

**Accident Exchange Group plc**  
(formerly XecutiveResearch Group plc)  
**Annual Report and Accounts 2004**



# Welcome to **Accident Exchange Group plc**

- > **Accident Exchange Group plc** provides market leading accident and claim management solutions for the UK motor industry.
- > In collaboration with vehicle manufacturers, franchised motor dealers, body repairers and motor insurers we provide prestige vehicle rental together with bespoke marketing and support systems and technology solutions. Our service offering is developed with the specific aims of improving end user customer service for our business partners, re-enforcing the perceived value of their brand and reducing the cost and improving the efficiency of assisting clients following a road accident.

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## Financial Highlights

- Turnover on a pro forma basis increased to £4.1 million
- Profit before tax on a pro forma basis increased to £1.1 million
- Strong growth in Q4 with 42% of pro forma revenue generated in final three months of year
- Consistently high level of fleet utilisation through the period
- Pro forma earnings per share of 1.2p



## Operational Highlights

- Completed the acquisition of Accident Exchange Limited and readmission to AIM market
- Strengthened the operational management team
- Increased the fleet in Accident Exchange Limited to 250 vehicles
- Gained approved supplier status with BMW
- Developed and implemented a new technology tracking system that will significantly improve fleet utilisation and increase margins





# Chairman's Statement



“Our growth in the year has been due to our increasing the level of business from our existing customers whilst, over the last quarter, opening a number of significant key accounts.”

This is the first Annual Report since your Company acquired Accident Exchange Limited (the “Company”) on Friday 16th April 2004 and adopted the name of Accident Exchange Group plc (“Accident Exchange”). On the same day I was appointed as your Chairman and Steve Evans as your Group Chief Executive.

Accident Exchange provides car hire on credit to motorists involved in accidents where they are not at fault. Accident Exchange has targeted the prestige vehicle end of the market and operates a fleet of vehicles comprising major prestige marques. Accident Exchange then seeks to recover its hire charges from the insurer of the “at fault” driver.

In presenting our first Annual Report and Accounts since our admission to AIM (“Admission”) and for illustrative purposes only, a consolidated pro forma profit and loss account and related notes for the year ended 30th April 2004 have been provided in these financial statements. The pro forma information comprises Accident Exchange Group plc for the period from 1st August 2003 to 30th April 2004 and Accident Exchange Limited for the year ended 30th April 2004.

## Financial Performance

The year to 30th April 2004 has been a significant year and I am delighted to report an excellent result for Accident Exchange. Turnover, on a pro forma basis, is £4.12 million and pre-tax profits, on a pro forma basis, are £1.11 million.

As shown by the balance sheet of the Company as at 30th April 2004 there is a deficit on the profit and loss account of the company of £2,552,000. The Company is precluded by law from paying dividends unless its accumulated profit and loss

account is in credit. Consequently, the Company will not be in a position to declare dividends until the deficit on such account has been eliminated. The Company therefore intends to apply to the High Court for confirmation of a reduction of the share premium account in order to create a reserve against which this deficit can be eliminated, subject to any undertakings required by the Court referred to below. The Company will then be able to commence paying dividends out of any future profits subject to the cash flow of the Company permitting. The proposal will not affect net tangible assets of the Company and its subsidiaries.

Before making application to the High Court for confirmation of such reduction, the Company requires the approval of its shareholders by the passing of a special resolution. The resolution numbered 10 set out in the notice of annual general meeting on page 35 is asking for the approval of shareholders to such reduction.

The proposed reduction of capital involves the reduction of the share premium account by the sum of £2,552,000 being the amount of the deficit on the profit and loss account. In order to ensure that the position of the company's creditors is not prejudiced by the proposals, the Company will offer to the High Court such undertaking, if any, as the High Court may consider appropriate.

It is not possible to gauge with certainty when the Court's confirmation of such reduction will be obtained but it is thought that this will be no later than the end of October 2004 enabling the reduction to be reflected in the Company's balance sheet as at 30th October 2004.

## Operational Activity

Many elements combine to make a successful and profitable business but one of the most important is the quality of our people and their dedication and commitment to delivery in line with management expectations. These results demonstrate the skill and the enthusiasm of our people and testify to their willingness to go above and beyond our expectations in meeting the needs of our customers. This result is a credit to our staff and I would like to extend my thanks and the Board of Directors' and shareholders' thanks to all our people.

Our growth in the year has been due to our ability to leverage more referrals from current customers whilst, over the last quarter, opening a number of significant key accounts. We now work with manufacturers and larger motor dealers and help them reduce costs and improve efficiency.

At the time of Admission we stated that it was our intention to identify and generate additional revenue streams from the introduction of new insurance-related products that use innovative technology to reduce the cost of claim handling. Our investment in IT adds significant value to our client offering and is a significant differentiator for the Group. We are working on a number of technology-based initiatives that we believe will reduce the considerable cost of claim handling for the insurance industry. I hope to report on the progress of those initiatives in our next interim report.

The Right Honourable  
Lord Young of Graffham  
Chairman, 29th June 2004



# Chief Executive's Review



“As we continue to build the business we believe that the inherent knowledge and understanding vested in our staff will come to play an increasingly important role.”

## Introduction

I am delighted to provide my first report as Chief Executive following the acquisition of Accident Exchange Limited on Friday 16th April 2004, a company I formed in 2001 to provide car hire on credit to motorists involved in accidents where they are not at fault. Accident Exchange Limited has targeted the prestige vehicle end of our market and operates a fleet of vehicles comprising major prestige marques. The Company recovers its hire charges from the insurer of the “at fault” driver.

## Financial Performance

The Company has been profitable since inception and I am pleased to report that based on the pro forma results for the year ended 30th April 2004, growth in our core business activity has resulted in profits on ordinary activities before taxation for the Group of £1.11 million.

Turnover, on a pro forma basis was £4.12 million during the year. This growth was predominantly driven by an increase in new business referral sources and supported by higher levels of business

generated from existing commercial relationships. Throughout the year, and in spite of a reasonably competitive marketplace, we have managed to improve our gross margin by 6%.

