exceed the amount recommend by the Company's board. The directors may pay such interim dividends as appear to them to be justified by the profits of the Company for distribution.

5.2.3.2. The Deferred Shares do not confer a right to be paid a dividend.

5.2.3.3. Dividends shall be apportioned and paid *pro rata* according to the amounts paid on the Ordinary Shares during any portions of the period in respect of which the dividend is paid but, if any Ordinary Share is issued on terms providing that it ranks for dividend as for a particular date, the share shall rank for dividend accordingly.

5.2.3.4. The directors may deduct from any dividend or bonus payable to a member any sums presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.

5.2.3.5. No unpaid dividend bonus or interest shall bear interest as against the Company.

5.2.3.6. All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Dividends unclaimed for 12 years after the date they were declared or they became due for payment shall unless the directors otherwise resolve be forfeited and revert to the Company.

5.2.4. *Return of Capital*

On a return of capital on winding up, each holder of Deferred Share shall be entitled to receive a sum equal to the nominal capital paid up or credited as paid up thereon but only after the sum of £100,000 per ordinary share has been distributed amongst the holders of the ordinary shares and the holders of the Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company.

5.2.5. *The Deferred Shares*

5.2.5.1. The Company shall have the power at any time to purchase all or any other Deferred Shares for an aggregate consideration of £1 for all of the Deferred Shares. Neither the passing by the Company of any special resolution or the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the court nor be obtained by the Company nor the making by the court of any order confirming any such reduction of capital, nor the becoming effective of any court order shall constitute a variation modification or abrogation of the right attaching to the Deferred Shares and accordingly the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without sanction on the part of the holders of the Deferred Shares.

5.2.5.2. Any director of the Company may, as agent or attorney for such member, execute the necessary transfer or buy back agreement in respect of the purchase of any of the Deferred Shares by the Company.

5.2.6. *Modification of Rights*

Whenever the capital of the Company is divided into different classes of shares or groups either whilst the Company is a going concern or during or in contemplation of winding up, the special rights attaching to any class or group may be modified or abrogated subject to the provision of the Company's memorandum of association and unless otherwise provided by the terms of issue of the shares of that class or group either with the consent in writing of the holders of three quarters of the issued shares of the class or group or with the sanction of any extraordinary resolution at a separate general meeting of the holders but not otherwise.

5.2.7. *Transfer of Shares*

5.2.7.1. All transfers of shares may be effected by transfer in writing or in any other form approved by the directors. The instrument of transfer shall be executed by or on behalf of the transferor and in the case of the transfer of a share that is not fully paid, by or on behalf of the transferee.

5.2.7.2. Notwithstanding anything to the contrary contained in the articles the shares of the Company of any class may be held in uncertified form and title to the shares of the Company may be transferred by means of a relevant system or within the meaning of the Uncertified Securities Regulations 1995.

5.2.7.3. The directors may in their absolute discretion and without assigning any reason, decline to register the transfer of a share not being a fully paid share to a person of whom they shall not approve and they may also decline to register the transfer of a share not being a fully paid share on which the Company has a lien provided that where any such shares are admitted to the Official List or are admitted to trading on AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis. Subject to the foregoing, the directors may also decline to register any instrument of transfer unless:

- (a) the instrument of transfer duly stamped is deposited at the registered office of the Company, or such other place as the directors may appoint accompanied

by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;

- (b) the instrument of transfer is in respect of only one class of share and
- (c) in the case of the transfer to joint holders they do not exceed four in number.

Subject to section 80 of the Act nothing in the articles shall preclude the directors from allowing the allotment of any share to be renounced by the allottee in favour of some other person.

5.2.8. *Changes in Capital*

The Company in general meeting may by ordinary resolution increase its capital by such sum to be divided into shares of such amount as the resolution prescribes. Unless the Company by ordinary resolution at the general meeting at which the capital is increased otherwise directs, any new shares proposed to be issued shall be offered in the first instance in accordance with section 89 of the Act (save to the extent that such section is disapplied by special resolution) to all the shareholders for the time being on the same or on more favourable terms than those offered or to be offered to persons other than shareholders in proportion to the number of shares of the same class held by them.

5.2.9. *To Purchase Own Shares*

5.2.9.1. In accordance with the provisions of the acts and subject to the articles and the requirements of the Nominated Advisor or the Sponsor (where the Company's shares are admitted to trading on AIM or the UK listing authority where the Company's shares are admitted to the Official List respectively the Company may purchase its own shares including any redeemable shares.

5.2.9.2. The Company may not purchase its own shares if at the time of purchase there are outstanding convertible securities of the Company unless either there are provisions in the relevant deed or terms of issue permitting the purchase or the purchase has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of the convertible securities.

5.2.10. *Alteration of Share Capital*

5.2.10.1. The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital and shares of larger amounts than its existing shares;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its capital via the nominal amount of shares cancelled subject to the provisions of the Act; and
- (c) divide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association and the resolution may determine that as between the holders of the shares resulting from the sub division, one or more of the share may have any such preferred or other special rights over or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

5.2.11. *Constitution of the Company Board*

Unless otherwise determined by ordinary resolution of the Company in general meeting, the number of directors shall not be less than two or more than 15. A director need not be a member of the Company. No person shall be or become incapable of being appointed or reappointed a director by reason of his having obtained the age of 70.

5.2.12. *Directors Remuneration Pensions and Benefits*

5.2.12.1. Subject to the articles, the directors shall be paid out of the funds of the Company by way of remuneration for their services such sums as they may determine. Remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or committees of the directors or general meetings of the Company or in connection with the business of the Company.

5.2.12.2. The ordinary remuneration of the non executive directors of the Company for their services (excluding any amounts payable under any other provision of the articles), shall not exceed £100,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Each such director shall be paid a fee accruing from day to day at such rate as the board determines.

5.2.12.3. A new director who, at the request of the board, performs special services or goes or resides abroad for any purpose of the Company may receive such extra remuneration by way of salary percentage of profits or otherwise as the board determines.

5.2.13. *Directors Retirement*

5.2.13.1. At every annual general meeting, any directors who were appointed to either fill a casual vacancy (and holds office until the next annual general meeting) and one third of the other directors (or if their number is not a multiple of three then the number nearest to but not less than one third) shall retire from office. The directors to retire on each occasion shall be those who have been longest in office since their last election but, as between persons who became or were re-elected directors on the same day those to retire shall unless otherwise agreed amongst themselves be determined by lot. The directors to retire on each occasion both as to number and identity shall be determined by the composition of the board at the date of the notice convened at the general meeting. Retiring directors shall be eligible for re-election.

5.2.13.2. The Company in general meeting may increase or reduce the number of directors and may determine in what rotation the increased or reduced number are to retire from office. A director appointed to either fill a casual vacancy or as an addition to the existing board shall hold office until the next following annual general meeting and shall then be eligible for re-election. A director who retires in this manner shall not be taken into account in determining the directors who are to retire in rotation at the meeting.

5.2.14. *Directors' Interests*

5.2.14.1. A director may be or become a director or officer of or otherwise interested in a company promoted by the Company or in which the Company is interested and shall not be liable to account to the Company or the members for any remuneration profit or other benefit to proceed by him as a director or officer or from his interest in that company.

5.2.14.2. A director shall not vote or be counted in the quorum on a resolution of the board concerning his own appointment as holder of an office.

- 5.2.14.3. A director who to his knowledge is interested, whether directly or indirectly, in a contract or arrangement or proposed contract or arrangement with a company must declare the nature as an interest at a meeting of the board at which the question of entering into the contract is first taken into consideration if he knows his interest then exists, or in another case, at the first meeting of the board after he knows that he is or has become interested.
- 5.2.14.4. Except as otherwise provided by the articles a director must not vote on or be counted in the quorum in respect of any resolution of the board concerning a contract or arrangement or other proposal which together with any interest of any person connected to him, is to his knowledge directly or indirectly a material interest otherwise than by virtue of his interest in shares or debentures or otherwise through the Company. If he does his vote shall not be counted. This does not apply to any of the following matters:
- (a) a contract or arrangement for giving to the directors security or a guarantee or indemnity in respect of money lent by him or obligations undertaken by him or a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or part and a guarantee or indemnity or giving of security;
 - (b) where the Company or any of its subsidiary undertakings is offering securities in which the offer is or may be entitled to participate as a holder of securities;
 - (c) relating to another company in which he and any persons connected to him do not to his knowledge hold an interest in shares (as defined in connection with section 198 to 211 of the Act) representing 1 per cent. or more of any class of the equity share capital of the voting rights in that company;
 - (d) relating to a pension superannuation or similar scheme or retirement death or disability benefit scheme or employee share scheme which does not award him any privilege or benefit not awarded to the employees to whom the scheme relates; or
 - (e) concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or the benefit of persons including directors.

5.2.15. *Borrowing Powers*

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking property and assets (both present and future) including uncalled capital and subject to the Act to issue debentures and other securities whether outright or as collateral security for any debts liability or obligation of the Company or any third party. The board must restrict the borrowings of the Company voting and other rights or powers of control exercisable by the Company in relation to the subsidiaries so as to secure the aggregate principal amount outstanding of all borrowings by the Group does not, without the previous sanction of an ordinary resolution, exceed the greater of £5,000,000 or three times the adjusted Capital and Reserve.

