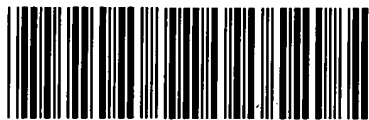


REGISTERED NUMBER: 05987949 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD
1 APRIL 2014 TO 30 SEPTEMBER 2015
FOR
AA MECHANICAL INSURANCE SERVICES LIMITED**

THURSDAY



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COMPANIES HOUSE

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for the period 1 April 2014 to 30 September 2015

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AA MECHANICAL INSURANCE SERVICES LIMITED

COMPANY INFORMATION

for the period 1 April 2014 to 30 September 2015

DIRECTORS:

D Antcliff
S J Tennyson
F D Pinkney
D L Pinkney
P N Pinkney

SECRETARY:

D Antcliff

REGISTERED OFFICE:

Warranty House
Savile Street East
Don Valley
Sheffield
South Yorkshire
S4 7UQ

REGISTERED NUMBER:

05987949 (England and Wales)

AUDITORS:

C J Woodhead & Co. Ltd
Chartered Accountants and
Statutory Auditors
158 Hemper Lane
Sheffield
South Yorkshire
S8 7FE

AA MECHANICAL INSURANCE SERVICES LIMITED

STRATEGIC REPORT

for the period 1 April 2014 to 30 September 2015

The directors present their strategic report for the period 1 April 2014 to 30 September 2015.

The principal activity of the company in the period under review was that of the supply and administration of guarantee schemes and insurance based products to the motor industry.

The directors feel that demand for warranty related products in the used car market is increasingly more competitive.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

Financial Key Performance Indicators

	Period 1/4/14 to 30/9/15	Year ended 31/3/14
Net rated premium income	£9.5m	£5.7m
Turnover relative to principal activity	£3.2m	£2.8m
Profit/(loss) before tax & exceptional items	(£0.91m)	(£0.14m)
Retained profit/(loss) for the year	(£0.91m)	(£0.14m)
Current ratio	-	4.8

The company's sole activity has been the sale of mechanical breakdown insurance and associated motor insurance products using the brand AA Warranty under licence from The AA.

Annualised premium income has increased by 11.1% (2014 : decreased by 8.2%) on that reported in the previous period. This is predominantly a reflection of the switch by one of the company's largest customers to an insured product range from an administration-only service.

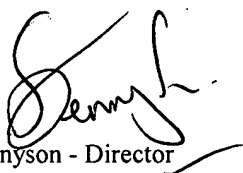
The costs associated with the use of the AA Warranty brand are considerable:

	Period 1/4/14 to 30/9/15	Year ended 31/3/14
Commission as a percentage of turnover	28.6%	17.3%

PRINCIPAL RISKS AND UNCERTAINTIES

The main impacts upon profitability have been due to increasing regulatory costs, increased cost of use of the AA brand and increased competition with pressure on pricing to maintain market share.

ON BEHALF OF THE BOARD:



S J Tennyson - Director

31 March 2016

REPORT OF THE DIRECTORS

for the period 1 April 2014 to 30 September 2015

The directors present their report with the financial statements of the company for the period 1 April 2014 to 30 September 2015.

CESSATION OF TRADING

The company ceased trading at close of business on 30 September 2015 at which date the business and net assets of the company were hived-up as an operating division of its parent company, Motorway Direct Plc.

DIVIDENDS

No dividends will be distributed for the period ended 30 September 2015.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2014 to the date of this report.

D Antcliff
S J Tennyson
F D Pinkney
D L Pinkney
P N Pinkney

FINANCIAL INSTRUMENTS

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit, and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REPORT OF THE DIRECTORS

for the period 1 April 2014 to 30 September 2015

AUDITORS

The auditors, C J Woodhead & Co. Ltd, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D Antcliff', written over a horizontal line.

D Antcliff - Secretary

31 March 2016

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AA MECHANICAL INSURANCE SERVICES LIMITED

We have audited the financial statements of AA Mechanical Insurance Services Limited for the period ended 30 September 2015 on pages seven to fifteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

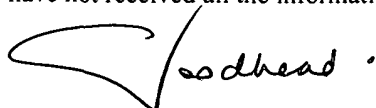
In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AA MECHANICAL INSURANCE SERVICES LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Christopher Woodhead F.C.A. (Senior Statutory Auditor)
for and on behalf of C J Woodhead & Co. Ltd
Chartered Accountants and
Statutory Auditors
158 Hemper Lane
Sheffield
South Yorkshire
S8 7FE

