

COMPANY NO: 1877766

Colegate Vehicle Hire Limited

Report and Financial Statements

Period ended 30 June 2004



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Company Information

Directors	K Bobbins	(resigned 22 June 2004)
	V J Bobbins	(resigned 22 June 2004)
	A M Palmer	(appointed 22 June 2004)
	G M Orme	(appointed 22 June 2004)
	D B Sandhu	(appointed 22 June 2004)
	L Canavan	(appointed 22 June 2004)
Secretary	V J Bobbins	(resigned 22 June 2004)
	G M Orme	(appointed 22 June 2004)
Registered office	Indemnity House Sir Frank Whittle Way Blackpool Lancashire FY4 2FB	
Registered number	1877766	
Auditors	RSM Robson Rhodes LLP Chartered Accountants Colwyn Chambers 19 York Street Manchester M2 3BA	
Bankers	Barclays Bank plc London Corporate Banking 50 Pall Mall PO Box 15161R London SW1A 1QA	

Report of the Directors

The directors present their report and the audited financial statements for the 15 month period ended 30 June 2004.

Principal activities

The principal activity of the company during the period continued to be credit car hire.

Business review and future developments

The company made a loss before taxation for the period of £6,053,963 (2003: profit £224,440). The company is unable to declare a dividend (2003: £nil).

The present directors were appointed on 22 June 2004 following the acquisition of the company by Auto Indemnity Group plc. As detailed in the Auditors' Report, difficulties have been encountered in supporting certain transactions recorded in the accounting records prior to the acquisition date.

Following the balance sheet date, the trade plus assets and liabilities of this company were transferred to Auto Indemnity (UK) Limited.

Redemption of shares

On 31 August 2003, the company redeemed 300,000 fixed cumulative redeemable preference shares of £1 each. The shares were redeemed at par. The shares redeemed represented all the redeemable preference shares in existence.

Ultimate parent company

On 22 June 2004 the whole of the company's issued share capital was acquired by Auto Indemnity Group plc, a company incorporated in England

Directors

The present directors of the company are set out on page 1.

None of the directors serving at the end of the period had interests in the share capital of the company.

A M Palmer, D B Sandhu and G M Orme were directors of the ultimate parent company, Auto Indemnity Group plc, at the year end and their interests in the share capital of the ultimate parent company and share options are disclosed in the accounts of that company

L Canavan has the following shares and share options in the ultimate parent company.

		At date of appointment	At period end
Shares		Nil	Nil
Share options	- exercisable between 22 August 2005 and 22 August 2012 at 25p	22,500	22,500
	- exercisable between 9 June 2006 and 22 August 2013 at 27p	20,000	20,000

In accordance with the Articles of Association, A M Palmer and G M Orme retire, and being eligible, offer themselves for re-election.

Report of The Directors (continued)

Statement of directors' responsibilities for the Annual Report

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 of the profit or loss of the company for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

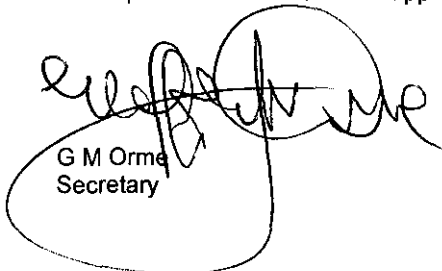
Auditors

Following acquisition of the company on 22 June 2004 by Auto Indemnity Group plc, the company's auditors, David J Ford & Co, resigned and the group's auditors were appointed in their place.

The auditors, RSM Robson Rhodes LLP, are willing to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 9 November 2004 and signed on its behalf by:



G M Orme
Secretary

Independent Auditors' Report to the Shareholders of Colegate Vehicle Hire Limited

We have audited the financial statements on pages 6 to 15.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' 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 company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However the evidence available to us with regard to transactions and balances reported prior to 22 June 2004 (the date the Company was acquired by Auto Indemnity Group Plc) was limited, due primarily to the nature and extent of adjustments found to be necessary at that date and the practical restrictions on identifying the original transactions giving rise to such adjustments. There were no satisfactory practical audit procedures that we could adopt to confirm that transactions and balances prior to 22 June 2004 were properly recorded and reported.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report to the Shareholders of Colegate Vehicle Hire Limited

Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of the company's loss for the period ended 30 June 2004. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985 and give a true and fair view of the state of the company's affairs as at 30 June 2004.