5.2.16. *General Meetings*

- 5.2.16.1. In the case of the annual general meeting or a meeting convened to pass a special resolution, at least 21 clear days notice and in other cases 14 days notice, must be given (exclusive in each case of the day on which the notice is served or deemed to be served and of the day for which the notice is given). The notice shall be given to the auditors and the directors and to such members as are under the articles entitled to receive notices from the Company. With the consent in writing of all such less number as is required by the Act of the members entitled to attend and vote, a meeting may be convened by shorter notice and in such manner as those members think fit.
- 5.2.16.2. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Except as otherwise provided in the articles two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.
- 5.2.16.3. At a general meeting a resolution put to the vote shall be decided on a show of hands unless before or on the declaration of the result of the show of hands, a poll is demanded by the chairman or by at least three members present in person or by proxy and entitled to vote or by a member or members entitled to vote and holding or representing by proxy at least one tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares confirming a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.
- 5.2.16.4. Poll votes may be given either personally or by proxy.
- 5.2.16.5. Corporations holding shares conferring the right to vote may by resolution of its directors or other governing body authorise any of its officials or any other person to act as its representative at any meeting of the Company or at any meeting of holders of any class of shares of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual member of the Company.

5.2.17. *Disclosure*

If a member, or person appearing to be interested in shares held by a member, has been duly served with a notice under section 212 of the Act (“statutory notice”) and is in default for the prescribed period in supplying to the Company the required information or makes a statement which in the opinion of the Board is false or misleading in any material particular, then not earlier than 14 days or such other number of days as may be permitted from time to time by the UK Listing Authority after service of the statutory notice, the Directors may at any time, by notice (a “direction notice”) to the member, direct that in respect of the shares in relation to which default occurred (the “default shares”) the member is not entitled to vote or attend, either personally or by proxy, at a general meeting or a meeting of holders of any class of shares of the Company or to exercise any other right conferred by membership in relation to general meetings of the holders of any class of shares of the Company. In addition, where the default shares represent at least 0.25 per cent. of the issued shares of a class, the direction notice may additionally direct that any dividend or other money otherwise payable in respect of each of the default shares shall (in whole or in part) be retained by the Company without any liability to pay interest when the dividend or money is paid to the member and that no transfer of the default shares which is not an approved transfer shall be registered.

5.2.18. *Redemption*

The Company can by special resolution create and sanction the issue of shares which are redeemable subject to and in accordance with the Act. The special resolution sanctioning the issue shall also make alterations to the articles necessary to specify the terms on which the shares shall be redeemed.

5.2.19. *Pre-emption*

Unless the Company by ordinary resolution in general meeting at which any increase in capital otherwise directs, any new shares to be allotted shall be offered first in accordance with section 89(1) of the Act (unless disapplied by the shareholders by way of special resolution) to all shareholders pro rata.

5.2.20. *Winding Up*

If the Company is wound up (whether the liquidation is voluntary, under supervision of the court or by the court) the liquidator may, with the authority of an extraordinary resolution, divide among the members *in specie* or kind the whole or any part of the assets of the Company. The liquidator may set such value as he considers fair on any one or more class or classes of property and may determine, how the division is carried out as between members of different classes of members.

6. DIRECTORS, SENIOR MANAGERS' AND OTHER INTERESTS

6.1. As at the date of this document and immediately following Admission, the interests of the Directors and the Senior Managers both beneficial and non-beneficial (which would be required to be notified to the Company pursuant to section 324 and section 328 of the Act or would be required to be disclosed in the register of directors interests pursuant to section 325 of the Act) and (so far as is known to the Directors and/or the Senior Managers or could with reasonable diligence be ascertained by them) persons connected with the Directors and/or the Senior Managers (within the meaning of section 346 of the Act) in the ordinary share capital of the Company are as follows:

i) Shareholdings

<i>Director/ Senior Manager</i>	<i>As at the date of this document</i>		<i>Following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>per cent. of Ordinary Shares</i>	<i>No. of Ordinary Shares</i>	<i>per cent. of Ordinary Shares</i>
Stephen Evans	31,661,571*	45.26	31,661,571	45.26
Martin Andrews	17,391	0.02	17,391	0.02
David Galloway	10,000	0.01	10,000	0.01
David Lees	1,033,354	1.48	1,033,354	1.48
Graham Stanley	–	n/a	–	n/a
Martin Bramwell	3,941,543	5.63	3,941,543	5.63
Liz Fisher	565	–	565	–
Alistair Horsburgh	45,000	0.06	45,000	0.06
Roderick Seel	3,018,756	4.32	3,018,756	4.32
Lee Woodley	18,000	0.03	18,000	0.03

*Stephen Evans' holding includes 1,150,000 Ordinary Shares held by him as joint trustee of a trust of which the beneficiary is his daughter, who is a minor.

ii) Options

<i>Director/ Senior Manager</i>	<i>No. of Ordinary Shares under option</i>	<i>Exercise price (p)</i>	<i>Dates from which exercisable</i>		<i>Expiry dates</i>	<i>Plan</i>
Stephen Evans	n/a	n/a	n/a	n/a	n/a	n/a
Martin Andrews	100,000	nil	29 March 2008	28 March 2015		LTIP
David Galloway	n/a	n/a	n/a	n/a	n/a	n/a
David Lees	n/a	n/a	n/a	n/a	n/a	n/a
Graham Stanley	n/a	n/a	n/a	n/a	n/a	n/a
Tim Eaves	1,500	nil	29 March 2008	28 March 2015		LTIP
Liz Fisher	4,118	nil	29 March 2008	28 March 2015		LTIP
	3,750	nil	23 July 2008	22 July 2015		LTIP
	473	252.5	29 April 2008	28 April 2015		Unapproved
	3,450	300	22 July 2008	21 July 2015		Unapproved
	11,881	252.5	29 April 2008	28 April 2015		Approved
Alistair Horsborough	5,813	nil	29 March 2008	28 March 2015		LTIP
	1,500	nil	23 July 2008	22 July 2015		LTIP
	5,560	252.5	29 April 2008	28 April 2015		Unapproved
	2,100	300	22 July 2008	21 July 2015		Unapproved
	11,881	252.5	29 April 2008	28 April 2015		Approved
Nikki Pickering	19,379	nil	29 March 2008	28 March 2015		LTIP
	6,000	nil	23 July 2008	22 July 2015		LTIP
Lee Woodley	3,875	nil	29 March 2008	28 March 2015		LTIP
	2,250	nil	23 July 2008	22 July 2015		LTIP
	2,937	300	22 July 2008	21 July 2015		Unapproved
	11,627	252.5	29 April 2008	28 April 2015		Approved

6.2. Save as disclosed in paragraph 6.1 above, none of the Directors or Senior Managers or their immediate families, nor any person connected with any Director or any Senior Manager (within the meaning of section 346 of the Act) will at Admission have any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company or any of its Subsidiaries.

6.3. Save as disclosed in paragraph 10 below, the Group has not entered into any contract with any member of the Company's Board of Directors with respect to such director's position as a director of the Company. The Articles provide that directors may be reimbursed their expenses of attending meetings of the Board of Directors.

7. ADDITIONAL INFORMATION ON THE BOARD AND SENIOR MANAGERS

7.1. Other than current or former directorships of the Company, during the five years immediately prior to the date of this document, the Directors and the Senior Managers have been members of the administrative, management, or supervisory bodies or partners of the companies specified below (excluding subsidiaries of any company of which he is also a member of the administrative, management or supervisory bodies) and partnerships:

<i>Name of Director/ Senior Manager</i>	<i>Current Directorships/Partnerships</i>	<i>Previous directorships/partnerships (in last five years)</i>
Stephen Evans	Accident Exchange Limited AX Finance Limited AX Insurance Solutions Limited AXI Limited Accident Exchange (2004) Limited Dealer Car Manager Limited DCML Limited	WestGreen Limited AXSF Limited Business Exchange Limited Autohit Limited

<i>Name of Director/ Senior Manager</i>	<i>Current Directorships/Partnerships</i>	<i>Previous directorships/partnerships (in last five years)</i>
Martin Andrews	Accident Exchange Limited Accident Exchange (2004) Limited AXI Limited AX Finance Limited AX Insurance Solutions Limited Dealer Car Manager Limited DCML Limited Career Smitten Limited	Diagonal Plc Diagonal Consulting Diagonal Consulting Services Ltd Absolute IT Recruitment Ltd Diagonal International Ltd Marshall-Wilkins Ltd Strand Computer Systems Ltd Strand Computer Recruitment Ltd Object 2 Ltd Sequeologic Ltd Conos Resource Ltd Diagonal Solutions Ltd MFT Computer Holdings Ltd Partners for Change Ltd Diagonal Secure Networks Ltd CenturyCom Ltd Interop Technologies Ltd Claritas Information Security Ltd Egility Solutions Ltd Protagonia plc and its wholly owned subsidiaries: Protagonia Worldwide Limited Protagonia Worldwide Inc. Protagonia Worldwide Pty
David Galloway	Speedy Hire plc May Gurney Group Trustees Limited May Gurney Integrated Services plc Carter & Carter Group plc	EightSevenNine Limited Hydrex Limited Williams Motor Co. (Holdings) Limited
David Lees	Triple Plate Junction plc Dsquared Management Limited Network Estates Limited Deal Group Media plc Metis Biotechnologies plc Webcall.Com Limited Namesco Limited Simply.Com Limited Rift Oil plc NDO Limited Network Estates Development Limited Accident Exchange 2004 Limited	Goodwill Credit Limited Xecutive Research Limited DaKevson Limited Rist Oil Limited Ibnet (UK) Limited
Graham Stanley	Graham Stanley (Consultancy Services) Limited	Capital Bank Corporate Finance Public Limited Company IL Finance Limited

<i>Name of director/ senior manager</i>	<i>Current Directorships/Partnerships</i>	<i>Previous directorships/partnerships (in last five years)</i>
Nicola Pickering	Accident Exchange Limited	–
Martin Bramwell	Accident Exchange Limited Autohit Limited	
Rod Seel	Autohit Limited Accident Exchange Limited	AXSF Limited (dissolved in 2003)
Alistair Horsburgh	The Car Partnership Limited Accident Exchange Limited	Dane County Holdings Limited Dane County Limited
Elizabeth Fisher	Accident Exchange Limited	–
Lee Woodley	Accident Claims Team Limited Accident Exchange Limited	–
Vincent Powell	Neatfleet Limited	DCML Limited
Tim Eaves	T.C.E. Consulting Limited Accident Exchange Limited	Gilbert Gilkes & Gordon Limited

7.2. No outstanding loans or guarantees have been granted or provided to or for the benefit of any Director or Senior Manager by the Company or any of its subsidiaries.

