

2004

The Royal Automobile Club
Motor Sports Association Limited
and subsidiary company

**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS**

Year ended 31 December 2004



MOTOR SPORTS ASSOCIATION
UNITED KINGDOM

This summary financial information does not contain sufficient information to allow as full an understanding of the results and state of affairs of the company as would be provided by the full annual financial statements. The full financial statements are available from the company at Motor Sports House, Riverside Park, Colnbrook, Berks SL3 0HG and have been filed at Companies House.



CHAIRMAN'S REVIEW

2004 was another successful year for the Motor Sports Association. As you will see from the company's financial statements, once again we have generated a useful profit, all of which will be invested in new initiatives to further the development of motor sport in the UK.

The commercial arm of the MSA (International Motor Sports) has had a difficult year with the on-going global downturn in sports sponsorship and the need to invest heavily to maintain the quality of our two World Championship events, the British Grand Prix and Wales Rally GB. Consequently, in November 2004 IMS instigated a restructuring to reduce its overheads, creating a more flexible organisation and focusing resources directly on the major events.

Throughout 2004, a great deal of work was going on behind the scenes with the government's Motorsport Development Board to secure the MSA's share of the £16 million programme of support for motor sport and the motor sport industry announced by the Government in 2003. Whilst progress has been slower than we expected, we are hopeful that significant financial support for training programmes and other sporting projects will be forthcoming in 2005.

There have been significant changes in the MSA's organisation this year. The new chairman of the Motor Sports Council, Graham Stoker, took up the post in January, while in September we were delighted to welcome to the MSA Executive Board Nick Whale, an experienced race and rally driver and successful businessman.

Internationally, I continue to represent the UK on the FIA World Motor Sports Council – an important position for this country to hold – while domestically I wholeheartedly endorse the views of Graham Stoker, who has called on the MSC and its representatives to engage in a more constructive dialogue with our member clubs. Whether through the regional associations, specialist committees or individuals, there are many whose ideas and passion can help develop new initiatives to revitalise and grow our sport.

My thanks, again, to Colin Hilton, Andrew Coe and their excellent staff for delivering the results in 2004 that provide such a solid base for future development.

John Grant
Chairman, MSA



CHIEF EXECUTIVE'S MESSAGE

The sport has had another extraordinarily busy year. During 2004 the Motor Sports Association has continued its programme of improved services to clubs and licence holders and with better efficiencies has been able to release more funds for the future development of motor sport.

The numbers of licence holders and event permits continue to show a steady growth. However, while the overall figures are encouraging, growth in some areas can hide potential problems in others. We need to ensure that we address these issues before they become a significant concern.

There were signs of good strength, particularly at the grass roots of our sport, although the popularity of various disciplines can vary hugely around the country. In racing, it was pleasing to see a number of newer racing series thriving, the re-emergence of value-for-money endurance racing and the ever-increasing popularity of historic racing. But some areas are starting to feel the effects of economic uncertainty, particularly in the commercially promoted sector, so now is not the time to relax.

At the elite end of the sport our flagship events, the 2004 British Grand Prix and Wales Rally GB proved once again what world-beating events they are. So much so that international delegations from other countries were brought over to see how we put on a modern motor sport event.

Our leading drivers continue to excel in single-seaters, but there has been a drop in the progress of our young rally stars. The MSA has identified that this country's representation at the highest level on the

world stage is essential for the health of the sport, so new initiatives to come on line in 2005 should be a major step forward to addressing this issue.

There have been radical overhauls of some fundamental elements in the last 12 months. Both rallying and karting have benefited from the implementation of simplified structures, while the entire judicial procedure was completely reviewed, part of the new Council Chairman's desire to make the Blue Book simpler to understand and interpret. We also completed a review of the MSA's Risk Management procedures and will announce the recommendations next year.

Elsewhere in 2004, the MSA successfully concluded central negotiations on behalf of competitors and event organisers with the Forestry Commission over access to their land.

As the Chairman has mentioned, it seems that government funding will soon be released to assist the recruitment and training of volunteer officials and to increase the participation of current minority groups across our sport, while the Club Development Fund will also receive a boost to its funding for grassroots motor sport.

At the year end, recognition is due to the excellent team of people both at Motor Sports House and the officials and volunteers around the country. I thank everyone for their efforts that have yielded such excellent results.