The Company anticipates declaring a dividend to shareholders in the future. It is unable to do so at the current time because there are no distributable reserves as a result of the accumulated loss brought forward from XecutiveResearch Group plc last year.





### Operational Review

Our business model is based on a strategy of building defensible and sustainable relationships with our business referral sources ("business partners") and also with insurance companies who ultimately meet the cost of our service. The valuable commercial experience and significant pedigree of our employees has helped us in this endeavour although when we launched Accident Exchange just two years ago we did recognise that our people would drive the velocity at which we could develop our business and win market share.

As we continue to build the business we believe that the inherent knowledge and understanding vested in our staff will come to play an increasingly important role.

We also have a strong belief in the importance of our leading edge

technology, a solution which has been developed in-house to ensure that we deliver our service proposition and that we operate the business model within consistent operational controls.

Our business software platform ensures that we maintain a high level of internal control by focusing on all of the key operational metrics and maximising the individual operational efficiency of all of our employees. All of our software systems have been designed and developed in-house. We have a high level of expertise in Microsoft SQL, XML and other database and web-related technologies. As a result of our in-house expertise we can control, refine and develop technology-based solutions at speed which help improve business performance and maximise the efficiency of our operational staff, all of whom are individually targeted and remunerated based on personal performance.

We believe that our use of technology significantly enhances our business. It is a testament to the value of these systems that, in spite of the distractions and loss of management time associated with the legal, financial and regulatory issues associated with the acquisition of Accident Exchange by XecutiveResearch Group plc and its subsequent admission to AIM on 19th April 2004, 42% of our pro forma revenue for the period May 2003 to April 2004 was actually generated in the final three months of this accounting period. This growth was achieved without any increase in staff numbers and with an on operational fleet utilisation of 84% during a period when the number of vehicle on fleet actually grew by 35%. These figures demonstrate the strength of our internal operational controls.

### Business Relationship

As a business we recognise the value of our commercial relationships.

"We recently became an approved supplier for BMW which will help cement our ongoing relationship with this important manufacturer and its associated dealerships."



## Chief Executive's Review continued

During the year we have built relationships with some of the larger UK dealer groups and have engaged in productive dialogue with a number of vehicle manufacturers. We recently became an approved supplier for BMW which will help cement our ongoing relationship with this important manufacturer and its associated dealerships.

We have taken a more holistic approach to our business partners than our competitors. Our experience shows that we will consolidate on existing relationships by offering support to the dealer or body repairer beyond the act of providing replacement vehicles for their non-fault customers. By adopting this approach we have substantially strengthened our key relationships. This means that we have been able to focus on the quality and difference in our service offering rather than engage in a battle with our competitors which would threaten margin.

We also consider that our relationship with insurers is very strong. We are actively seeking ways to improve these relationships and deliver greater value to them. Accident Exchange is a subscriber to the Association of British Insurers ("ABI") General Terms of Agreement which is a non-contractual set of protocols agreed between the credit hire industry and the insurance industry. The protocols were established with the aim of fixing the recovery levels and costs associated with vehicle hire at lower rates in return for the insurers guaranteeing prompt settlement of the invoiced hire charges. These protocols have been proven to work to date.

The relationship between the credit hire industry and the ABI is managed predominantly by the Accident Management Association ("AMA") and this organisation has continued to play a key role in the development of the industry. The AMA has over thirty member organisations and continues to

be key in representing the interests of the industry, particularly with regard to relations with the insurance community and negotiations in respect of pricing and payment terms under the ABI protocol. Accident Exchange is a supporting member of the AMA.

### Market Situation

The market opportunity for our services remains high with increasing traffic volumes adding to the already significant annual accident toll which generates in excess of 10,000 road traffic accidents daily. In addition, prestige motor dealers and vehicle manufacturers are becoming increasingly focused on providing higher levels of ongoing customer service to their customers following an accident. Providing a customer with a same brand replacement vehicle following an accident helps the dealer or manufacturer turn a negative event for the customer into a positive experience.





### Infrastructure and Growth

During the latter half of last year, much of our focus has been on ensuring that the infrastructure necessary to deliver increased growth in the coming years is firmly in place.

Our key priorities have been to:

- ensure that we identify and recruit the right people
- continue to build technology-based systems that will allow us to differentiate our service offering
- drive greater efficiency in fleet utilisation and gross margin
- keep current with changing demands in the marketplace
- continually strive to improve our already high levels of customer service

### Improving efficiency

During the year we identified that making our operational vehicle fleet work harder would improve claims throughput, influence customer service levels and increase the rate of revenue growth and profitability.

At the end of a rental transaction our customer will typically deliver the hire car to the repairing garage when he collects his own car leaving us reliant on our dealer to let us know that the car is available for collection. At that point, the car is no longer generating revenue and the sooner we can collect it, service it and deliver it to a new customer the higher will be the utilisation and the more revenue we will generate. In the vehicle rental industry operational fleet utilisation of 65% is considered acceptable but our target utilisation rate is higher. Based on current fleet levels, our estimation of the potential revenue benefit from making the car available to another customer more rapidly than current practices allow is close to £1 million a year.

To improve the process we have identified an opportunity to link vehicle tracking devices with our own back-office claims system. We started installing these devices in our vehicle fleet in April 2004. They are linked to and exchange data with our back-office software platform and allow us to monitor our fleet on an internet browser in real time. More importantly, however, we have also developed a routine which posts data into our claims management system from the tracker device so that the moment a car returns to a map reference occupied by one of our referral sources and as long as it remains there for thirty minutes, an internal software alert suggests that the client has collected his own vehicle and that we should call the repairer to determine whether we can collect ours.

As our fleet continues to grow, this ability to know in real time when a client has finished with the hire car and arrange for it to be collected and reutilised will bring major operational and revenue benefits and we expect to have the entire fleet electronically monitored by August 2004.