7.3. In the five years preceding the date of this document none of the Directors or Senior Managers has:

7.3.1. had any unspent convictions in relation to fraudulent offences;

7.3.2 had any bankruptcies, receiverships or liquidations through acting in the capacity of a member of administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

7.3.3 had any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

7.4. No Director or Senior Manager has any conflict of interest between his duties to the Company and any private interests or other duties.

7.5. None of the Directors or Senior Manager has any business interests or performs any activities outside the group which are significant with respect to the Group.

8. DIRECTORS' SERVICE AGREEMENTS AND TERMS OF APPOINTMENTS OF NON EXECUTIVE DIRECTORS AND SENIOR MANAGERS

8.1. Details of the service agreements of the Directors are set out below:

8.1.1. Stephen Evans entered into a service agreement with the Company on 23 March 2004 with continuous service deemed to be effective from 1 March 2004 to serve as Chief Executive. The agreement is for a fixed term expiring on 28 February 2006 and then continues until it is terminated by either party giving 12 months' written notice expiring on or at any time after the expiration of the fixed term. The Company may terminate Mr. Evans' employment without notice in the following circumstances i) the Board believes that he has committed any serious breach or repeated or continued to breach any terms of the agreement ii) he is guilty of any serious misconduct or wilful neglect in discharging his duties iii) he is guilty of fraud or dishonesty or conduct tending to bring himself or the Group into disrepute iv) he is adjudicated

a bankrupt v) he becomes of unsound mind or a patient under the Mental Health Act 1983 vi) convicted of a criminal offence vii) he refuses to accept employment on a reconstruction, amalgamation or reorganisation of the Company viii) he becomes prohibited in law from being a director or ix) he resigns as a director other than at the request of the Board. If the Company terminates Mr Evans' employment for one of these reasons, the Company is not obliged to make any further payments to Mr. Evans save for salary that has accrued at the date of termination. The Company may in its absolute discretion at any time after notice of termination has been given by either party lawfully terminate the agreement by notice in writing with immediate effect by paying to Mr. Evans an amount equal to his basic salary entitlement for the then unexpired period of notice together with such further amount as is equal to the fair value of any other benefits to which Mr. Evans is contractually entitled.

Mr Evans is entitled to a salary of £200,000 per annum and is entitled to participate in a discretionary bonus scheme on terms determined by the Remuneration Committee. His bonus for the year ended 30 April 2006 was nil. Mr. Evans is entitled to a car and pension contributions at a current rate of 8 per cent. of salary, 6 months paid sick leave, life assurance and private healthcare.

- 8.1.2. Martin Andrews entered into a service contract with the Company on 10 November 2004 with continuous service deemed to be effective from 10 November 2004 to serve as Finance Director. The agreement continues until it is terminated by either party giving 12 months' written notice. The Company may terminate Mr Andrews' employment without notice in the following circumstances i) the Board believes that he has committed any serious breach or repeated or continued to breach any terms of the agreement ii) he is guilty of any serious misconduct or wilful neglect in discharging his duties iii) he is guilty of fraud or dishonesty or conduct tending to bring himself or the Group into disrepute iv) he is adjudicated a bankrupt v) he becomes of unsound mind or a patient under the Mental Health Act 1983 vi) he is convicted of a criminal offence vii) he refuses to accept employment on a reconstruction, amalgamation or reorganisation of the Company viii) he becomes prohibited in law from being a director or ix) he resigns as a director other than at the request of the Board. If the Company terminates Mr Andrews' employment for one of those reasons, the Company is not obliged to make any further payments to Mr Andrews save for salary that has accrued at the date of termination. The Company may in its absolute discretion at any time after notice of termination has been given by either party lawfully terminate the agreement by notice in writing with immediate effect by paying to Mr Andrews an amount equal to his basic salary entitlement for the then unexpired period of notice together with such further amount as is equal to the fair value of any other benefits to which Mr Andrews is contractually entitled.

Mr. Andrews is entitled to a salary of £150,000 per annum and is entitled to participate in a discretionary bonus scheme up to a maximum of 55 per cent. of basic salary on terms determined by the Remuneration Committee. His bonus for the year ended 30 April 2006 was nil. Mr. Andrews is also entitled to a car and pension contributions at a current rate of 8 per cent. of salary, 6 months paid sick leave, life assurance and private healthcare.

- 8.1.3. The Company entered into a letter of appointment on 23 March 2004 with David Lees governing the terms of his appointment as non-executive director. The appointment was for an initial term of six months continuing thereafter until terminated by either party upon three months' written notice. Mr. Lees is entitled to an annual fee of £25,000 and re-imbursment of reasonable expenses but no other remuneration. If any of the following events take place, Mr Lees' appointment shall terminate without entitlement to compensation i) if he resigns as a director of the Company for any reason ii) if he is removed as a director by resolution passed at any general meeting of the Company iii) if his office is vacated pursuant to the provisions of the articles of association of the Company or iv) if he is not reappointed as a director in accordance with the articles of association of the Company.
- 8.1.4. The Company entered into a letter of appointment on 21 July 2005 with David Galloway governing the terms of his appointment as non-executive director. David Galloway is currently

Non-Executive Chairman. The appointment was made for an initial term of six months continuing thereafter until terminated by either party upon three months' written notice. Mr. Galloway is entitled to an annual fee of £50,000 and re-imburement of reasonable expenses but no other remuneration. Mr Galloway is not entitled to participate in any Company share, bonus or pension scheme or other fringe benefit arrangements. The Appointment will terminate automatically upon Mr Galloway being removed from office as a director by any resolution duly proposed and resolved by members of the Company.

8.1.5. The Company entered into a letter of appointment with Graham Stanley on 21 July 2006 governing the terms of his appointment as non-executive director. The appointment was made for an initial term of six months continuing thereafter until terminated by either party upon three months' written notice. Mr. Stanley is entitled to an annual fee of £25,000 and re-imburement of reasonable expenses but no other remuneration. The Appointment will terminate automatically upon Mr Stanley being removed from office as a director by any resolution duly proposed and resolved by members of the Company.

8.1.6 The contracts of each of the Senior Managers provide that the Company may terminate the Senior Manager's employment without notice in the following circumstances: (i) the Board believes that he has committed any serious breach or treated or continued to breach any terms of the agreement; (ii) he is guilty of any serious misconduct or wilful misconduct or wilful neglect in discharging his duties; (iii) he is guilty of fraud or dishonesty or conduct tending to bring himself or the group into disrepute; (iv) he is prohibited by law from being a director; (v) he refuses to accept employment on a reconstruction, amalgamation or reorganisation of the Company or (vi) he resigns as a director other than at the request of the Board. In the event of termination, the Company is not obliged to make any further payment to the Senior Manager except such salary as has accrued at the date of termination and in respect of accrued but untaken holiday.

The Company may in its absolute discretion at any time after notice of termination has been given by either party lawfully terminate the agreement by notice in writing with immediate effect by paying to the Senior Manager an amount equal to his basic salary entitlement for the then unexpired period of notice together with such further amount as is equal to the fair value of any other benefits to which the Senior Manager is contractually entitled.

8.2. In the financial year ended 30 April 2006, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors and the Senior Managers by the Company and its subsidiaries for services in all capacities to the Company and its subsidiaries were as follows:

	<i>Basic Salary and fees £'000</i>	<i>Annual bonuses £'000</i>	<i>Benefits £'000</i>	<i>Total £'000</i>	<i>Pension 2006 £'000</i>
Executive Directors					
Stephen Evans	200	–	18	218	16
Martin Andrews	150	–	21	171	12
Non Executive Directors					
David Lees	20	–	–	20	–
David Galloway	23	–	–	23	–
Graham Stanley	19	–	–	19	–
Senior Managers (aggregate)	591	7	103	701	41
Total	1,003	7	142	1,152	69

8.3. As at 30 April 2006, £nil had been set aside by the Company and its subsidiaries to provide pension, retirement or similar benefits to Directors and the Senior Managers.

8.4. Steve Evans is party to the Lock-in Agreement described at paragraph 11.1.2 below.

9. PRINCIPAL SHAREHOLDERS

9.1. As at the date of this document and following Admission, the Company is aware that the following persons, other than Directors and Senior Managers and their connected persons (whose interests are set out in paragraph 6, above) have and will have the following interests in three per cent. or more of the Company's issued ordinary share capital:

<i>Name</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of existing Ordinary Shares</i>
Aegon UK Plc	3,934,496	5.62
G R Beacroft	3,300,000	4.72
The Rt Hon. Lord Young of Graffham	2,611,475	3.73

9.2. None of the shareholders above have any voting rights different to any other shareholders in the Company.

10. RELATED PARTY TRANSACTIONS

The following are the related party transactions (which for these purposes are those set out in the Standards adopted according to the Regulation (EC) No 1606/2002) that members of the Group have entered into during the three financial periods ended 30 April 2004, 30 April 2005 and 30 April 2006 and up to the date of this document:

The Group has had transactions with Williams BMW. David Galloway is a director of Williams Motor Co. (Holdings) Limited. The Group purchased one motor vehicle from Williams BMW Liverpool amounting to £23,000 and disposed of five motor vehicles to Williams BMW Liverpool, the proceeds of which amounted to £115,000.