Colin Hilton
Chief Executive, MSA

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2004.

DIRECTORS

J A M Grant - Chairman
C N Hilton - Chief Executive
RJ Ashmead
B P Cussons
A J Gow
T G Keown

T A Lankshear - Secretary
G K R Stoker
W S Troughear
R G Trouton MBE
N A Whale (appointed 09.09.2004)
J R Wood

ACTIVITIES

The principal activities of the Parent Company are to administer and finance the government of motor sport in the United Kingdom for motor vehicles with more than three wheels and, through its subsidiary International Motor Sports Limited (IMS), to organise and promote motor sport events, provide motor sports consultancy and undertake commercial activities related to motor sports.

INCOME AND OPERATING RESULTS, REVIEW AND FUTURE PROSPECTS

Although not required to do so under the Companies Act 1985, the Directors have nevertheless elected to prepare group accounts for reasons of transparency and completeness.

The Group's consolidated surplus before tax was £347,474 (2003:£220,800) after donating £300,000 (2003:£290,000) to the British Motor Sports Training Trust. The Company also arranged for the donation of £44,025 (2003:£38,500), the balance of the Motor Sports Council's special Fines Fund to the British Motor Sports Training Trust. Group net assets were increased by £294,975 to £8,040,077 (2003:£7,745,102).

The parent company produced strong results, showing encouraging levels of income growth and cash generation, while continuing to invest in improving customer service and developing UK motor sport.

The performance of IMS was disappointing, particularly because of lower than expected revenues from the Wales Rally GB and the loss of the contract to organise the London to Brighton veteran car run for the Royal Automobile Club. Cost reduction plans were implemented before the end of the year to enable IMS to restore profitability and realise its goal of generating surpluses to help the MSA fund further investment in the development of the sport.

The Group's strategic objective is to be, and perceived to be, both an excellent governing body and the acknowledged leader in developing and growing British motor sport. In pursuit of these objectives, the executive team will continue to focus on improving and sustaining our performance, investing to strengthen the sport, managing the increasing risks to which our sport is exposed, and controlling costs.

The Board is confident that, with a strong executive team and the support of thousands of volunteer officials throughout the country, it has the resources to achieve these objectives.

INCOME AND OPERATING RESULTS BY PRINCIPAL ACTIVITY

For the year ended 31 December 2004

An analysis by principal activity for the Group is shown below:

	The Royal Automobile Club Motor Sports Association Limited	International Motor Sports Limited	2004 Total	2003 Total
INCOME	£	£	£	£
Governance of motor sports	3,491,854	-	3,491,854	3,359,089
Event promotion and commercial activities	-	3,062,035	3,062,035	3,718,666
	<u>3,491,854</u>	<u>3,062,035</u>	<u>6,553,889</u>	<u>7,077,755</u>
EXPENDITURE				
Staff costs	1,235,242	506,443	1,741,685	1,923,929
Other administration expenses	1,977,092	2,644,977	4,622,069	4,993,889
Gift-aid charitable donation	300,000	-	300,000	290,000
	<u>3,512,334</u>	<u>3,151,420</u>	<u>6,663,754</u>	<u>7,207,818</u>
Operating surplus/(deficit)	(20,480)	(89,385)	(109,865)	(130,063)
Increase in current asset investment	118,677	-	118,677	129,777
Share of profits/(losses) of joint ventures	10,852	9,411	20,263	(21,118)
Interest receivable and similar income	<u>299,059</u>	<u>19,340</u>	<u>318,399</u>	<u>242,204</u>
Surplus/(deficit) for the year before taxation	<u>408,108</u>	<u>(60,634)</u>	<u>347,474</u>	<u>220,800</u>
Tax (charge)/credit on the surplus/ (deficit) for the year	(102,814)	50,315	(52,499)	(30,234)
Surplus/(deficit) for the year after taxation	<u>305,294</u>	<u>(10,319)</u>	<u>294,975</u>	<u>190,566</u>

NET ASSETS EMPLOYED BY PRINCIPAL ACTIVITY

	£	£	£	£
Fixed assets				
Tangible assets	2,615,346	140,209	2,755,555	2,835,351
Current assets	7,608,247	395,792	8,004,039	8,204,261
Current liabilities	(2,088,018)	(631,499)	(2,719,517)	(3,294,510)
Net current assets/(liabilities)	<u>5,520,229</u>	<u>(235,707)</u>	<u>5,284,522</u>	<u>4,909,751</u>
Net assets employed	<u>8,135,575</u>	<u>(95,498)</u>	<u>8,040,077</u>	<u>7,745,102</u>

The above amounts exclude all inter-group trading and inter-group balances.