At the time of Acquisition and Admission we stated that it was our intention to identify and generate additional revenue streams from the introduction of new insurance-related products that use innovative technology to reduce the cost of claim handling. We believe strongly that the intelligent use of technology represents a major opportunity to help reduce costs and improve efficiencies both in our own business and in the credit hire and claims management sector generally. Motor insurers have to deal with around 5 million reported incidents a year and have to pay out more than £10 billion in motor claim settlements annually. Our

investment in IT is a significant differentiator for the Group and we are working on a number of technology-based initiatives that we believe will reduce the considerable cost of claim handling for the insurance industry. I hope to report on the progress of those initiatives in our next interim report.

I would like to add my thanks to those of Lord Young to all of our staff who have worked so very hard to achieve such an impressive growth in performance over the past twelve months. I would particularly like to thank David Lees who has stepped in and agreed to act as interim Finance Director following the resignation of Paul Wildes in May 2004. I would also like to thank Nikki Pickering, our Company Accountant, who has delivered well beyond what we could have reasonably expected her to deliver whilst we continue our search for a replacement for Paul.

### Outlook

Trading in the first two months of the new financial year has been significantly ahead of the same period last year. In addition, the announcement made on 10th June 2004 confirming that there will be a 4% increase in daily hire rates, agreed with the ABI, should substantially increase turnover. Currently over 70% of our business is conducted with insurance companies which support the ABI, General Terms of Agreement and the majority of the balance is with non-subscribing insurers who work within the same protocol and rate structure. I am confident that the market for Accident Exchange remains positive and that we will continue to see growth in our market in the coming year.

### Steve Evans

Chief Executive, 29th June 2004



# Directors and Advisers

## **Company registration number:**

04360804

## **Registered office:**

Unit 1 Roman Park  
Off Roman Way  
Coleshill  
Birmingham  
B46 1HG

## **Directors:**

SA Evans  
DJ Lees  
FE Worsley  
The Right Honourable  
Lord Young of Graffham

## **Secretary:**

Cargil Management Services Limited

## **Nominated adviser:**

Grant Thornton  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

## **Nominated broker:**

Insinger de Beaufort  
44 Worship Street  
London  
EC2A 2JT

## **Registrars:**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## **Bankers:**

Barclays Bank PLC  
Midlands Corporate Banking  
PO Box 3333  
15 Colmore Row  
Birmingham  
B3 2WN

## **Solicitors:**

DLA  
Victoria Square House  
Victoria Square  
Birmingham  
B2 4DL

## **Auditors:**

Grant Thornton  
Registered Auditors  
Chartered Accountants  
Enterprise House  
115 Edmund Street  
Birmingham  
B3 2HJ





# Directors' Biographies

**The Right Honourable  
Lord Young of Graffham**

**— Non-Executive Chairman**

The Right Honourable Lord Young of Graffham is a qualified solicitor and serial entrepreneur who served in the Thatcher government for ten years and as Secretary of State for Trade and Industry. On retiring from the Cabinet, he became Executive Chairman of Cable and Wireless plc, President of the Institute of Directors, and is today Chairman and major shareholder of Young Associates Limited, a private equity house specialising in technology companies. He is also Chairman of Pixology PLC, an AIM-listed technology Company which was floated in December 2003.

**Steve Evans**  
**— Chief Executive Officer**

Steve Evans is the founder and Chief Executive of Accident Exchange Limited. Steve was formerly Chief Executive of Accident Assistance Limited and is an entrepreneur with a proven start-up track record. Accident Assistance Limited, which specialised in handling insurance claims on behalf of the victims of road traffic accidents, was the second largest supplier in the sector. It was sold to a subsidiary of GE Capital for £23 million in 1996. He was also former Group Marketing Director of the United Kenning Rental Group in which he was involved in the venture capital-led Management Buy-In. Steve has 19 years' commercial experience in developing fast growth entrepreneurial businesses with a key focus on technology, automotive, claim handling and customer service delivery.

**David John Lees**  
**— Non-Executive Director, currently acting as an Executive Director**

David Lees is a Chartered Accountant 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 Skyepharmaceutical Plc. He is currently chairman of Deal Group Media Plc, Metis Plc, Network Estates Limited and NamesCo Limited and finance director of Triple Plate Junction Plc.

**Francis Worsley OBE**  
**— Non-Executive Director**

Francis "Jock" Worsley is a former president of the Institute of Chartered Accountants in England and Wales, Chairman of Lloyds Member Agency Services Limited, the Cancer Research Campaign, and a trustee/director of Cancer Research UK. He was, for many years, chairman of the Financial Training Group Limited and, until December 2001, a member of the Building Societies Commission and the Financial Services Authority's independent complaints commissioner. He was formerly a non-executive director of the Cleveland Trust Plc and Reece plc. In the 2002 New Year's honours list Francis was awarded the Order of the British Empire for services to financial regulation.



# Report of the Directors

The Directors present their annual report together with the audited financial statements for the period ended 30th April 2004.

## **Principal activity and business review**

The Company's principal activity is that of a holding company. On 16th April 2004 the Company completed the acquisition of Accident Exchange Limited and the Company changed its name to Accident Exchange Group plc. From 17th April 2004, the principal activities of the Group are the provision of non-fault accident management assistance and related services, the main income being derived from replacement vehicle hire.

The Directors are of the opinion that the most appropriate accounting policy for the purchase of Accident Exchange Limited is as an acquisition and not as a reverse acquisition.

The Company had investigated a number of acquisition targets prior to identifying Accident Exchange Limited as a suitable acquisition following the demise of its trading subsidiary XecutiveResearch Limited. The Directors of the Company, to protect the interests of the existing shareholders, fully intended and does take an active role in the operation of any acquired business.

The Directors consider the Company to be the acquirer as the key operational and management decisions, particularly with regard to strategic direction, are reserved for the Board. The Board comprises four directors, of which only one, Steve Evans, who is the Chief Executive Officer, is currently an Executive Director. Steve Evans was originally the Chief Executive of Accident Exchange Limited.

David Lees is currently acting in an executive capacity as Finance Director. Of the two Non-Executive Directors, one remained on the Board and one was appointed from the Board of Accident Exchange Limited, following the acquisition. On this basis, the previous Board has significant influence over the key decisions made in respect of the Group enlarged by the acquisition of Accident Exchange Limited.