11. MATERIAL CONTRACTS INCLUDING ARRANGEMENTS RELATING TO ADMISSION

11.1. The following material contracts, not being contracts entered into in the ordinary course of business, (i) have been entered into by members of the Group during the two years immediately preceding the date of this document or (ii) contain provisions under which a member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document:

11.1.1. Placing Agreement dated 10 June 2005 made between the Company (1) and Numis Securities Limited (2).

On 10 June 2005, the Company entered into a placing agreement with Numis. The placing was underwritten by Numis. Pursuant to the placing agreement, Numis agreed to use reasonable endeavours to procure subscribers for the placing shares, being 3,478,261 new Ordinary Shares and itself to subscribe for any placing shares for which it was unable to procure subscribers, in each case at the placing price of 230 pence per share. The Company gave certain warranties to Numis regarding inter alia, the accuracy of the information contained in the placing documents. The Company also provided an indemnity to Numis in connection with the placing.

Numis received a commission of 3 per cent. of the total gross proceeds of the placing.

11.1.2. Lock in Agreements dated 10 June 2005 made between Numis Securities Limited and the Company and each of Guy Beacroft, Ian Crump, Martin Bramwell, Stephen Eldred, Stephen Evans, Steine Thomas Paget-Wall, Richard Pope and Robert Seel.

On 10 June 2005, each of the Restricted Vendors (as defined in the agreements) entered into lock in and orderly market agreements with the Company and Numis pursuant to which the Restricted Vendors agreed not to dispose of any Retained Shares (as defined within) for a period of six months from the Placing (as defined within) and in order to preserve an orderly market, not to dispose of the Retained Shares except through Numis for a period of 18 months.

The restrictions on the Restricted Vendors will not apply if the middle market quotation for an Ordinary Share as derived from the London Stock Exchange Daily Official List (in respect of companies whose shares are admitted to trading on AIM) exceeds £3.00.

11.1.3. Working Capital Facility dated 11 April 2006.

On 11 April 2006, RBS agreed to make available a group overdraft facility for the purposes of the business of the Group. The Group Overdraft Limit is £7,000,000 on specified Group facility accounts ("Facility Accounts"). For the purposes of calculating the utilisation of the facility, the aggregate of the cleared creditor balances on the Facility Accounts are netted against the aggregate of the cleared debtor balances on the Facility Accounts. The aggregate of the cleared debtor balances on the Facility Accounts must not at any time exceed £10,000,000. The facility is repayable on demand in accordance with normal banking practice and subject to this right of RBS, the facility is available until the Company notifies RBS that it wishes to cancel it. Interest is charged by RBS as follows; a) on the part of the aggregate cleared debtor balances on the Facility Accounts equal to the aggregate of the cleared creditor balances of the Facility Accounts, at 0 per cent per annum; b) on that part of the aggregate of the cleared debtor balances on the Facility Accounts in excess of the aggregate of the cleared creditor balances on the Facility Accounts up to the Group Overdraft Limit, at 1.25 per cent. per annum over RBS's base rate; and c) on that part of the aggregate of the cleared debtor balances on the Facility Accounts in excess of the aggregate of the cleared creditor balances on the Facility Accounts over the Group Overdraft Limit, at 5.25 per cent. per annum over RBS's base rate.

11.1.4. Facility Agreement dated 25 April 2006 made between Royal Bank of Scotland ("RBS") (1) and the Company (2).

On 25 April 2006, RBS and the Company entered into an agreement whereby RBS agreed to make available to the Company a loan of up to £5,000,000 ("Loan") to assist with the acquisition of the entire issued share capital of DCML Limited. The Loan was drawn down in one amount on 5 May 2006. The Company will repay the Loan by 68 instalments of £72,463.76 and a final instalment of £72,464.32. The first instalment was paid on 4 September 2006 and the remaining instalments are paid monthly thereafter until the Loan with all interest is repaid in full. The Company pays interest to RBS at a rate which is equivalent to 1.75 per cent above RBS's base rate and is calculated on a daily basis and a year of 365 days and is payable quarterly from the Company's current account on the penultimate business day of March, June, September and December in each year.

11.1.5. Sale and purchase agreement dated 5 May 2006 made between Dennis Ryan and others (1) and the Company (2).

On 5 May 2006 the Company purchased the entire issued share capital of DCML Limited for initial consideration of £8,000,000 and up to £4,000,000 in deferred consideration. £5,000,000 was satisfied in cash and £3,000,000 was satisfied by the issue and allotment (credited as fully paid) of 721,587 Ordinary Shares at a price of 415.75 pence per share (being the average of the middle market price for the five previous days prior to the announcement of the acquisition).

The agreement contains lock in provisions whereby the recipients of the Ordinary Shares agreed that without the prior written consent of the Company, they would not dispose of their Ordinary Shares for a period of 9 months from the date of completion and for a further 6 months they would only dispose of their shareholdings with the prior written consent of the Company and through the brokers acting for the Company. The provisions of the lock-in will not apply if the share price is valued at £5.00 or above.

The deferred consideration is for a maximum sum of £4,000,000 and is payable dependant on DCML attaining certain financial targets for the period from 1 May 2006

to 31 December 2006. Any final deferred consideration is payable, at the option of the Company, in either shares or loan notes in the Company.

The vendors gave the Company warranties and indemnities as are normal for transactions of this nature.

- 11.1.6. Own Purchase Share Contract dated 20 July 2006 made between Brewin Nominees Limited and Others (1) and the Company (2).

On 20 July 2006, the Company purchased the entire issued deferred share capital of the Company (being 12,514,500 Deferred Shares) for a total consideration of £1.00. The own share purchase was carried out in accordance with the Articles and such purchase was approved by a special resolution of the members passed at the 2006 annual general meeting of the Company held on 20 July 2006.

- 11.1.7. Revolving Credit Facility Agreement dated 21 September 2006 (the “**Facility**”)

On 21 September 2006 Svenska Handelsbanken AB (Publ) and The Royal Bank of Scotland plc (the “**Lenders**”) agreed to make available to the Company the Facility in an aggregate amount of £20,000,000 for the working capital requirements of the Group. Each lender agreed to make available £10,000,000. The Facility is utilised by delivery of a utilisation request to The Royal Bank of Scotland plc (acting as agent) by 10.00am one business day prior to the date on which the proposed loan is to be made. Only one loan may be requested in each utilisation request and any requested loan must be of a minimum of £1,000,000. If less than £1,000,000, the loan must be of an amount equal to either the Lender’s commitment to the agreement, less any outstanding loans or loans that are due to be made on or before the date of receipt for the proposed loan. The agreement contains certain normal circumstances which constitute an event of default and require repayment of the outstanding loans including a change of control of the Company (including Steve Evans ceasing to own at least 30 per cent. of the Company), sale of any of the trading subsidiaries, usual insolvency events and Steve Evans ceasing to be involved full time in the Company and an acceptable replacement not having been found within 6 months. Any loan taken out under the Facility must be repaid on the last day of the interest period agreed with The Royal Bank of Scotland plc (acting as agent). Interest payable on the loan is the aggregate of (a) the applicable Margin (1.25 per cent. per annum if total borrowings under the agreement remain £15,000,000 or less as a result of the loan in question, or 1.75 per cent. per annum if total borrowings exceed £15,000,000 as a result of the loan in question); (b) the applicable British Bankers Association Interest Settlement Rate; and (c) the applicable Mandatory Cost Percentage Rate as calculated by The Royal Bank of Scotland plc (acting as agent). Interest is payable on the last day of the agreed interest period, and, if the interest period is longer than six months, interest is payable on the dates falling at six monthly intervals after the first day of the interest period.

- 11.1.8. Placing agreement dated 28 September 2006 made between the Company (1) and Numis Securities Limited (2).

On 28 September 2006, the Company entered into a placing agreement with Numis. The placing was underwritten by Numis. Pursuant to the placing agreement, Numis agreed to use reasonable endeavours to procure subscribers for the placing shares, being 4,000,000 new Ordinary Shares in the capital of the Company and itself to subscribe for any placing shares for which it was unable to procure subscribers, in each case at the placing price of 325 pence per share. The Company gave certain warranties to Numis regarding *inter alia*, the accuracy of the information contained in the placing documents (as defined therein). The Company also provided an indemnity to Numis in connection with the placing. Numis received a commission of 3 per cent. of the total gross proceeds of the placing.

- 11.1.9. Sponsor, financial adviser and broker agreement made between Numis (1) and the Company (2).

The Company has today entered into a sponsor, financial adviser and broker agreement with Numis (“**sponsor agreement**”). Pursuant to the sponsor agreement, the Company has appointed Numis as sponsor for the purposes of Admission and to carry out the duties of a sponsor provided by Chapter 8 of the Listing Rules, and retained Numis as financial adviser and broker following Admission for a fixed term of 12 months, terminable thereafter by either party on three months notice. The Company gave certain standard warranties and undertakings in favour of Numis (including warranties relating to the accuracy of information) and a standard indemnity given by the Company in favour of Numis. These warranties, undertakings and indemnities are appropriate from the Company’s perspective for an agreement of this nature.