31 March 2016

PROFIT AND LOSS ACCOUNT

for the period 1 April 2014 to 30 September 2015

	Notes	Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
TURNOVER		3,224,873	2,776,814
Cost of sales		<u>13,999</u>	<u>70,456</u>
GROSS PROFIT		3,238,872	2,847,270
Administrative expenses		<u>(5,888,725)</u>	<u>(3,878,158)</u>
		(2,649,853)	(1,030,888)
Other operating income	2	<u>1,752,286</u>	<u>967,307</u>
OPERATING LOSS	4	(897,567)	(63,581)
Interest receivable and similar income		<u>3,324</u>	<u>1,538</u>
		(894,243)	(62,043)
Interest payable and similar charges	5	<u>(17,069)</u>	<u>(75,712)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(911,312)	(137,755)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD		<u>(911,312)</u>	<u>(137,755)</u>

DISCONTINUED OPERATIONS

All of the company's activities were discontinued at the end of the current period when the trade was hived-up to its parent company.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current period or previous year.

The notes form part of these financial statements

BALANCE SHEET
30 September 2015

	Notes	2015 £	2014 £
CURRENT ASSETS			
Debtors	7	1	2,016,309
Cash at bank		-	26,601
		<u>1</u>	<u>2,042,910</u>
CREDITORS			
Amounts falling due within one year	8	-	(421,610)
		<u>1</u>	<u>1,621,300</u>
NET CURRENT ASSETS			
		<u>1</u>	<u>1,621,300</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1	1,621,300
PROVISIONS FOR LIABILITIES	9	-	(709,987)
		<u>1</u>	<u>911,313</u>
NET ASSETS		<u>1</u>	<u>911,313</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	-	911,312
		<u>1</u>	<u>911,313</u>
SHAREHOLDERS' FUNDS	15	<u>1</u>	<u>911,313</u>

The financial statements were approved by the Board of Directors on 31 March 2016 and were signed on its behalf by:



D Antcliff - Director

CASH FLOW STATEMENT

for the period 1 April 2014 to 30 September 2015

		Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
Net cash (outflow)/inflow from operating activities	Notes 1	(613,699)	1,231,662
Returns on investments and servicing of finance	2	(13,745)	(74,174)
Taxation		-	(268)
		<u>(627,444)</u>	<u>1,157,220</u>
Financing	2	<u>600,843</u>	<u>(1,236,057)</u>
Decrease in cash in the period		<u><u>(26,601)</u></u>	<u><u>(78,837)</u></u>
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		<u>(26,601)</u>	<u>(78,837)</u>
Change in net funds resulting from cash flows		<u>(26,601)</u>	<u>(78,837)</u>
Movement in net funds in the period		<u>(26,601)</u>	<u>(78,837)</u>
Net funds at 1 April		<u>26,601</u>	<u>105,438</u>
Net funds at 30 September		<u><u>-</u></u>	<u><u>26,601</u></u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
for the period 1 April 2014 to 30 September 2015

1. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
Operating loss	(897,567)	(63,581)
Increase/(Decrease) in admin provision	(709,987)	(70,456)
Decrease in debtors	1,415,374	2,088,889
Decrease in creditors	(421,519)	(723,190)
Net cash (outflow)/inflow from operating activities	(613,699)	1,231,662

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
Returns on investments and servicing of finance		
Interest received	3,324	1,538
Interest paid	(17,069)	(75,712)
Net cash outflow for returns on investments and servicing of finance	(13,745)	(74,174)
Financing		
Loans with group companies	600,843	(1,236,057)
Net cash inflow/(outflow) from financing	600,843	(1,236,057)

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/4/14 £	Cash flow £	At 30/9/15 £
Net cash:			
Cash at bank	26,601	(26,601)	-
	<u>26,601</u>	<u>(26,601)</u>	<u>-</u>
Total	<u>26,601</u>	<u>(26,601)</u>	<u>-</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the period 1 April 2014 to 30 September 2015

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared on a going concern basis on the assumption that the parent company will continue its financial support of the company.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents insurance commission net of underwriting, third party commission and claims administration provisions. Turnover is recognised on the receipt of applications for cover for customers.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. OTHER OPERATING INCOME

	Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
Brand income	1,425,278	949,528
Funding income	3,037	17,779
Exceptional items	323,971	-
	<u>1,752,286</u>	<u>967,307</u>

Other operating income includes exceptional income of £323,971 resulting from the write off of inter-company loans payable to the parent company, Motorway Direct Plc.

3. STAFF COSTS

There were no staff costs for the period ended 30 September 2015 nor for the year ended 31 March 2014.