## **Directors**

The Directors who held office at the year end and their interests in the ordinary shares of the Company as at 30th April 2004 and 1st August 2003 (or date of appointment if later) were as shown on following page.

There were no movements in Directors' interests between 30th April 2004 and 28th June 2004.

MN Bull resigned from the Board on 19th April 2004. PE Wildes was

appointed to the Board on 19th April 2004 and resigned from the Board on 5th May 2004.

## **Substantial shareholdings**

Apart from the interests of the Directors, the only interests in excess of 3% of the issued ordinary share capital of the Company, which have been notified as at 28th June 2004, were as shown on the following page.

## **Payment to suppliers**

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code which deals specifically with the payment of suppliers.

Trade creditors at the year end amount to 69 days (2003: 249 days) of average supplies for the period.

## **Directors' responsibilities for the financial statements**

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.



## Substantial Shareholdings

	<b>Ordinary shares of 5p each 30th April 2004 Number</b>	Ordinary shares of 0.1p each 1st August 2003 Number
SA Evans (appointed 19th April 2004)	<b>31,561,571</b>	—
DJ Lees	<b>998,068</b>	70,500,000
FE Worsley	<b>60,000</b>	—
The Rt Hon. Lord Young of Graffham (appointed 19th April 2004)	<b>2,711,475</b>	—

  

	Ordinary shares of 5p each Number	Percentage of ordinary shares %
RH Seel	5,422,950	8.80
MS Bramwell	5,422,950	8.80
CR Beacroft	5,422,950	8.80

In preparing those financial statements, the directors are required to:

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

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Grant Thornton were appointed auditors of the Company during the period. On 1st July 2004 the Grant Thornton partnership will transfer its business to a limited liability partnership, Grant Thornton UK LLP, and the Directors have agreed to extend the audit appointment to Grant Thornton UK LLP

with effect from 1st July 2004 in accordance with section 26(5) of the Companies Act 1989.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

On behalf of the Board

Director  
28th June 2004



# Corporate Governance

## **Statement by the Directors on compliance with the provisions of the Combined Code**

In June 1998, the London Stock Exchange published the Principle of Good Governance and the Code of Best Practice (the Combined Code).

Since admission to the Alternative Investment Market, the Group has applied principles of corporate governance commensurate with its size notwithstanding that the rules of the Stock Exchange do not require companies that have securities traded on the Alternative Investment Market to formally comply with the Combined Code.

The Group supports the concept of an effective Board leading and controlling the Group and a brief outline of the role of the Board and its committees, together with the Group's systems of internal financial control which the Board will continue to keep under review, is given below.

## **The Board**

The Board currently comprises the Non-Executive Chairman, the Chief Executive and two Non-Executive Directors. One of the Non-Executive Directors is currently acting in an executive role as Finance Director. On appointment of a successful candidate to the full-time role of Finance Director, he too will be appointed to the Board. Biographies of the Directors appear on page 9.

The Board meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. The Directors have a broad level of experience and are of sufficient calibre to bring informed judgement on the development and implementation of strategic objectives, the measurement of performance against expectation and the standards of conduct necessary to assist in procuring the success of the Group.

All Directors have access to the advice and services of the Company Secretary, Cargil Management Services Limited, and to independent professional advice at the Company's expense.

## **Relations with shareholders**

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

## **Internal control**

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.



An audit committee has been established, chaired by FE Worsley, which will meet at least quarterly and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

#### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

#### **International financial reporting standards (“IFRS”)**

The Company recognises that it is more likely than not that it will be required to prepare its financial statements under IFRS for the financial year ending 30th April 2006. The Board intends to keep this matter under review and monitor its impact in the period to the transition date.



# Report on Remuneration

## Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Company operates within a competitive environment; performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

## Policy on Executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain and improve the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid

paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives. A separate remuneration committee has been established comprising the Non-Executive Directors and is chaired by The Right Honourable Lord Young of Graffham.

The remuneration of the Directors was as follows:

	D Lees £'000	D Heynes £'000	F Worsley £'000	M Bull £'000	SA Evans £'000	P Wildes £'000	Lord Young £'000	Total £'000
<b>Statutory period</b>								
<b>1.8.03 to 30.4.04:</b>								
Salary and fees	13	—	12	10	2	2	—	39
Benefits in kind	—	—	—	—	—	—	—	—
<b>Total</b>	<b>13</b>	<b>—</b>	<b>12</b>	<b>10</b>	<b>2</b>	<b>2</b>	<b>—</b>	<b>39</b>
<b>Statutory year ended 31.7.03:</b>								
Salary and fees	10	10	13	13	—	—	—	46
Benefits in kind	—	—	—	—	—	—	—	—
<b>Total</b>	<b>10</b>	<b>10</b>	<b>13</b>	<b>13</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>46</b>
<b>Pro forma year ended 30.4.04:</b>								
Salary and fees	—	—	—	—	36	39	—	75
Benefits in kind	—	—	—	—	5	5	—	10
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>41</b>	<b>44</b>	<b>—</b>	<b>85</b>

## Service contracts

The service contracts and letters of appointment of the Directors with effect from 17th April 2004 include the following terms:

Steve Evans has a service contract with the Group dated 23rd March 2004 pursuant to which he was appointed

Chief Executive. His remuneration is £105,000 per annum and he is also entitled to participate in a discretionary bonus scheme at a rate to be determined by the Remuneration Committee. Other benefits include provision of a fully expensed car, pension contributions at a rate of 7.5% of salary, 6 months paid sick leave, life

assurance and private healthcare. The agreement is for an initial period of 24 months and may be terminated thereafter by either party on 12 months' notice.

Paul Wildes had a service contract with the Group dated 23rd March 2004 pursuant to which he was appointed



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

The Right Honourable Lord Young of Graffham has an appointment letter dated 23rd March 2004 pursuant to which he became Chairman of the Company in return for an annual fee of £30,000. The agreement is for an initial period of six months and may be terminated thereafter by either party on 3 months' notice.