In consideration of its services to the Company in connection with Admission, Numis is entitled to receive a fee of £200,000.

12. WORKING CAPITAL

The Company is of the opinion that, taking into account the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

13. CAPITALISATION AND INDEBTEDNESS STATEMENT

The capitalisation of the Group as at 30 April 2006, as extracted from the financial information in Part VI of this document, is set out below. Save as set out below, there has been no material change in the capitalisation of the Group between 30 April 2006, the date of the Group’s last published financial information and the date of this document.

13.1 Capitalisation

The following table sets out the capitalisation of the Group as at 30 April 2006 as extracted without material adjustment from the financial information included in Section D of Part VI

	<i>As at 30 April 2006 £’000</i>
Share capital	3,887
Share premium	7,959
Other reserves	10,846
	<hr/> 22,692 <hr/>

Capital and reserves do not include the profit and loss account reserve.

Changes to the Group’s capitalisation have taken place since 30 April 2006. The Group issued 721,587 new Ordinary Shares, which were admitted to trading on AIM on 5 May 2006, as part satisfaction of the consideration for the acquisition of DCML Limited. On 20 July 2006 the Group acquired 12,514,500 of its own unlisted deferred shares of 5p each for an aggregate consideration of £1 in order to simplify its share structure. On 4 October 2006 the Group placed 4,000,000 new Ordinary Shares at £3.25 per share.

13.2 Indebtedness

The following table sets out the indebtedness of the Group as at 31 August 2006 as extracted without material adjustment from the Group’s unaudited accounting records.

	<i>As at 31 August 2006 £'000</i>
Total current debt	
Guaranteed and secured	–
Secured	30,761
Unguaranteed/unsecured	–
	<u>30,761</u>
Total non-current debt	
Guaranteed and secured	–
Secured	44,033
Unguaranteed/unsecured	–
	<u>44,033</u>
Total indebtedness as at 31 August 2006	<u>74,794</u>

The secured indebtedness comprises £59,626,000 of amounts due under hire purchase contracts, £5,000,000 due under a six year term loan and a bank overdraft of £10,168,000. Amounts due under hire purchase contracts are secured on the assets to which they relate, and the term loan and the bank overdraft are secured by a fixed and floating charge over certain of the Group's assets.

13.3 *Net financial indebtedness*

The following table sets out the Group's net financial indebtedness as at 31 August 2006 extracted without material adjustment from the Group's unaudited accounting records.

	<i>As at 31 August 2006 £'000</i>
Cash	813
Total liquidity	<u>813</u>
Current bank overdraft	(10,168)
Finance leases – current	(19,723)
Current bank loans	(870)
Current financial indebtedness	<u>(30,761)</u>
Net current financial liquidity	<u>(29,948)</u>
Non-current bank loans	(4,130)
Finance leases – non-current	(39,903)
Non current financial indebtedness	<u>(44,033)</u>
Net financial indebtedness as at 31 August 2006	<u>(73,981)</u>

As at 31 August 2006 the Group had no material indirect and contingent indebtedness.

The Group had no derivative financial instruments as at 31 August 2006.

14. DIVIDEND POLICY

The Group intends to pursue a progressive dividend policy and for the foreseeable future expects dividend per share to be covered approximately six times by earnings per share.

15. INVESTMENTS

Save for the acquisition of DCML referred to at paragraph 11.1.5 of this Part VII and the acquisition of Accident Exchange Limited referred to at paragraph 4.7.1 of this Part VII there were no disclosable investments made by the Company in the period commencing 1 May 2003 and ending on the date of this document.

16. PRINCIPAL PREMISES

16.1. Details of the principal premises owned and/or occupied by the Group are as follows:

<i>Property</i>	<i>Owner</i>	<i>Approx Area (sq ft)</i>	<i>Term expiration</i>	<i>Current Annual Rent</i>	<i>Principal Use</i>
Unit 1 Roman Park Roman Way Coleshill B46 1HG	A & J Mucklow (Investments) Limited Haden Cross Halesowen Road Cradley Heath West Midlands B64 7JB	11,680	25-Mar-11	£64,240	Offices
Alpha 1 Canton Lane Hams Hall Distribution Park Coleshill B46 1GA	Warner Estate Holdings PLC Nations House 103 Wigmore Street London W1U 1AE	229,000	27-Apr-16	£1,149,078	Offices and vehicle storage & distribution centre
Unit 1 Radial Point Cardonald Business Park Fifty Pitches Road Glasgow G51 4EB	C & W Assets Ltd 16 Hill Street Edinburgh EH2 3LD 0131 226 6703 DX ED114	21,393	2-May-10	£101,800	Offices and vehicle storage & distribution centre
Suite 2 Bromwich Court Gorsey Lane Coleshill B46 1JU	Bovis Homes Limited The Manor House North Ash Road New Ash Green Longfield Kent DA3 8HQ	6,389	14-Jun-08	£94,164	Offices
Zenin Building South Avenue Warrington Cheshire WA2	Zenin Limited c/o Halliwell Jones (Warrington) Limited Winwick Road Warrington WA2 8HY	15,000	21-Nov-10	£103,030	Offices and vehicle storage & distribution centre
Unit 27 Coleshill Industrial Estate Station Road Coleshill B46 1JT	A & J Mucklow (Investments) Limited Haden Cross Halesowen Road Cradley Heath West Midlands B64 7JB	3,353	28-Sep-07	£18,195	Vehicle storage + & distribution
Unit 11 Bredbury Park Industrial Estate Stockport Cheshire SK6 2SN	DCML Limited	2,594	999 years from 1 October 1990	£100	Offices

Note: term expiration is date of next break at Accident Exchange's option

17. EMPLOYEE SHARE SCHEMES

17.1. Unapproved Plan

The principal features of the Unapproved Plan are as follows:

17.1.1 Eligibility

Any director or employee of the Group is eligible to participate. Actual participation is at the discretion of a committee of the board of directors (“Remuneration Committee”). Options are personal to the participant and not capable of assignment except that on death, in certain circumstances, the option holder’s personal representatives may exercise the option within 12 months thereafter. Options are granted by deed for no consideration.

17.1.2 Scheme Limits

The Plan imposes limits on the number of Ordinary Shares over which options may be granted. The total number of Ordinary Shares over which options to subscribe may be granted under all option schemes of the Company, whether on a discretionary basis or on any other basis, and issued or issuable under all other share schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the Ordinary Shares in issue from time to time.

17.1.3 Individual Participation Limit

The aggregate market value (at the date of grant) of all Ordinary Shares over which options may be granted to any single participant, under the Plan does not exceed two times the amount of that participant’s remuneration for that financial year.

17.1.4 Grant of options

Options were initially permitted to be granted under the Unapproved Plan within 42 days of its adoption, and thereafter, within 42 days after the announcement of the Company’s yearly or half-yearly results or of its results for any other period. Without further shareholder approval, options may only be granted within ten years of shareholder approval of the schemes.

17.1.5 Performance Target

The Remuneration Committee imposes objective conditions as to the performance of the Group (which are set having regard to institutional guidelines) which must be satisfied before options can be exercised. Having granted options and set a performance target, the Remuneration Committee may vary the performance target provided that the Remuneration Committee reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy. All performance targets set are notified to shareholders through the Company’s annual report and accounts.

17.1.6 Exercise price

The exercise price for each Ordinary Share under option is the higher of the nominal value of a Ordinary Share at the time of grant of the option and the market value of a Ordinary Share at the date of grant.

17.1.7 Exercise of options

Options are exercisable only within the period of three to ten years after the date of grant. Exceptionally, options may be exercised earlier where employment ceases due to death, injury, disability, redundancy, the participant’s retirement at normal retirement age, or on the participant’s employing company or business ceasing to be within the

Group or, at the discretion of the Remuneration Committee, on the participant in question leaving employment for any other reason. In each of these situations (other than on death), the option must be exercised, if at all, before the expiry of the period of 6 months following the cessation of employment. In the case of death, the participant's personal representatives may exercise the option within 12 months following the death.

17.1.8 Income tax and national insurance contributions

The Plan contains provisions that ensure that any income tax and employer's national insurance contributions that arise as a result of the exercise of any options are payable by the participant. The Remuneration Committee may also determine that the participant should be liable for employer's national insurance contributions.

17.1.9 Shares Issued on Exercise of Options

Ordinary Shares allotted under the Plan rank *pari passu* with the Company's existing issued Ordinary Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the option).

17.1.10 Lapsing of Options

Options held by a Participant will lapse if the Participant ceases to be employed by a company within the Group save to the extent that the reason for cessation is as outlined in paragraph 11.7 above.

17.1.11 Takeovers

In the event of a takeover, amalgamation or reconstruction of the Company, options may be exercised under the Plan to the extent determined by the Remuneration Committee, having regard to all the circumstances. Alternatively, with the agreement of the acquiring company, options under the Plan may be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

17.1.12 Variation of Share Capital

In the event of a variation of share capital by way of capitalisation, rights issue, subdivision, consolidation or reduction of share capital, then the number of Ordinary Shares subject to a subsisting option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable. No adjustment can be made which would cause the aggregate amount payable on the exercise of an option in full to be increased.