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	2004 £	2003 £
FIXED ASSETS		
Tangible assets	2,755,555	2,835,351
CURRENT ASSETS		
Debtors	852,741	1,354,341
Investments	6,636,439	5,741,114
Cash at bank and in hand	514,467	1,108,806
	8,003,647	8,204,261
CREDITORS: amounts falling due within one year	(2,679,907)	(3,244,157)
NET CURRENT ASSETS	5,323,740	4,960,104
TOTAL ASSETS LESS CURRENT LIABILITIES	8,079,295	7,795,455
PROVISION FOR LIABILITIES AND CHARGES	(38,363)	(29,235)
PROVISIONS FOR INVESTMENTS IN JOINT VENTURES:	(855)	(21,118)
Share of gross assets	26,849	21,682
Share of gross liabilities	27,704	42,800
NET ASSETS	8,040,077	7,745,102
CAPITAL AND RESERVES		
Income and Expenditure account	7,303,977	6,990,414
Property revaluation reserve	736,100	754,688
	8,040,077	7,745,102

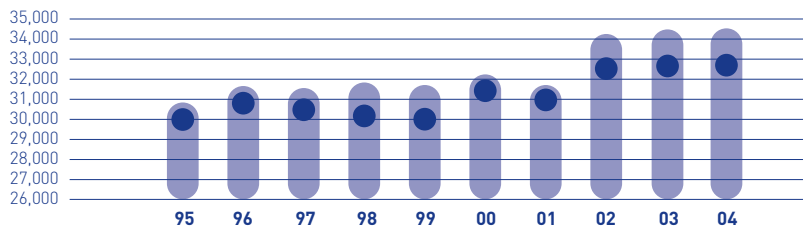
FIVE YEAR CONSOLIDATED RESULTS

	2000 £	2001 £	2002 £	2003 £	2004 £
Group Income	6,039,159	5,619,998	6,875,739	7,077,755	6,553,889
Operating surplus/(deficit) for the year	58,100	(169,774)	(108,500)	(130,063)	(109,865)
Share of profits/(losses) of joint ventures	-	-	-	(21,118)	20,263
Increase/(diminution) in current asset investment	-	(24,946)	(241,176)	129,777	118,677
Interest receivable	<u>406,750</u>	<u>322,986</u>	<u>260,149</u>	<u>242,204</u>	<u>318,399</u>
Surplus/(deficit) for the year before taxation	464,850	128,266	(89,527)	220,800	347,474
Tax charge on the surplus/(deficit) for the year	(164,254)	(54,681)	(22,399)	(30,234)	(52,499)
Surplus/(deficit) for the year after taxation	<u>300,596</u>	<u>73,585</u>	<u>(111,926)</u>	<u>190,566</u>	<u>294,975</u>
Net group assets after taxation	<u>6,838,189</u>	<u>6,911,774</u>	<u>6,799,848</u>	<u>7,745,102</u>	<u>8,040,077</u>

LICENCE STATISTICS

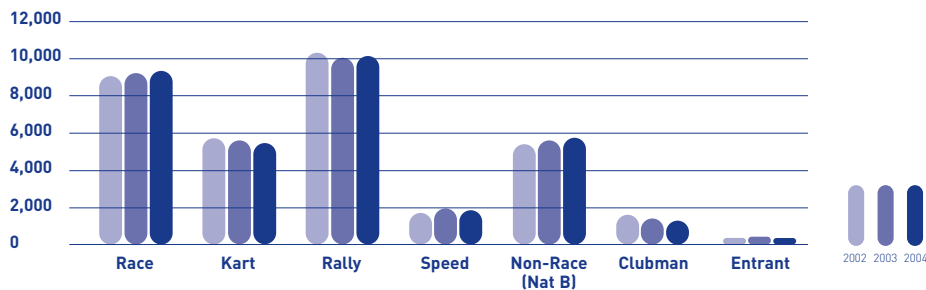


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Licences	30,932	31,663	31,663	31,915	31,840	32,172	31,731	34,084	34,157	34,218
Licence Holders	29,963	30,811	30,500	31,133	31,840	31,357	30,994	32,518	32,768	32,876