David Lees had an original service agreement with the Group dated 1st March 2002 pursuant to which he agreed to act as Finance Director of the Group on a part-time basis in return for an annual salary of £25,000 per annum. The agreement was terminable on 12 months' notice by either party. However, by mutual consent and without penalty, that contract was terminated and David Lees has an appointment letter dated 17th April 2004 pursuant to which he became a Non-Executive Director, in return for a payment of £20,000 per annum. The agreement is for an initial period of six months and may be terminated thereafter by either party on 3 months' notice. Following the departure of Mr Wildes, David Lees is currently acting as Finance Director pending a permanent appointment.

Francis Worsley has a letter of appointment with the Company dated 17th April 2004 for the provision of his services as Non-Executive Director in return for an annual fee of £20,000 per annum. The agreement is for an initial period of six months and may be terminated thereafter by either party on 3 months' notice.

### **Share options**

Pursuant to admission to the Alternative Investment Market, Paul Wildes was granted options under The Accident Exchange Group plc Unapproved Share Option Plan 2004. Those options lapsed when Mr Wildes ceased to be an employee.

There were no other Share Options granted during the period.



# Report of the Independent Auditors to the Members of Accident Exchange Group plc

We have audited the financial statements of Accident Exchange Group plc for the period ended 30th April 2004 which comprise the principal accounting policies, the consolidated profit and loss accounts, the balance sheets, the cash flow statement and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

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

## **Respective responsibilities of the Directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to

you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This information comprises only the Chairman's Statement, the Chief Executive's Review, the report of the Directors, the corporate governance statement and the report on remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and internal control procedures.

## **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the

preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 30th April 2004 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

## **Grant Thornton**

Registered Auditors  
Chartered Accountants  
Birmingham  
28th June 2004



# Principal Accounting Policies

## Basis of Preparation

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

The principal accounting policies of the Group are set out below.

For illustrative purposes only a consolidated pro forma profit and loss account and related notes for the year ended 30th April 2004 have been provided in these financial statements. The pro forma information comprises Accident Exchange Group plc for the period from 1st August 2003 to 30th April 2004 and Accident Exchange Limited for the year ended 30th April 2004.

## Basis of Consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 10) drawn up to 30th April 2004.

Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

## 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 as shown in note 8. Provision is made for any impairment.

## Income Recognition

Credit hire and repair income and income derived from other accident management activities is recognised,

net of VAT, as receivable on transactions which have been completed during the year, together with an appropriate proportion of income in respect of hires and work in progress at the year end, less estimated discounts on settlement.

## Claims in Progress

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

## Tangible Fixed Assets and Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by annual instalments over their expected useful economic lives. The rates/periods generally applicable are:

Computer equipment	—	33% straight line
Plant, fixtures and fittings	—	25% reducing balance
Motor vehicles	—	20% straight line

## Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of leasing 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.

## Investments

Investments in the Company are included at cost less amounts written off. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of Section 131 of the Companies Act 1985 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

## 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.

## Pensions

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

## Financial instruments

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.



# Consolidated Profit and Loss Account

for the period ended 30th April 2004

	Note	Statutory 9 month period ended 30.4.04 £'000	Statutory year ended 31.7.03 £'000	Pro forma year ended 30.4.04 £'000
<b>Turnover</b>	1			
Discontinued operations		—	93	—
Acquisitions		347	—	4,123
		347	93	4,123
Cost of sales		(144)	(50)	(1,350)
<b>Gross profit</b>		203	43	2,773
Other administrative expenses		(88)	(738)	(1,390)
Amortisation of goodwill		(25)	—	(25)
Administrative expenses	1	(113)	(738)	(1,415)
Operating profit/(loss) pre amortisation of goodwill:				
Continuing operations		(14)	—	(14)
Acquisitions		129	—	1,397
Continuing operations and acquisitions		115	—	1,383
Discontinued operations		—	(695)	—
Amortisation of goodwill		(25)	—	(25)
<b>Operating profit/(loss)</b>				
Continuing operations		(14)	—	(14)
Acquisitions		104	—	1,372
Continuing operations and acquisitions		90	—	1,358
Discontinued operations		—	(695)	—
		90	(695)	1,358
Amounts written off investments		—	(1,007)	—
Exceptional item	3	—	1,018	—
Net interest payable	2	(20)	(20)	(245)
<b>Profit/(loss) on ordinary activities before taxation</b>	1	70	(704)	1,113
Taxation	5	(34)	—	(374)
<b>Profit/(loss) on ordinary activities for the financial period</b>	18/19	36	(704)	739
<b>Basic earnings/(loss) per ordinary share</b>	7	0.8p	(56.9)p	1.2p

There were no recognised gains or losses other than the profit/(loss) for the financial periods.

The accompanying accounting policies and notes form an integral part of these financial statements.



# Consolidated Balance Sheet

at 30th April 2004

	Note	Statutory 30.4.04 £'000	Statutory 31.7.03 £'000
<b>Fixed assets</b>			
Intangible assets	8	13,103	—
Tangible assets	9	4,337	—
		<b>17,440</b>	—
<b>Current assets</b>			
Debtors	11	2,941	17
Investments	12	—	320
Cash in bank and in hand		322	—
		<b>3,263</b>	337
<b>Creditors:</b>			
Amounts falling due within one year	13	(2,630)	(276)
<b>Net current assets</b>		<b>633</b>	61
<b>Total assets less current liabilities</b>		<b>18,073</b>	61
<b>Creditors</b>			
Amounts falling due after more than one year	14	(2,815)	—
<b>Provisions for liabilities and charges</b>	15	<b>(295)</b>	—
		<b>14,963</b>	61
<b>Capital and reserves</b>			
Called up share capital	17	3,707	695
Share premium	18	2,913	1,905
Other reserves	18	10,846	—
Profit and loss account	18	(2,503)	(2,539)
<b>Equity shareholders' funds</b>	19	<b>14,963</b>	61

The financial statements were approved by the Board of Directors on 28th June 2004.

Director

Director

The accompanying accounting policies and notes form an integral part of these financial statements.