In respect alone of the limitation on our work regarding transactions and balances prior to 22 June 2004:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether proper accounting records had been maintained prior to 22 June 2004.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Manchester, England
9 November 2004

Profit and Loss Account

For the 15 month period ended 30 June 2004

	Note	15 months ended 30 June 2004 £	Year ended 31 March 2003 £
Turnover - continuing operations		4,872,429	5,565,122
Cost of sales		(6,823,878)	(3,613,541)
Gross (loss)/ profit		(1,951,449)	1,951,581
Administrative expenses		(2,831,656)	(1,425,597)
Exceptional administration expenses	2	(308,900)	-
Total administrative expenses		(3,140,556)	(1,425,597)
Operating (loss)/ profit - continuing operations	3	(5,092,005)	525,984
Interest payable	4	(961,958)	(301,544)
(Loss)/ profit on ordinary activities before taxation		(6,053,963)	224,440
Tax on (loss)/ profit on ordinary activities	7	1,707,365	(139,125)
Retained (loss)/ profit for the period	16	(4,346,598)	85,315

There are no recognised gains or losses other than the retained profit during the above financial periods

Balance Sheet

at 30 June 2004

	Note	30 June 2004 £	31 March 2003 £
Fixed assets			
Intangible fixed assets	8	-	-
Tangible fixed assets	9	1,085,056	4,602,514
		<hr/>	<hr/>
		1,085,056	4,602,514
Current assets			
Stock	10	-	1,382
Debtors	11	1,458,460	4,143,264
Deferred tax asset	14	1,377,752	-
Cash at bank and in hand		167	686
		<hr/>	<hr/>
		2,836,379	4,145,332
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	12	(6,438,274)	(4,471,627)
		<hr/>	<hr/>
Net current liabilities		(3,601,895)	(326,295)
		<hr/>	<hr/>
Total assets less current liabilities		(2,516,839)	4,276,219
Creditors: Amounts falling due after more than one year	13	-	(1,816,847)
Provisions for liabilities and charges	14	-	(329,613)
		<hr/>	<hr/>
Net (liabilities)/assets		(2,516,839)	2,129,759
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	50,000	350,000
Capital redemption reserve	16	300,000	-
Profit and loss account	16	(2,866,839)	1,779,759
		<hr/>	<hr/>
Equity shareholders' (deficit)/funds	17	(2,516,839)	2,129,759
		<hr/>	<hr/>

The financial statements were approved by the Board on 9 November 2004 and signed on its behalf by:


A M Palmer
Director

Notes to the Financial Statements

30 June 2004

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

Change of accounting reference date

On 22 June 2004, the directors adopted June as the new year end date as permitted under Section 225 Companies Act 1985. The 2003/04 period has been extended to 15 months ending on 30 June 2004. Future accounts will continue to be drawn up to 30 June each year.

Going concern

The Directors have reviewed the company's finances over the next twelve months and determined that the continued support of the ultimate parent undertaking, Auto Indemnity Group plc, is required to ensure that the Company can meet its liabilities as they fall due. On the basis of the ongoing support of Auto Indemnity Group plc, the Directors have concluded that it is appropriate to prepare financial statements on a going concern basis.

The financial statements do not contain any adjustments related to recoverability and classification of assets and liabilities that might be necessary in the event of the withdrawal of the support of the ultimate parent company.

Turnover

Turnover represents the total amount charged to customers for goods supplied and services rendered, excluding value added tax. Turnover derives from the company's principal activity which is undertaken exclusively within the United Kingdom

Tangible fixed assets

These are stated at cost less accumulated depreciation thereon. Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives.

The principal annual depreciation rates used are:

Motor vehicles	Straight line over 4 years
Fixtures, fittings & equipment	Straight line over 5 years
Investment property and leasehold improvements	Straight line over 20 years

Hire purchase and lease commitments

Assets acquired subject to hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the repayments is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account as incurred.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Cash flow statement

The company has taken the exemption, allowable under FRS 1 (revised), not to prepare a cash flow statement on the grounds that it is a subsidiary of a company that prepares consolidated accounts that are publicly available.

Pension scheme

The company operates a defined contribution pension schemes. Contributions are charged to the profit and loss account in the period in respect of which they are payable.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities and is shown in the balance sheet as an asset. Positive goodwill is amortised evenly over its estimated useful economic life subject to a maximum of 20 years.

In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Notes to the Financial Statements

30 June 2004

2. Administrative expenses – exceptional costs

Administrative expenses – exceptional costs consist of:

	15 months ended 30 June 2004 £	Year ended 31 March 2003 £
Redundancy and severance costs	224,743	-
Impairment write down of fixed assets	84,157	-
	<u>308,900</u>	<u>-</u>

These items represent costs of relocating the business formerly undertaken in Diss, Norfolk, which was transferred to Blackpool subsequent to its acquisition by Auto Indemnity Group Plc on 22 June 2004.

