

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

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England

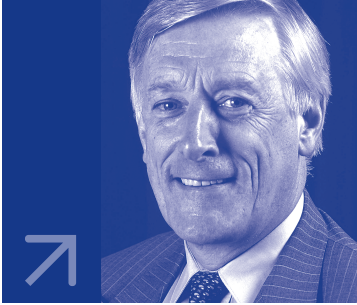
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The Royal Automobile Club
Motor Sports Association Limited
and subsidiary company

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2002





CHAIRMAN'S REVIEW

In the spirit of open governance and accountability, I am delighted to present to you the Annual Report of the Motor Sports Association, providing a summary of the activities and financial results of the 2002 financial year.

Reading the Chief Executive's report, one cannot fail to be impressed by the sheer volume of major activity that took place in the course of the year.

Of course, I was not involved myself and can therefore take no credit for the huge progress that has been made. In this respect I must reserve special thanks for my predecessor Michael Limb whose valuable contribution in his final year as Chairman has enabled me to take the helm with the future direction clearly mapped out.

Particular tribute must be made to Colin Hilton, his management team and the MSA staff for their stewardship and energy during what was undoubtedly one of the more demanding 12 months in the Motor Sports Association's illustrious history. It is never easy to undergo such a thorough review and subsequent restructure, and the evidence of increasing numbers of events and licence holders is testament to their professionalism throughout the process.

As ever, though, the success and strength of our sport is dependent on the loyal army of officials and volunteers that give their time so freely so that we can all enjoy our motor sport at whatever level we choose to pursue it. Our gratitude is due to all those whose voluntary and often unheralded efforts play a crucial and essential role in enabling the sport to thrive.

These are difficult times for attracting new people to the sport. More than ever before, people's leisure time is filled with a host of attractive possibilities all competing for an individual's precious time and hard-earned money. The MSA understands that we have to attract a wider audience to motor sport, either as participants or as spectators, in order to safeguard our future. The government has also recognised this and one of the key challenges we face is making motor sport more accessible to more people of all ages and backgrounds.

Thanks to the hard work of 2002, I am confident that we can look forward to the future, safe in the knowledge that the foundations have been laid for long-term success.

John Grant
Chairman, MSA



CHIEF EXECUTIVE'S REPORT

The MSA is pleased to introduce this Annual Report as a further measure to keep our member clubs and associates fully informed of our activities as the governing body of motor sport in the UK.

The 2002 financial year brought many changes to the MSA and indeed motor sport in general but through this difficult economic climate we have continued to invest heavily in the modernisation of the MSA, improve communications with clubs and licence holders and establish strong strategic relationships with the government and our industry partners.

Income has increased substantially, but expenditure has also grown, leading to a deficit for the year after taxation. The figures themselves do not tell the whole story and the current outlook for the Motor Sports Association is in fact brighter than it has been for many years.

The Foot & Mouth epidemic had a devastating impact on motor sport throughout the UK, but I am delighted to report that the sport recovered fully in 2002, showing a strong positive trend and a sharp rise in licence holders that will continue into 2003.

In 2002, the Motor Sports Association invested heavily in shaping the future of motor sport in this country. Not only was the Strategic Review instigated and completed, but its recommendations were quickly implemented as the MSA charted the future direction of the sport. One direct impact of the Strategic

Review was a complete restructuring of the MSA to deal more efficiently with the role of governing and leading the sport, and this inevitably has had major financial implications.

The Motor Sport Strategy Development Group was set up in 2002 as a joint initiative between the MSA and the MIA. We are now starting to see the benefits of this group with recommendations recently announced towards the structure of both rallying and circuit racing.

Other major initiatives in 2002 included the establishment of the Rally Safety Study Group, which resulted in the implementation of a range of recommendations to improve safety on stage rallies. The MSA also set up an initiative to train and register the UK's force of rally marshals, as a result of which more than 5,100 people are now listed on the official Rally Marshals' Register.

The MSA's funding is derived essentially from its licensing activities. The MSA would not have been able to embark on the substantial investment programme without the profit generated by IMS, our commercial arm, in organising the F1 British Grand Prix, Rally of Great Britain, Veteran Car Run and our classic events.

We achieved a huge amount in 2002 and while the figures show a deficit for the year, I believe that the Motor Sports Association has never been in such a strong position to meet the demands of the sport over the next decade.

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 2002.

Directors

J A M Grant - Chairman (appointed 11.07.02)

C N Hilton - Chief Executive

B P Cussons - (appointed 06.06.02)

R J H Fack

M R Grant-Peterkin

T G Keown - (appointed 06.06.02)

T A Lankshear - (Secretary)

M J Limb OBE - (resigned 06.12.02)

B K McGivern - (resigned 06.06.02)

J H Richardson

R M Southcombe

W S Troughear

R G Trouton MBE

R G Wiltshire - (deceased 07.04.02)

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 the

organisation and promotion of motor sport events, the provision of motor sports consultancy and commercial activities related to motor sports.