# Balance Sheet

at 30th April 2004

	Note	Statutory 30.4.04 £'000	Statutory 31.7.03 £'000
<b>Fixed assets</b>			
Investments	10	3,124	—
<b>Current assets</b>			
Debtors	11	1,236	17
Investments	12	—	320
		1,236	337
<b>Creditors:</b>			
Amounts falling due within one year	13	(292)	(276)
<b>Net current assets</b>		944	61
<b>Total assets less current liabilities</b>		4,068	61
<b>Capital and reserves</b>			
Called up share capital	17	3,707	695
Share premium account	18	2,913	1,905
Profit and loss account	18	(2,552)	(2,539)
<b>Equity shareholders' funds</b>		4,068	61

The financial statements were approved by the Board of Directors on 28th June 2004.

Director

Director

The accompanying accounting policies and notes form an integral part of these financial statements.



# Consolidated Cash Flow Statement

for the period ended 30th April 2004

	Note	Statutory 9 month period ended 30.4.04 £'000	Statutory year ended 31.7.03 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	23	<b>190</b>	(119)
<b>Returns on investments and servicing of finance</b>			
Interest received		2	—
Interest paid		—	(19)
Hire purchase interest paid		(22)	—
<b>Net cash outflow from returns on investments and service of finance</b>		<b>(20)</b>	(19)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible assets		(15)	(1)
Proceeds from sale of investments		338	128
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>323</b>	127
<b>Acquisitions</b>			
Purchase of subsidiary undertakings		(413)	—
Overdraft acquired with subsidiary undertaking		(852)	—
<b>Net cash outflow from acquisitions</b>		<b>(1,265)</b>	—
<b>Net cash outflow before financing</b>		<b>(772)</b>	(11)
<b>Financing</b>			
Issue of shares		1,500	—
Share issue costs		(192)	—
Capital element of hire purchase contracts		(156)	—
<b>Net cash inflow from financing</b>		<b>1,152</b>	—
<b>Increase/(decrease) in cash</b>	24	<b>380</b>	(11)

The accompanying accounting policies and notes form an integral part of these financial statements.



# Notes to the Financial Statements

for the period ended 30th April 2004

## 1 Turnover and profit/(loss) on ordinary activities before taxation

The Group's turnover and profit/(loss) on ordinary activities before taxation in 2004 were all derived from the principal activity of the provision of non-fault accident management assistance and related services (2003: provision of executive recruitment search services), principally in the UK.

The profit/(loss) on ordinary activities is stated after charging:

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000	<b>Pro forma year ended 30.4.04 £'000</b>
Auditors' remuneration:			
Audit services	20	5	20
Taxation services	4	—	4
Depreciation and amortisation:			
Goodwill	25	—	25
Tangible fixed assets, owned	8	90	126
Tangible fixed assets, held under hire purchase contracts	37	—	452
Other operating lease rentals	7	—	164

Included within cost of investment is £112,000 paid to the auditors for financial due diligence and Nominated Adviser fees in respect of the acquisition.

Administrative expenses are analysed as follows:

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000	<b>Pro forma year ended 30.4.04 £'000</b>
Continuing operations	14	—	14
Acquisitions	99	—	1,401
Discontinued operations	—	738	—
	<b>113</b>	738	<b>1,415</b>



## 2 Net interest

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000	<b>Pro forma year ended 30.4.04 £'000</b>
Bank interest payable	—	20	—
Finance charges in respect of hire purchase contracts	22	—	247
Other interest receivable	(2)	—	(2)
	<b>20</b>	20	<b>245</b>

## 3 Exceptional items

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000	<b>Pro forma year ended 30.4.04 £'000</b>
Xecutive Research Limited — writing off net liability	—	1,018	—

The write-off of the net liability of £1,018,000 represents the write-off of the net creditors of XecutiveResearch Limited, which was subject to a compulsory winding-up order on 17th March 2003. This profit is therefore a gain on the discontinued operation and as such is exceptional.

## 4 Directors and employees

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000	<b>Pro forma year ended 30.4.04 £'000</b>
The average number of persons (including Directors) employed by the Group during the period was:	<b>2</b>	8	<b>26</b>
Staff costs during the period were as follows:			
Wages and salaries	<b>55</b>	216	<b>693</b>
Social security costs	<b>7</b>	20	<b>76</b>
Other pension costs	<b>1</b>	15	<b>23</b>
	<b>63</b>	251	<b>792</b>
Remuneration in respect of Directors was as follows:			
Emoluments	<b>39</b>	46	<b>75</b>
Pension contributions to money purchase pension schemes	—	—	—
	<b>39</b>	46	<b>75</b>

During the periods no Directors (2003: statutory: no Directors, pro forma: 1 Director) participated in money purchase pension schemes.



# Notes to the Financial Statements continued

for the period ended 30th April 2004

## 5 Taxation on profit/(loss) on ordinary activities

The tax charge represents:

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000	<b>Pro forma year ended 30.4.04 £'000</b>
UK corporation tax at 30%	9	—	103
Adjustments in respect of prior period	—	—	16
Total current tax	9	—	119
Deferred taxation provision	25	—	278
Adjustment in respect of prior period	—	—	(23)
Total deferred tax (note 15)	25	—	255
Taxation on profit/(loss) on ordinary activities	34	—	374

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000	<b>Pro forma year ended 30.4.04 £'000</b>
Profit/(loss) on ordinary activities before tax	70	(704)	1,113
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	21	(211)	334
Effect of			
Expenses not deductible for tax purposes	12	—	58
Depreciation in excess of capital allowances	(27)	27	(267)
Prior year adjustment	—	—	3
Unutilised losses	4	184	—
Marginal relief	(1)	—	(9)
Current tax charge for period	9	—	119

## 6 Profit/(loss) for the financial year

The parent Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent Company's loss for the statutory period was £13,000 (2003: £2,539,000 loss).



## 7 Earnings/(loss) 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.

There are no dilutive potential ordinary shares.