17.1.13 Alterations to the Plan

The Remuneration Committee may alter the Plan. Certain alterations cannot take effect without shareholder approval (unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation treatment for the Company or option holders or potential participants), being the limits on the number of Ordinary Shares which can be offered under the Plan, the category of persons who may participate, the price at which options may be granted, the number of Ordinary Shares over which an employee may hold an option, the period during which options may be offered and exercised, the rights attaching to Ordinary Shares subject to an option, the provisions for altering share capital and for altering the terms of the Plan and the provisions which apply on a winding-up of the Company.

17.2. LTIP Plan

The principal features of the LTIP are as follows:

1. Administration

The LTIP is administered by the trustee of a trust to be established which is known as the Accident Exchange Group (2005) Employee Benefit Trust (“Trust”). The trustee of the Trust (“Trustee”) is an independent professional trustee based in the Channel Islands. The Trustee, when exercising its discretion, always has regard to the recommendations of the Board or a duly constituted committee of the Board which are, where appropriate, the Remuneration Committee.

2. Participation

All executive directors and senior executives are entitled to be considered for the grant of awards under the LTIP. Awards are made over Ordinary Shares. In order to ensure that the Remuneration Committee has maximum flexibility in devising the structure of remuneration packages for executives the LTIP operates in conjunction with the other share option plans adopted and operated by the Company. Participants in the LTIP therefore are also entitled to be granted options under the Company’s other share option plans. After due consideration, the Remuneration Committee recommends to the Trustee the names of selected executive directors and other senior executives who are considered for participation in the LTIP. The Remuneration Committee also recommends the maximum number of Ordinary Shares over which an award may be made to any particular executive.

Awards were granted under the LTIP within 42 days following approval of the rules by the Shareholders and, after that, are awarded within 42 days after the announcement by the Company of its interim or final results or of its results for any other period. If the Trustee is unable to grant an award within that time frame because of any statute, order, regulation or otherwise (including a restriction resulting from the application of the Company’s share dealing code) then grants may be made within the period of 42 days of the lifting of such restriction.

After taking into account the recommendations of the Remuneration Committee, the Trustee makes awards under the LTIP to selected executive directors and other senior executives. The awards are over a maximum specified number of Ordinary Shares. An award made by the Trustee under the terms of the LTIP to an eligible participant takes one of a number of different forms. In each case the rules of the LTIP ensure that the participant does not acquire absolute ownership of the relevant Ordinary Shares before the commencement of the exercise period, and then only to the extent that the performance targets (see paragraph 4 below) have been satisfied. The award may take one of the following forms:

- 2.1 a right to acquire Ordinary Shares. The right to acquire Ordinary Shares is exercisable following the commencement of the exercise period. The number of Ordinary Shares which may be acquired on the exercise of the right held by the participant are determined by the extent to which the performance conditions have been satisfied; or
- 2.2 the conditional ownership of Ordinary Shares. The participant does not have absolute ownership of any of the Shares over which such an award has been made until the commencement of the exercise period and, as in the case of the Trustee granting a right to acquire Ordinary Shares (see paragraph 2.1), the participant will only acquire absolute ownership of any Ordinary Shares at the commencement of the exercise period to the extent that the performance targets have been satisfied; or
- 2.3 a shared ownership of Ordinary Shares. Under this arrangement the participant is a joint owner of the Ordinary Shares in the period before the commencement of the exercise period. As in the arrangements summarised in paragraphs 2.1 and 2.2 above, the participant only becomes the absolute owner of any Ordinary Shares at the commencement of the exercise period and then only to the extent that the performance targets have been satisfied. To the extent that the performance targets have been satisfied, the participant is given the opportunity to acquire (for a nominal consideration) the interest in the vested Ordinary Shares that he has not owned previously, so as to ensure that the participant acquires absolute ownership of the vested Ordinary Shares.

3. Scheme Limits

The LTIP contains limits on the numbers of Ordinary Shares over which awards may be made. The maximum number of Shares over which awards may be made in any ten year period under all share plans operated by the Company must not exceed 10 per cent. of the issued share capital of the Company from time to time. When considering this limit, no account is taken of any Ordinary Shares over which any options have been granted or awards have been made which have been cancelled, lapsed or surrendered. Whilst the Remuneration Committee can exercise its discretion over the number of Ordinary Shares over which a participating executive can be granted an option, or over which an award can be made, participating executives will ordinarily receive options or awards (under the LTIP or any other plan) valued (at the date of grant) at a maximum of twice their annual basic salary in any one financial period.

4. Performance targets and vesting

The vesting of the Ordinary Shares over which an Initial LTIP Award is made is dependent upon the achievement of the performance targets set out below. The first performance target selected by the Remuneration Committee, and which shall apply to the Initial LTIP Awards, is based on the earnings per share of the Company over the relevant measurement period. The number of Ordinary Shares over which the Initial LTIP Awards is made will be divided into three tranches. The first tranche will be over one-sixth of the total number of Ordinary Shares over which a particular award is made, the second tranche will be over one-half of the total number of Ordinary Shares and the third tranche will be over the balance, that is one-third of the total number of Ordinary Shares over which an award is made. If the earnings per Ordinary Share for the year ending 30 April 2005 was at least 8 pence per Ordinary Share the first tranche of Ordinary Shares vested and the participant to whom that award has been granted will be able to obtain that number of Ordinary Shares during the exercise period in accordance with the terms of the rules of the LTIP. If the earnings per Ordinary Share for the year ending 30 April 2005 was less than 8 pence per Ordinary Share then the number of Shares comprised in the first tranche would have been added to the number of Ordinary Shares comprised in the second tranche. If the earnings per Ordinary Share for the year ending 30 April 2006 was at least 15 pence per Ordinary Share (the lower earnings per Ordinary Share target) then at least 50 per cent. of the second tranche of Ordinary Shares will vest and the participant to whom that award has been granted is able to obtain that number of Ordinary Shares during the exercise period in accordance with the terms of the rules of the LTIP. If for the same year ending 30 April 2006 the earnings per Ordinary Share was at least 19 pence per Ordinary Share (the higher earnings per Ordinary Share target), all of the Shares that form part of the second tranche will vest. If the earnings per Share for the year ending 30 April 2006 was greater than 15 pence per Ordinary Share but less than 19 pence per Share then, in addition to 50 per cent. of the second tranche vesting because the earnings per Ordinary Share was at least 15 pence per Ordinary Share, a further number of the Ordinary Shares comprised in the second tranche will vest. Additional Ordinary Shares will vest on a pro rated straight-line basis between the lower (15 pence) and higher (19 pence) targets with the vesting being determined by reference to the actual earnings per Ordinary Share attained. Any number of Ordinary Shares included in the second tranche and which have not vested will be added to the third tranche.

The extent to which the third tranche of Ordinary Shares will vest will be determined in a manner similar to that outlined in the paragraph above with targets being linked to the lower earnings per Ordinary Share for the year ending 30 April 2007 of 27 pence per Ordinary Share and to the higher earnings per Ordinary Share of 37 pence per Ordinary Share. To the extent that the third tranche of Ordinary Shares does not vest then the participant will ordinarily have no right to obtain the unvested Ordinary Shares and the unvested part of the award will lapse. For the purposes of calculating the earnings per Ordinary Share for any period, adjustments will be made to the earnings per Ordinary Share figure disclosed in the audited financial accounts. The earnings per Ordinary Share figure in the audited financial accounts will be amended to take account of goodwill or intangible asset amortisation, share option charges, exceptional items and any other adjustments deemed reasonable by the Remuneration Committee. In addition to the performance target summarised above, no Ordinary Shares will be transferred to a participant unless the Remuneration Committee is of the opinion that the underlying financial performance of the Company is satisfactory. In respect of any future awards made under the LTIP, the Remuneration Committee will continue to set performance targets that are, in its view, both challenging and which align the interests of the participants with those of the Shareholders. All future performance conditions will be notified to Shareholders in the annual report and accounts of the Company.

5. Exercise Period

The exercise period for any award is between three and ten years from the date of grant.

6. Cessation of employment

A participant who ceases to be an employee before the commencement of the exercise period, and who is a “good leaver”, is not entitled to obtain full ownership of any Ordinary Shares until after the commencement of the exercise period. The extent to which an award vests for such a “good leaver” depends upon the performance of the Company over the measurement period, the underlying financial performance of the Company and the extent to which the “good leaver” has been an employee during the period from the date of the award to the commencement of the exercise period. If a participant ceases to be an employee but is not a “good leaver” the extent to which he is entitled to receive any Ordinary Shares under the LTIP will depend upon the discretion of the Trustee. Before exercising its discretion the Trustee will take into account the opinion of the Remuneration Committee and when forming its opinion the Remuneration Committee will take into account the performance of the Company and the contribution made by the relevant participant before he ceased to be an employee.

7. Takeover, amalgamation and reconstruction of the Company

In the case of a takeover that takes place before the commencement of the exercise period, the number of Ordinary Shares over which an award has been made which can be acquired by the award holder will be the higher of the following numbers:

- 7.1 the number of Ordinary Shares that have vested (as determined by the process set out in paragraph 4 above) at the date of the takeover; or
- 7.2 the number of Ordinary Shares over which the award was originally made (the “Original Maximum Number”) less that number of Ordinary Shares which bears the same proportion to the Original Maximum Number as does the number of days between the date of the takeover and the commencement of the exercise period bears to the number of days from the date of the award to the commencement of the exercise period; or
- 7.3 if the price offered for each Ordinary Share on the takeover is higher than the mid-market price for each Ordinary Share on the date of the award and the difference between these two share prices represents a rate of growth that is equal to or greater than the compound growth rate specified by the Committee at the time of the making of an award, and for the initial LTIP awards the compound growth rate specified by the Committee shall be 25 per cent, then the number of Ordinary Shares shall be the Original Maximum Number. In the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company and the participating executive, the awards may be exchanged or varied so as to operate over shares in the acquiring company.