4. OPERATING LOSS

The operating loss is stated after charging:

	Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
Auditors' remuneration	<u>9,000</u>	<u>6,000</u>
Directors' remuneration	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2014 to 30 September 2015

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
Funding charges and interest	<u>17,069</u>	<u>75,712</u>

6. TAXATION**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the period ended 30 September 2015 nor for the year ended 31 March 2014.

Factors affecting the tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1/4/14 to 30/9/15 £	Year ended 31/3/14 £
Loss on ordinary activities before tax	<u>(911,312)</u>	<u>(137,755)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 - 23%)	(182,262)	(31,684)
Effects of:		
Expenses not deductible for tax purposes	(35,460)	(4,005)
Income not taxable for tax purposes	(64,794)	-
Utilisation of tax losses	282,516	35,689
Current tax charge	<u>-</u>	<u>-</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade debtors	-	1,267,047
Amounts owed by group undertakings	1	600,935
Other debtors	-	91,900
Claims control	-	51,040
Prepayments	-	5,387
	<u>1</u>	<u>2,016,309</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2014 to 30 September 2015

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Trade creditors	-	110,519
Amounts owed to group undertakings	-	91
VAT	-	35,396
Other creditors	-	143,129
Accruals & deferred income	-	132,475
	<u>-</u>	<u>421,610</u>

9. PROVISIONS FOR LIABILITIES

	2015	2014
	£	£
Other provisions		
Claims administration	-	709,987
	<u>-</u>	<u>709,987</u>

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015	2014
			£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

11. RESERVES

	Profit and loss account
	£
At 1 April 2014	911,312
Deficit for the period	(911,312)
At 30 September 2015	<u>-</u>

12. ULTIMATE PARENT COMPANY

Car Protect Holdings Limited (incorporated in Gibraltar) is regarded by the directors as being the company's ultimate parent company.

13. RELATED PARTY DISCLOSURES**Commission Payments**

During the period commissions were paid on normal commercial terms to the following related parties:

Mr C Pinkney, son of the director Mr F D Pinkney, totalling £43,677 (2014 : £34,186).
Mrs S Pinkney, wife of the director Mr P N Pinkney, totalling £58,503 (2014 : £35,682).
Mr P D Pinkney, son of the director Mr P N Pinkney, totalling £70,111 (2014 : £33,195).

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2014 to 30 September 2015

Motorway Direct Plc

Parent company

During the period Motorway Direct Plc recharged group overheads to AA Mechanical Insurance Services Limited.

On 30 September 2015 the net assets of AA Mechanical Insurance Services Limited were hived-up to Motorway Direct Plc and a shortfall on the inter-company loan account of £323,971 was written off by Motorway Direct Plc.

	2015	2014
	£	£
Amount due from related party at the balance sheet date	1	445,348
Amounts written off during the period	<u>(323,971)</u>	<u>-</u>

Car Protect Limited

Fellow subsidiary of Motorway Direct Plc

During the period Car Protect Limited paid net costs on behalf of the company.

	2015	2014
	£	£
Amount due from related party at the balance sheet date	<u>-</u>	<u>26</u>

London Wall Insurance Services Limited

Fellow subsidiary of Motorway Direct Plc

During the period the company paid net costs on behalf of London Wall Insurance Services Limited.

	2015	2014
	£	£
Amount due from related party at the balance sheet date	<u>-</u>	<u>155,561</u>

RAC Mechanical Insurance Services Limited

Fellow subsidiary of Motorway Direct Plc

During the period RAC Mechanical Insurance Services Limited paid net costs on behalf of the company.

	2015	2014
	£	£
Amount due to related party at the balance sheet date	<u>-</u>	<u>91</u>

CHF Accountancy Limited

A company in which Mr D Antcliff is a director and shareholder

During the period the company was invoiced £170 (2014 : £98) excluding VAT for company secretarial services by CHF Accountancy Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2014 to 30 September 2015

13. RELATED PARTY DISCLOSURES - continued

Boomerang-Tag Limited

A company in which Mr F D Pinkney & Mr S J Tennyson are shareholders

During the period AA Mechanical Insurance Services Limited received invoices from Boomerang-Tag Limited on normal commercial terms for goods and services to the value of £45,283 (2014 : £8,281).

	2015	2014
	£	£
Amount due to related party at the balance sheet date	<u>38,365</u>	<u>2,013</u>

14. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is the Board of Directors of Motorway Direct Plc, a company registered in England and Wales.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015	2014
	£	£
Loss for the financial period	<u>(911,312)</u>	<u>(137,755)</u>
Net reduction of shareholders' funds	(911,312)	(137,755)
Opening shareholders' funds	<u>911,313</u>	<u>1,049,068</u>
Closing shareholders' funds	<u>1</u>	<u>911,313</u>