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

	<b>Statutory</b>		<b>Pro forma</b>
	<b>9 month</b>	Statutory	<b>year</b>
	<b>period</b>	year	<b>ended</b>
	<b>ended</b>	ended	<b>ended</b>
	<b>30.4.04</b>	31.7.03	<b>30.4.04</b>
	<b>£'000</b>	£'000	<b>£'000</b>
Earnings/(loss) (£'000)	36	(704)	739
Weighted average number of shares	4,467,920	1,238,171	61,620,000
Basic earnings per share (pence)	0.8	(56.9)	1.2

## 8 Intangible fixed assets

<b>Group — statutory</b>	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
Additions in the period	13,128
At 30th April 2004	13,128
<b>Amortisation</b>	
Charged in the period	25
At 30th April 2004	25
<b>Net book amount at 30th April 2004</b>	<b>13,103</b>
Net book amount at 31st July 2003	—

Goodwill above relates to the following:

	Date of	Period of	Original cost
	acquisition	amortisation	£'000
Accident Exchange Limited	16th April 2004	20 years	13,128

On the basis of the strength of the relationship Accident Exchange Limited has with 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.



# Notes to the Financial Statements continued

for the period ended 30th April 2004

## 9 Tangible fixed assets

Group — statutory	Computer equipment £'000	Plant, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1st August 2003	—	—	—	—
On acquisition of subsidiaries	309	75	3,551	3,935
Additions	2	13	433	448
Disposals	(1)	—	—	(1)
At 30th April 2004	310	88	3,984	4,382
<b>Depreciation</b>				
At 1st August 2003	—	—	—	—
Provided in the period	7	1	37	45
At 30th April 2004	7	1	37	45
<b>Net book amount at 30th April 2004</b>	<b>303</b>	<b>87</b>	<b>3,947</b>	<b>4,337</b>
Net book amount at 31st July 2003	—	—	—	—

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

	Motor vehicles £'000
<b>Net book amount at 30th April 2004</b>	<b>3,947</b>
Net book amount at 31st July 2003	—

## 10 Fixed asset investments

Company	Investment in Group undertakings £'000
<b>Cost and net book amount</b>	
Additions and at 30th April 2004	3,124

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

Subsidiary	Nature of business
Accident Exchange Limited	Provision of non-fault accident management assistance and related services
Accident Exchange (2004) Limited	Dormant



## 11 Debtors

	<b>Statutory Group 30.04.04 £'000</b>	Statutory Group 31.7.03 £'000	<b>Statutory Company 30.4.04 £'000</b>	Statutory Company 31.7.03 £'000
Trade debtors	2,722	—	—	—
Amounts owed by Group undertakings	—	—	1,177	—
Other debtors	152	13	59	13
Prepayments and accrued income	67	4	—	4
	<b>2,941</b>	17	<b>1,236</b>	17

## 12 Current asset investments

	<b>Statutory Group 30.04.04 £'000</b>	Statutory Group 31.7.03 £'000	<b>Statutory Company 30.4.04 £'000</b>	Statutory Company 31.7.03 £'000
Listed investments	—	320	—	320

The listed investments were disposed during the year.

## 13 Creditors: amounts falling due within one year

	<b>Statutory Group 30.04.04 £'000</b>	Statutory Group 31.7.03 £'000	<b>Statutory Company 30.4.04 £'000</b>	Statutory Company 31.7.03 £'000
Bank loans and overdrafts	—	58	—	58
Trade creditors	524	115	281	115
Corporation tax	119	—	—	—
Social security and other taxes	187	—	—	—
Other creditors	198	—	—	—
Amounts due under hire purchase contracts	1,451	—	—	—
Accruals and deferred income	151	103	11	103
	<b>2,630</b>	276	<b>292</b>	276



# Notes to the Financial Statements continued

for the period ended 30th April 2004

## 14 Creditors: amounts falling due after more than one year

	<b>Statutory Group 30.04.04 £'000</b>	Statutory Group 31.7.03 £'000	<b>Statutory Company 30.4.04 £'000</b>	Statutory Company 31.7.03 £'000
Amounts due under hire purchase contracts	<b>2,815</b>	—	—	—
Borrowings are repayable as follows				
	<b>Statutory Group 30.04.04 £'000</b>	Statutory Group 31.7.03 £'000	<b>Statutory Company 30.4.04 £'000</b>	Statutory Company 31.7.03 £'000
Within one year:				
Bank loans and overdrafts	—	58	—	58
Hire purchase	<b>1,451</b>	—	—	—
After one and within two years:				
Hire purchase	<b>2,479</b>	—	—	—
After two and within five years:				
Hire purchase	<b>336</b>	—	—	—
	<b>4,266</b>	58	—	58

Amounts secured under hire purchase contracts are secured on the assets to which they relate.

## 15 Provision for liabilities and charges

	<b>Deferred taxation £'000</b>
<b>The Group</b>	
At 1st August 2003	—
On acquisition of subsidiary	270
Provided in period	25
<b>At 30th April 2004</b>	<b>295</b>

## 16 Deferred taxation

Deferred taxation provided for in the financial statements is set out below:

	<b>Statutory 30.4.04 £'000</b>	Statutory 31.7.03 £'000
<b>The Group</b>		
Accelerated capital allowances	<b>315</b>	—
Other timing differences	<b>(20)</b>	—
	<b>295</b>	—



## 17 Share capital

	<b>Statutory 30.4.04 £'000</b>	Statutory 31.07.03 £'000
<b>Authorised</b>		
87,485,520 ordinary shares of 5p and 12,514,500 deferred shares of 5p (31.7.03: 2,500,000,000 ordinary shares of 0.1p)	<b>5,000</b>	2,500
<b>Allotted, issued and fully paid</b>		
61,620,000 ordinary shares of 5p and 12,514,500 deferred shares of 5p (31.7.03: 695,250,000 ordinary shares of 0.1p)	<b>3,707</b>	695

### Allotments during the period

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

- Every 500 issued Ordinary Shares of 0.1p each were consolidated into one Ordinary Share of 5p and nine Deferred Shares of 5p each and every 50 unissued Ordinary Shares 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 5p Shares.
- 60,229,500 Ordinary 5p shares 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 accordance with Section 131 of the Companies Act 1985. The 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 (£1,200,000).