8. Acquisition of Ordinary Shares by Trustee

In respect of the Ordinary Shares over which the awards are made, the Trustee will acquire the relevant number of Ordinary Shares from the Company by subscribing for new Ordinary Shares. The subscription price to be paid by the Trustee will be the market value of the Ordinary Shares on the day that the awards are made. The subscription money will be advanced to the Trustee by the Company.

9. Taxation

The LTIP contains provisions to ensure that any tax liabilities and employee national insurance liabilities that arise on the vesting of an award or the acquisition of any Ordinary Shares by a participant, will be satisfied by the relevant participant. In addition, where possible the participant must bear the cost of any employer’s national insurance contributions.

10. Variation of share capital of the Company

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital, the number of Ordinary Shares over which an award has been made may be adjusted.

11. Amendment to LTIP

The Trustee may amend the terms of the LTIP on the recommendation of the Remuneration Committee. Certain amendments cannot take effect without Shareholder approval unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation treatment for the Company or the participants. Shareholder approval is required before any amendment can be made to the overall limits on the number of Ordinary Shares that can be issued to satisfy Options granted under the Approved Plan and the Unapproved Plan and awards made under the LTIP, the category of persons who may participate, the periods during which awards may be made, the provisions for altering the share capital of the Company and the provisions which relate to the alteration of the terms of the LTIP.

12. Awards under the LTIP

The life of the LTIP is ten years and no awards may be made more than ten years after 7 March 2005.

13. Pension status

None of the benefits which may be received under the LTIP will be pensionable.

14. Employee Trust

The LTIP is operated in conjunction with one or more employee trusts. In particular, an employee share ownership trust (“Employee Share Trust”) has been established which has the following principal features:

- 14.1 The trust fund consisted of an initial sum of £100.
 - 14.2 Funds required by the Employee Share Trust in order to purchase Ordinary Shares is generally provided by the Company or its subsidiaries either in the form of contributions or loans.
 - 14.3 By the terms of a trust instrument the trustees have absolute discretion to apply the trust fund for the benefit of the beneficiaries in such manner generally as they think fit. The trustees have power to transfer the trust fund to trustees of other settlements for the benefit of the same class of beneficiaries, to lend or appoint any part of it to a beneficiary and to grant options, transfer shares and pay any taxes. The trustees have in addition all powers of investment, sale, charging or dealing with the trust fund as if they were beneficial owner, including the power to invest the trust fund in the acquisition of shares in or debentures of the Company.
 - 14.4 The Employee Share Trust can not, without the approval by ordinary resolution of the Shareholders, hold more than 5 per cent of the Ordinary Shares (excluding Ordinary Shares over which a beneficial interest has been granted or transferred). This excludes any Ordinary Shares required to satisfy any awards made under the LTIP.
 - 14.5 The trust instrument contains normal provisions to exonerate the trustees from, and indemnify them against, liability for loss of the trust fund, or any costs or expenses or liabilities which they incur, save as attributable to their own wilful misconduct or gross negligence. Any professional trustee is entitled to charge remuneration in accordance with its usual terms and conditions.
 - 14.6 The Company has the power to alter or amend the trust instrument subject to this not affecting the status of the Employee Share Trust as an employee share scheme or affecting the tax status of the Employee Share Trust.
- 17.3 Approved Plan

The principal features of the Approved Plan are as follows:

1. Participation

1.1 Eligibility

Any full-time director or employee of a company in the Group is eligible to participate. Actual participation is at the discretion of the Remuneration Committee. Options are personal to the participant and not capable of assignment except that, on death, the option holder's personal representatives may exercise the Option within 12 months following the option holder's death. Options shall be granted by deed with no consideration payable by the participant.

1.2 Individual participation limit

1.2.1 The aggregate subscription price (at the date of grant) of all outstanding options granted to any one participant under the Approved Plan and under any other approved share option scheme adopted or operated by the Company (but excluding options granted under any savings related share option scheme) may not exceed £30,000.

1.2.2 The aggregate market value (at the date of grant) of Ordinary Shares over which options may be granted to any one participant in any one financial year of the Company under the Approved Plan and any other share scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme and the Initial LTIP Awards,) must not exceed two times the amount of that participant's base salary for that financial year.

2. Plan limits

The Approved Plan imposes limits on the numbers of Shares over which options may be granted such that the total number of Shares over which options to subscribe may be granted under all share option schemes of the Company, whether on a discretionary basis or on any other basis, and issued or issuable under all other share schemes of the Company shall not, in any consecutive 10 year period, exceed 10 per cent of the Shares in issue from time to time. Lapsed and surrendered options and Shares transferred from treasury to satisfy options are disregarded for this purpose.

3. Exercise

3.1 Exercise price

The exercise price for each Ordinary Share under option under the Approved Plan is the higher of the nominal value of an Ordinary Share at the date of grant and the market value of an Ordinary Share at the date of grant.

3.2 Exercise of Options

3.2.1 An option is exercisable only within the period of three to 10 years after the date of grant.

3.2.2 Options can be exercised (even if this is within the period of three years from the date of grant) where employment ceases due to the participant's death, injury, disability, redundancy, retirement at normal retirement age, on the participant's employing company or business ceasing to be within the Group within the period of six months following the cessation of employment.

3.2.3 If the participant in question ceases to be an employee for any reason other than one referred to in paragraph 3.2.2 above then at the discretion of the relevant Remuneration Committee the option may continue to be exercisable. The extent to which an option is exercisable in such circumstances is determined by the Remuneration Committee and in making its determination the Remuneration Committee takes into account the performance of the Company since the date of grant of the option. Where, in these circumstances, exercise is permitted within three years of the date of grant of an option, the extent to which it will be necessary to satisfy any

performance conditions to which the exercise of the option is subject shall be determined by the Remuneration Committee.

4. Performance target

The Remuneration Committee imposes performance conditions which must be satisfied before options can be exercised (“performance conditions”). Having granted options and set a performance condition, the Remuneration Committee may vary the performance condition provided that the Remuneration Committee reasonably considers that the original performance condition set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy. The performance conditions attached to the Initial Approved options will be tailored to reflect the role performed by the participating executive, but will reflect targets that are designed to improve the overall financial position of the Group.

5. Grant of options

Options were initially granted under the Approved Plan within 42 days following formal approval by the Inland Revenue of the Approved Plan and, and after that, within 42 days after the announcement by the Company of its interim or final results or of its results for any other period. Without further Shareholder approval, options may only be granted within 10 years of Shareholder approval of the Approved Plan. If the Company is unable to grant an option within this time frame because of any statute, order, regulation or otherwise (including a restriction resulting from the application of the Dealing Code of the London Stock Exchange plc) then grants may be made within the period of 42 days of the lifting of such restriction.

6. Income tax and national insurance contributions

The Approved Plan contains provisions that will ensure that any income tax and employee’s national insurance contributions that arise as a result of the exercise of any options will be payable by the participant. The Committee may determine that the participant shall also be liable for any employer’s national insurance contributions which arise.

7. Ordinary Shares issued on exercise of options

Ordinary Shares allotted under the Approved Plan rank equally with the Company’s existing issued Ordinary Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the option).

8. Takeovers of the Company

In the event of a takeover, amalgamation or reconstruction of the Company, options may be exercised under the Approved Plan to the extent determined by the Remuneration Committee, having regard to all the circumstances, within six months of such event. Alternatively, with the agreement of the acquiring company, options may be exchanged for options over shares in the acquiring company or in a company associated with the acquiring company.

9. Variation of share capital

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, then the number of Ordinary Shares subject to a subsisting option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable. No adjustment can be made under the Approved Plan without the prior approval of the Inland Revenue at any time whilst that plan is an approved plan.

10. Alterations to the Approved Plan

The Board may alter the Approved Plan but certain amendments cannot take effect without Shareholder approval, unless they are amendments to comply with or to take account of applicable legislation or statutory

regulations or any change in them or to maintain favourable taxation treatment for the Company or participants or potential participants. The amendments which generally require Shareholder approval are amendments to the limits on the number of Shares which can be offered under the Approved Plan, the category of persons who may participate, the exercise price of options, the number of Shares over which a participant may hold an option, the period during which options may be granted and exercised, the rights attaching to Ordinary Shares subject to an option, the provisions for altering share capital and for altering the terms of the Approved Plan and the provisions which apply on a winding-up of the Company. No alteration to a key feature of the Approved Plan may be made without prior Inland Revenue approval at any time whilst that plan is an approved plan.

11. Pension rights

None of the benefits received under the Approved Plan are pensionable.

18. UNITED KINGDOM TAXATION

The following statements are intended only as a general guide to current United Kingdom tax legislation and to the current practice of HMRC and may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes. They relate (except where stated otherwise) to persons who are resident and ordinarily resident in the United Kingdom for United Kingdom tax purposes, who are beneficial owners of Ordinary Shares and who hold their Ordinary Shares as an investment. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the United Kingdom, should consult his or her own professional advisers immediately.

18.1 Dividends

Under United Kingdom tax legislation, the Company is not required to withhold tax at source from dividend payments it makes.

Individual shareholders resident for tax purposes in the United Kingdom should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend.

An individual Shareholder's liability to income tax will be calculated on the sum of the dividend and the tax credit (the "gross dividend"). This will be regarded as the top slice of the individual's income and will be subject to United Kingdom income tax at the rates described below.