LICENCE STATISTICS 2002 v 2003 v 2004

	2002	2003	2004
Race	9,221	9,307	9,437
Kart	5,704	5,675	5,419
Rally	10,129	10,059	10,071
Speed	1,845	1,888	1,872
Non-race (Nat B)	5,472	5,620	5,785
Clubman	1,519	1,411	1,365
Entrant	194	197	193
Total Licences	34,084	34,157	34,218
Total Holders	32,518	32,768	32,876

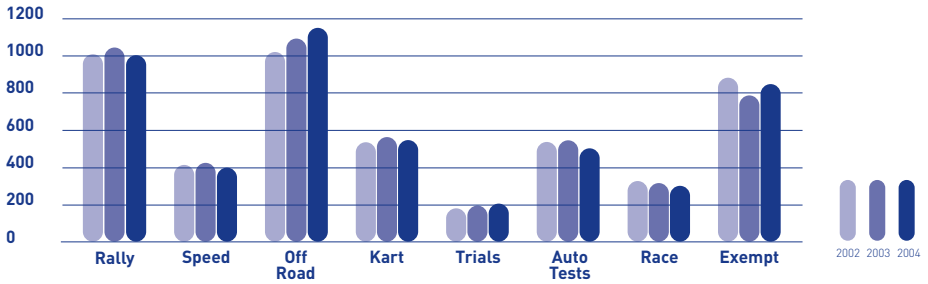


LICENCE STATISTICS

	2002	2003	2004
RACE			
International	1,445	1,423	1,481
National A	2,589	3,114	3,191
National B	4,697	4,313	4,304
International Historic	463	415	434
Truck	23	23	27
Total Race	9,217	9,288	9,437
KART			
International	156	155	174
National A	3,000	3,193	3,151
National B	2,547	2,324	2,094
Total Kart	5,703	5,672	5,419
RALLY			
International	669	672	663
National A	2,607	2,521	2,499
National B (new 2002)	5,495	5,286	5,333
Navigator	1,308	1,465	1,543
International Historic	50	50	33
Total Rally	10,129	9,994	10,071
SPEED (Sprint, Hillclimb, Drag)			
International	46	40	36
National A	1,799	1,848	1,836
Total Speed	1,845	1,888	1,872
NON-RACE (National B)	5,472	5,619	5,785
CLUBMAN	1,520	1,396	1,365
ENTRANT	194	197	193
Total Licences	34,079	34,111	34,218
Total Holders	32,888	32,814	32,876

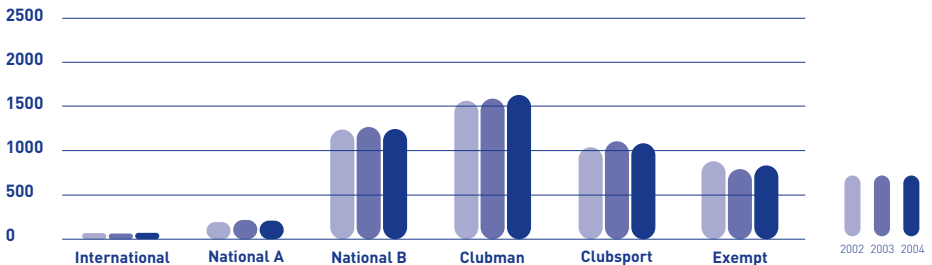
EVENT STATISTICS

	2002	2003	2004
Rally	1,016	1,044	1,019
Speed	404	412	396
Off-road	1,015	1,090	1,174
Kart	523	569	547
Trials	189	200	205
Autotests	524	525	499
Race	333	330	326
Exempt	865	798	839



EVENT STATUS

	2002	2003	2004
International	41	39	44
National A	187	202	201
National B	1,205	1,256	1,206
Clubman	1,552	1,579	1,641
Clubsport	1,019	1,094	1,078
Exempt	865	798	839
Total	4,869	4,968	5,009



**The Royal Automobile Club
Motor Sports Association Ltd**

Motor Sports House
Riverside Park
Colnbrook SL3 0HG
England

Telephone 01753 765000
Facsimile 01753 682938
Website www.msauk.org



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