### 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.

## 18 Reserves

<b>The Group — statutory</b>	<b>Share premium £'000</b>	<b>Other reserves £'000</b>	<b>Profit and loss account £'000</b>
At 1st August 2003	1,905	—	(2,539)
Retained profit for period	—	—	36
On share placing	1,200	—	—
Issue costs	(192)	—	—
On acquisition of subsidiary undertaking	—	10,846	—
<b>At 30th April 2004</b>	<b>2,913</b>	<b>10,846</b>	<b>(2,503)</b>

Other reserves relate to the difference between the market value and the nominal value of shares issued as consideration for the acquisition of the subsidiary where the Group has taken advantage of Section 131 of the Companies Act 1985.

<b>The Company — statutory</b>	<b>Share premium £'000</b>	<b>Profit and loss account £'000</b>
At 1st August 2003	1,905	(2,539)
Retained loss for period	—	(13)
On share placing	1,200	—
Issue costs	(192)	—
<b>At 30th April 2004</b>	<b>2,913</b>	<b>(2,552)</b>



# Notes to the Financial Statements continued

for the period ended 30th April 2004

## 19 Reconciliation of movements in shareholders' funds

<b>The Group</b>	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000
Profit for financial period	36	(704)
Issue of ordinary share capital (including movement on other reserves)	14,866	1,455
Net increase in shareholders' funds	14,902	751
Equity shareholders' funds brought forward	61	(690)
Equity shareholders' funds carried forward	14,963	61

## 20 Contingent liabilities

There were no contingent liabilities at 30th April 2004 or 31st July 2003.

## 21 Capital commitments

There were no capital commitments at 30th April 2004 or 31st July 2003.

## 22 Leasing commitments

Operating lease payments amounting to £277,000 (31.7.03: £17,000) are due within one year; the leases to which these amounts relate expire as follows:

<b>The Group</b>	<b>Statutory 30.4.04 Land and buildings £'000</b>	<b>Statutory 30.4.04 Other £'000</b>	Statutory 31.7.03 Land and buildings £'000	Statutory 31.7.03 Other £'000
In one year or less	—	201	—	—
Between one and five years	—	12	—	17
In five years or more	64	—	—	—
	64	213	—	17



**23 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities**

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000
Operating profit/(loss)	90	(695)
Depreciation	45	90
Profit on disposal of investments	(18)	—
Amortisation of goodwill	25	—
Loss on disposal of fixed assets	1	—
(Increase)/decrease in debtors	(24)	138
Increase in creditors	71	348
Net cash inflow/(outflow) from operating activities	<b>190</b>	(119)

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

	<b>Statutory 9 month period ended 30.4.04 £'000</b>	Statutory year ended 31.7.03 £'000
Increase/(decrease) in cash in period	380	(11)
Cash flow from debt and lease financing	156	—
Cash flow from liquid resources	(338)	320
Change in net debt resulting from cash flows	198	309
Loans disposed with subsidiary	—	435
Hire purchase acquired with subsidiary	(3,804)	—
Inception of hire purchase contracts	(433)	—
Other non-cash items	(167)	—
Movement in net (debt)/funds in period	<b>(4,206)</b>	744
Net funds/(debt) brought forward	262	(482)
Net (debt)/funds carried forward	<b>(3,944)</b>	262



# Notes to the Financial Statements continued

for the period ended 30th April 2004

## 25 Analysis of changes in net funds/(debt)

	1 August 2003 £'000	Cash flow £'000	Acquisition £'000	Non-cash items £'000	30 April 2004 £'000
Bank overdraft	(58)	58	—	—	—
Cash at bank and in hand	—	322	—	—	322
	(58)	380	—	—	322
Current asset investments	320	(338)	—	18	—
Hire purchase	—	156	(3,804)	(618)	(4,266)
Net funds/(debt)	262	198	(3,804)	600	(3,944)

## 26 Major non-cash transactions

During the period the Group entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the lease of £433,000.

A substantial part of the consideration for the purchase of Accident Exchange Limited comprised shares. Further details of this acquisition are given in note 27 below.

## 27 Acquisitions

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

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

The assets/(liabilities) acquired were as follows:

	£'000
Fixed assets	3,935
Debtors	2,715
Bank overdraft	(852)
Trade creditors	(273)
Hire purchase liabilities	(3,804)
Other creditors	(609)
Deferred taxation	(270)
Net assets acquired	842
Purchased goodwill capitalised	13,128
	13,970
Satisfied by:	
Issue of shares	13,557
Cash payable to vendors	50
Costs of acquisition	363
	13,970



## 27 Acquisitions continued

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 in respect of the premium on the issue of shares to finance this acquisition.

The subsidiary undertaking acquired during the period made the following contribution to, and utilisation of, Group cash flow:

	<b>£'000</b>
Net cash inflow from operating activities	196
Returns on investment and servicing of finance	(22)
Capital expenditure	(15)
Financing	(156)
<b>Increase in cash</b>	<b>3</b>

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

	<b>£'000</b>
Turnover	3,776
Operating profit	1,267
Profit before taxation	1,042
Taxation	340
Profit retained	702

In the year ended 30th April 2003 Accident Exchange Limited made a profit after tax of £131,000.

## 28 Financial instruments

The Group uses financial instruments comprising cash, short-term deposits and hire purchase contracts. Any surplus cash generated by the Group will be used to further develop the business through the acquisition of more vehicles. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

### Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

### Borrowing facilities

In addition to hire purchase arrangements, the Group has borrowing facilities of £750,000 available to it, which are not utilised at 30th April 2004.

### Interest rate risk

The Group finances its operations through a mixture of hire purchase arrangements and cash at bank. The hire purchase arrangements are all at fixed rates of interest, the weighted average of which is 11.7%.





# Notes to the Financial Statements continued

for the period ended 30th April 2004

## **29 Transactions with related parties**

By a deed dated 23rd March 2004, Autohit plc, a company in which SA Evans and The Right Honourable Lord Young of Graffham are directors, assigned all rights in the Accident Exchange Back Office Software, the Web Enable SQL database, the BEACON Software, the Accident Exchange website, the Carpricecheck 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. SA Evans and The Right Honourable Lord Young of Graffham had loan accounts at the date of the transaction amounting to £211,644 and £5,476 respectively.





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