3. Operating (loss)/profit

	15 months ended 30 June 2004 £	Year ended 31 March 2003 £
Operating (loss)/profit stated after charging:		
Depreciation of tangible fixed assets	2,335,563	1,277,628
(Profit)/loss on sale of tangible assets	(23,241)	168,492
Impairment charge against tangible fixed assets	84,157	-
Full provision against amounts owing from group undertakings	74,609	-
Auditors' remuneration	18,547	1,500
	<u></u>	<u></u>

4. Interest payable

	15 months ended 30 June 2004 £	Year ended 31 March 2003 £
Interest on bank loans and overdrafts	68,722	31,641
Hire purchase and finance lease interest charges	806,855	249,414
Interest on other loans	63,710	20,489
Interest charged on late VAT filings	22,671	-
	<u>961,958</u>	<u>301,544</u>

Notes to the Financial Statements

30 June 2004

5. Employees

	15 months ended 30 June 2004 No	Year ended 31 March 2003 No
Average monthly number of employees, including directors:		
Operations and claims	53	56
Administration and selling	13	13
	<u>66</u>	<u>69</u>
Staff costs, including directors:	£	£
Wages and salaries	1,689,869	1,284,527
Social security costs	252,718	171,858
Other pension costs	106,497	82,658
	<u>2,049,084</u>	<u>1,539,043</u>

6. Directors

	15 months ended 30 June 2004 £	Year ended 31 March 2003 £
Emoluments of the company's directors	252,779	122,450
Compensation for loss of office	-	-
	<u>355,744</u>	<u>122,450</u>
Defined benefit contributions	<u>102,965</u>	<u>79,500</u>
Highest paid director		15 months ended 30 June 2004
Emoluments		<u>116,388</u>
Defined benefit contribution		<u>102,965</u>

The present directors receive no emoluments from the company. Those directors who are also directors of the parent company are paid by that company.

One director (2002: one) had benefits accruing under a defined contribution scheme during the year.

The present directors have been unable to determine the remuneration of the highest paid director for the comparative year ended 31 March 2003.

Notes to the Financial Statements

30 June 2004

7. Taxation

There is no corporation tax charge for the year (2003: £85,761) due to the tax losses generated and utilised in the year. Tax losses carried forward and available for relief against future trading profits amount to £2.2m (2003: £nil)

	15 months ended 30 June 2004 £	Year ended 31 March 2003 £
United Kingdom Corporation Tax		
Current tax on income for the year	-	38,985
Adjustments in respect of prior years	-	46,776
Current taxation	-	85,761
Deferred taxation		
Net origination/ (reversal) of timing differences	(1,707,365)	53,364
	(1,707,365)	53,364
Tax (credit)/ charge on profit on ordinary activities	(1,707,365)	139,125
Current tax reconciliation		
Profit on ordinary activities before taxation	(6,053,963)	224,440
Theoretical tax at UK corporation tax rate 30% (2003: 30%)	(1,816,189)	67,332
Effects of:		
Expenditure not tax deductible	144,094	3,016
Un-utilised losses/ (losses utilised)	666,978	(80,303)
Accelerated capital allowances	471,330	54,595
Short term timing differences	533,787	-
Tax rate differences	-	(5,655)
Prior year differences	-	46,776
Actual current taxation charge	-	85,761

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 April 2003 and 30 June 2004	30,000
Amortisation	
At 1 April 2003 and 30 June 2004	30,000
Net book value	
At 30 June 2004 and 31 March 2003	-

Notes to the Financial Statements

30 June 2004

9. Tangible fixed assets

	Investment property	Leasehold improvements	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2003	67,058	26,941	209,465	6,513,944	6,817,408
Additions	-	-	11,733	261,197	272,930
Disposals	(67,058)	-	-	(3,644,603)	(3,711,661)
At 30 June 2004	-	26,941	221,198	3,130,538	3,378,677
Depreciation					
At 1 April 2003	-	5,784	106,993	2,102,117	2,214,894
Charge in the period	1,674	-	42,511	2,291,378	2,335,563
Disposals	(1,674)	-	-	(2,339,319)	(2,340,993)
Impairment adjustment	-	21,157	63,000	-	84,157
At 30 June 2004	-	26,941	212,504	2,054,176	2,293,621
Net book value					
At 30 June 2004	-	-	8,694	1,076,362	1,085,056
At 31 March 2003	67,058	21,157	102,472	4,411,827	4,602,514

Tangible fixed assets include motor vehicles held under hire purchase contracts. At 30 June 2004 the net book value of such assets was £1,076,362 (2003: £4,276,908); the depreciation charge in the period relating to such assets was £2,291,378 (2003: £1,205,640).