The tax credit equals 10 per cent. of the gross dividend. The tax credit will be available to set against a shareholder's liability (if any) to income tax on the gross dividend.

Individual shareholders liable to income tax at the starting, lower or basic rate will be liable to income tax on dividend income received at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy the income tax liability of a United Kingdom resident individual shareholder liable to pay income tax at the starting, lower or basic rate.

The rate of income tax applied to dividends received by a United Kingdom resident individual liable to income tax at the higher rate will be 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

Trustees who are liable to income tax at the rate applicable to trusts (currently 40 per cent.) will pay tax on the gross dividend at the dividend trust rate of 32.5 per cent. against which they can set the tax credit. To the extent that the tax credit exceeds the trustees' liability to account for income tax the trustees will have no right to claim repayment of the tax credit.

A corporate shareholder resident for tax purposes in the United Kingdom will not normally be liable to corporation tax on any dividends received, but cannot claim payment of the tax credit from HMRC.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but they are not entitled to claim repayment of the tax credit.

Individual shareholders who are resident for tax purposes in countries other than the United Kingdom but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands or certain other persons are entitled to a tax credit as if they were resident for tax purposes in the United Kingdom which they may set off against their total United Kingdom income tax liability. Such shareholders will generally not be able to claim payment of the tax credit from HMRC.

Other shareholders who are not resident in the United Kingdom for tax purposes should consult their own advisers concerning their tax liabilities on dividends received. They should note that they will not generally be entitled to claim payment of any part of their tax credit from HMRC under any double taxation treaty or otherwise or such claim may be negligible.

18.2 Chargeable gains

A subsequent disposal of shares may result in a liability to taxation of chargeable gains, depending upon individual circumstances.

18.3 Stamp duty and stamp duty reserve tax (“SDRT”)

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depository arrangements or clearance services, who may be liable at a higher rate.

In relation to stamp duty and SDRT.

- (a) The allocation and issue of the New Ordinary Shares will not give rise to a liability to stamp duty or SDRT.
- (b) Any subsequent conveyance or transfer on sale of shares will usually be subject to stamp duty on the instrument of transfer at a rate of 0.5 per cent. of the amount or value of the consideration (rounded up, if necessary, to the nearest £5). A charge to SDRT at the rate of 0.5 per cent. will arise in relation to an unconditional agreement to transfer such shares. However, where within six years of the date of the agreement (or, if the agreement was conditional, the date the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.
- (c) A transfer of shares effected on a paperless basis through CREST (where there is a change in the beneficial ownership of the shares) will generally be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration given.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986, as amended.

19. MISCELLANEOUS

19.1. Litigation

Neither the Company nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had, a significant effect on the financial position or profitability of the Group.

19.2. Nature of Financial Information

The financial information in this document relating to the Group, and in particular, contained within the UK GAAP and IFRS historical financial information in Part VI, does not comprise statutory accounts within the meaning of section 240(5) of the Act. Statutory accounts for the Company for

each of the years ended 30 April 2004, 30 April 2005 and 30 April 2006 have been delivered to the Registrar of Companies in England and Wales.

The statutory accounts for the years ended 30 April 2006 and 30 April 2005 were audited by PricewaterhouseCoopers LLP of Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT and their reports on those accounts were unqualified and did not contain a statement under section 237(2) or (3) of the Act.

The statutory accounts for the year ended 30 April 2004 were audited by Grant Thornton UK LLP of Enterprise House, 115 Edmund Street, Birmingham, B3 2HJ and their report on those accounts were unqualified and did not contain a statement under sections 237(2) or (3) of the Act.

19.3. Consent

PricewaterhouseCoopers LLP are the reporting accountants for the purposes of the Admission. PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion of its Accountants' Reports in Sections A and C of Part VI in the form and context in which they appear and has authorised the contents of such reports for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules and Rule 23.1 of Annex I.

19.4. Miscellaneous

19.4.6. PricewaterhouseCoopers LLP have been appointed as the auditors of the Company and its UK incorporated subsidiaries. PricewaterhouseCoopers LLP are registered to carry out audit work by the Institute of Chartered Accountants in England & Wales at the address of Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT. For the financial years ended 30 April 2005 and 30 April 2006, PricewaterhouseCoopers LLP were auditors of the Company and the Group.

19.4.7. Grant Thornton UK LLP were the appointed auditors of the Company and its UK incorporated subsidiaries for the financial year of the Company ended 30 April 2004. Grant Thornton are registered to carry out audit work by the Institute of Chartered Accountants in England & Wales at the address of Hill House, 1 Little New Street, London EC4A 3TR.

19.4.8. The Company has paid the following dividends since 1 May 2003: year ended 30 April 2004: nil; year ended 30 April 2005: 1.5 pence per Ordinary Share; year ended 30 April 2006: 3.0 pence per Ordinary Share.

19.4.9. The registrar of the Company is Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA who will in relation to Ordinary Shares be responsible for keeping the Company's share records.

19.5. Numis has given and has not withdrawn its written consent to the inclusion of its name in the form and context in which it appears in this document.

19.6. As far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

19.7. As far as the Directors are aware, there are no arrangements in place, the operation of which may at a subsequent date result in a change of control of the issuer.

19.8. There has been no significant change in the trading or financial position of the Group since 30 April 2006, the date to which the IFRS historical financial information on the Group included in Section D of Part VI has been prepared.

19.9. The ISIN of the Ordinary Shares is GB00B00LL325.

19.10. There is no provision in the articles of association, statutes charter or bylaws of the Company that would have an effect of delaying, deferring or preventing a change of control of the Company.

- 19.11. There are no mandatory takeover bids in existence nor do any squeeze-out or sell-out rules exist in relation to the Company's equity.
- 19.12. There have been no public takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.
- 19.13. The existing Ordinary Shares are in registered form and may be held in either certificated or uncertificated form. The Articles allow the holding of Ordinary Shares under the CREST system.
- 19.14. As far as the Directors are aware, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.
- 19.15. There are no patents, international property rights, licences or industrial commercial or financial contracts or new manufacturing processes which are or maybe material to the business or profitability of the Company.
- 19.16. The Company is not aware of any person who, directly or indirectly jointly or severally exercise or could exercise control over the Company.
- 19.17. The provisions of sections 198 to 202 of the Act apply in relation to the ownership threshold above which shareholder ownership must be disclosed.
- 19.18. Where specified in Part IV, information has been sourced from "Car Rental: Market Size" a report produced by Euromonitor International, "Section 1, Roads, Vehicles and Congestion" a report on the website of the Department for Transport – published 26 January 2006, "UK Motor Insurance Report 2002" a report by Snapshots International and this information has been accurately reproduced and so far as the Group and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.
- 19.19. There are no provisions of the memorandum of association or articles of association governing the changes in the capital of the Company which are more stringent than is required by law.

20. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of this document will be available, free of charge to the public, from the Company's website at www.accidentexchange.co.uk.

Copies of the following documents may be physically inspected at the offices of DLA Piper UK LLP of 3 Noble Street, London EC2V 7EE during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document:

- 20.1. the Memorandum and Articles of Association of the Company;
- 20.2. the accountants' reports from PricewaterhouseCoopers LLP set out in Sections A and C of Part VI;
- 20.3. the statutory accounts of the Company for the two financial years ended 30 April 2005 and 30 April 2006; and
- 20.4. the consent letters referred to in paragraphs 19.3 and 19.5.

Dated 26 October 2006

PART VIII

DEFINITIONS

The following definitions and terms apply throughout this document unless the context otherwise requires:

“Act”	the Companies Act 1985, as amended
“ABI”	Association of British Insurers
“ABI GTA”	ABI’s General Terms of Agreement
“Accident Exchange” or “the Company”	Accident Exchange Group Plc
“Admission”	admission of the Ordinary Shares to the Official List and to trading on the main market of the London Stock Exchange becoming effective
“AIM”	AIM, a market of the London Stock Exchange
“AIM Admission”	the admission of the Company’s shares to AIM on 19 April 2004 following the reverse acquisition of Xecutive Research Group Plc
“AIM Rules”	the rules relating to AIM published by the London Stock Exchange
“Articles”	the articles of association of the Company
“CHOs”	credit hire organisations
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the Principles of Good Governance and the Code of Best Practice included with the Listing Rules of the UKLA
“CREST”	the system of paperless settlement of trades and the holding of uncertificated shares of which CRESTCo Limited is the operator
“DCML”	DCML Limited
“Deferred Shares”	the authorised but currently unissued deferred shares of 5 pence each created pursuant to the share reorganisation which took place at the time of the AIM Admission
“Directors” or “Board”	the directors of the Company, whose names are set out on page 14 of this Prospectus
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group”	the Company and its subsidiaries
“HMRC”	Her Majesty’s Revenue and Customs
“Inchcape”	Inchcape Motors Retail Limited
“Listing Rules”	the rules of the UKLA relating to companies admitted to the Official List
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the Official List of the UKLA

“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company
“Prospectus Rules”	the prospectus rules published by the Financial Services Authority pursuant to Part VI of the Financial Services and Markets Act 2000
“RCF”	the Group’s three year rolling credit facilities totalling £20 million provided from a combination of two banks
“Regulations”	The Uncertificated Securities Regulations 2001 (including any modification, re-enactment or substitute regulations for the time being)
“RTA”	road traffic accident
“Shareholders”	holders of Ordinary Shares
“UKLA”	The Financial Services Authority acting in its capacity as the United Kingdom Listing Authority
“Uncertificated”	a share or other security, title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and the title to which by virtue of the Regulations may be transferred by CREST