At the year end, the company's parent company made a decision to relocate the company's operations to Blackpool. The impairment adjustment recorded above represents a write down of assets to their estimated realisable proceeds.

10. Stock

	30 June 2004 £	31 March 2003 £
Garage spares	-	1,000
Canteen stock	-	382
	-	1,382

Notes to the Financial Statements

30 June 2004

11. Debtors

	30 June 2004 £	31 March 2003 £
Trade debtors	1,273,645	3,555,211
Amounts owed by group undertakings	-	79,296
Directors' current account	-	401,905
Prepayments	184,815	106,852
	<hr/>	<hr/>
	1,458,460	4,143,264
	<hr/>	<hr/>

12. Creditors: amounts falling due within one year

	30 June 2004 £	31 March 2003 £
Bank overdraft	41,500	780,698
Hire purchase and finance lease obligations	1,723,050	2,090,750
Trade creditors	400,510	195,446
Other creditors	241,318	14,051
Corporation Tax	258,687	258,687
Amounts owed to group undertakings	2,827,327	51,596
Other taxes and social security	610,221	665,346
Accruals	335,661	415,053
	<hr/>	<hr/>
	6,438,274	4,471,627
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13. Creditors: amounts falling due after more than one year

	30 June 2004 £	31 March 2003 £
Amounts repayable within 2 to 5 years:		
Hire purchase agreements	-	1,816,847
	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2004

14. Deferred taxation

	30 June 2004 £	31 March 2003 £
Opening provision	329,613	276,250
Profit and loss account (credit)/ charge	(1,707,365)	53,363
	<hr/>	<hr/>
Closing (asset)/ provision	(1,377,752)	329,613
	<hr/>	<hr/>
Representing:		
Accelerated capital allowances	(176,987)	329,613
Other short term timing differences	(533,787)	-
Un-utilised losses	(666,978)	-
	<hr/>	<hr/>
Deferred tax (asset)/liability	(1,377,752)	329,613
	<hr/>	<hr/>

15. Share capital

	30 June 2004 £	31 March 2003 £
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	50,000	50,000
7% Preference shares of £1 each	-	300,000
	<hr/>	<hr/>
	50,000	350,000
	<hr/>	<hr/>

On 31 August 2003 the 7% preference shares were redeemed in full at par.

16. Reserves

	Profit and loss account £	Capital redemption reserve £	Total £
At 1 April 2003	1,779,759	-	1,779,759
Loss for the period	(4,346,598)	-	(4,346,598)
Transfer	(300,000)	300,000	-
	<hr/>	<hr/>	<hr/>
At 30 June 2004	(2,866,839)	300,000	(2,566,839)
	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2004

17. Reconciliation of movements in shareholders' (deficit)/ funds

	£	£
Opening shareholders' funds	2,129,759	2,044,444
Share redemption	(300,000)	-
(Loss)/ profit for the period	(4,346,598)	85,315
	<hr/>	<hr/>
Closing shareholders' funds	(2,516,839)	2,129,759
	<hr/>	<hr/>

18. Contingent liabilities

The Company has entered into an unlimited cross guarantee with other subsidiary companies and a legal mortgage and mortgage debenture in favour of Barclays Bank plc, as security for monies owed to the bank for borrowings within the Group facility. At 30 June 2004 borrowings subject to this guarantee amounted to £92,819 (2003: £780,698).

The Company has entered into an overdraft arrangement with Barclays Bank plc which has a fixed and floating charge over the assets of the company.

19. Parent undertaking

The ultimate parent company is Auto Indemnity Group plc, which is registered in England and Wales.

Its group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ

20. Related party transactions

FRS 8 requires the disclosure of the details of material transactions between the reporting entity and related parties. The company has taken advantage of exemptions under FRS 8 not to disclose its transactions with Auto Indemnity Group companies post acquisition.

The company provided Motor Hire (Diss) Limited, a fellow subsidiary, goods and services at a commercial rate amounting to £168,899 (2003: £343,137). A debtor of £8,905 (2003: £nil) existed at the balance sheet date.

A management charge of £442,295 (2003: £296,211) was also made to Motor Hire (Diss) Limited to cover a recharge of expenses originally paid by Colegate Vehicle Hire Limited. A debtor existed at the balance sheet date amounting to £65,704 (2003: £49,370).

During the year the company was lent £49,000 by Elsing Finance Limited, a company incorporated in England and Wales, which is controlled by persons connected to the former directors of Colegate Vehicle Hire Limited. The repayment of the funds was waived in June 2004.

The present directors are not aware of any other related party transactions.