INCOME AND OPERATING RESULTS,

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 recorded a deficit for the year before tax of £89,527 compared to a surplus of £128,266 last year. During the year under review, the Group incurred one off costs associated with two major projects. Management consultants, Accenture plc, were engaged to undertake a strategic review of motor sports in the United Kingdom, and a new safety and risk management initiative was launched in respect of registration and training of rally marshals. In addition to the projects

referred to above, a provision for the diminution in the value of the Merrill Lynch managed equity fund, had an adverse affect on the results. The Group's net assets now stand at £6,799,848 compared to the figure of £6,911,774 the year before.

Following the strategic review of motor sports in the United Kingdom the Group together with the representative body of the motor sports industry formed a Motorsport Strategy Development Group to provide combined strategic development to all stakeholders in motor sport in the UK. This new initiative causes the directors to be optimistic about the long term prospects of motor sport.

INCOME AND OPERATING RESULTS BY PRINCIPAL ACTIVITY

For the year ended 31 December 2002

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

	The Royal Automobile Club Sports Association Limited	International Motor Sports Limited	2002 Total	2001 Total
	£	£	£	£
INCOME				
Governance of motor sports	3,251,430	-	3,251,430	2,856,211
Event promotion and commercial	-	3,624,309	3,624,309	2,763,787
	<u>3,251,430</u>	<u>3,624,309</u>	<u>6,875,739</u>	<u>5,619,998</u>
EXPENDITURE				
Staff costs	1,284,633	474,971	1,759,604	1,814,480
Other administration expenses	2,253,824	2,970,811	5,224,635	3,967,239
Diminution in current asset investment	241,176	-	241,176	24,946
Bank interest payable	-	-	-	8,053
	<u>3,779,633</u>	<u>3,445,782</u>	<u>7,225,415</u>	<u>5,814,718</u>
Investment and similar income	229,306	30,843	260,149	322,986
(Deficit)/surplus for the year before taxation	<u>(298,897)</u>	<u>209,370</u>	<u>(89,527)</u>	<u>128,266</u>
Tax charge on the (deficit)/surplus for the year	(10,487)	(11,912)	(22,399)	(54,681)
(Deficit)/surplus for the year after taxation	<u>(309,384)</u>	<u>197,458</u>	<u>(111,926)</u>	<u>73,585</u>

NET ASSETS EMPLOYED BY PRINCIPAL ACTIVITY

	£	£	£	£
Fixed assets				
Tangible assets	1,980,449	131,383	2,111,832	2,047,106
Current assets	6,179,985	561,641	6,741,626	7,769,886
Current liabilities	(1,527,416)	(526,194)	(2,053,610)	(2,905,218)
Net current assets	<u>4,652,569</u>	<u>35,447</u>	<u>4,688,016</u>	<u>4,864,668</u>
Net assets employed	<u>6,633,018</u>	<u>166,830</u>	<u>6,799,848</u>	<u>6,911,774</u>

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2002

	2002 £	2001 £
FIXED ASSETS		
Tangible assets	2,111,832	2,047,106
CURRENT ASSETS		
Debtors	788,262	756,753
Investments	5,611,337	6,048,706
Cash at bank and in hand	342,027	964,427
	<u>6,741,626</u>	<u>7,769,886</u>
CREDITORS: amounts falling due within one year	(2,053,610)	(2,905,218)
NET CURRENT ASSETS	4,688,016	4,864,668
TOTAL ASSETS LESS CURRENT LIABILITIES	6,799,848	6,911,774
CAPITAL AND RESERVES		
Income and Expenditure account	6,799,848	6,911,774

FIVE YEAR CONSOLIDATED RESULTS

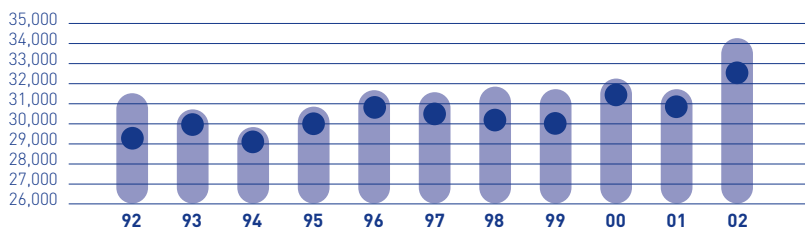
	1998 £	1999 £	2000 £	2001 £	2002 £
Income	4,980,971	5,081,620	6,039,159	5,619,998	6,875,739
Operating surplus/(deficit) for the year	485,740	396,546	58,100	(194,720)	(349,676)
Interest receivable	445,811	397,270	406,750	322,986	260,149
(Deficit)/surplus for the year before taxation	931,551	793,816	464,850	128,266	(89,527)
Tax charge on the (deficit)/surplus for the year	(334,473)	(250,836)	(164,254)	(54,681)	(22,399)
(Deficit)/surplus for the year after taxation	<u>597,078</u>	<u>542,980</u>	<u>300,596</u>	<u>73,585</u>	<u>(111,926)</u>
Net assets	5,994,613	6,537,593	6,838,189	6,911,774	6,799,848

LICENCE STATISTICS

Last ten years

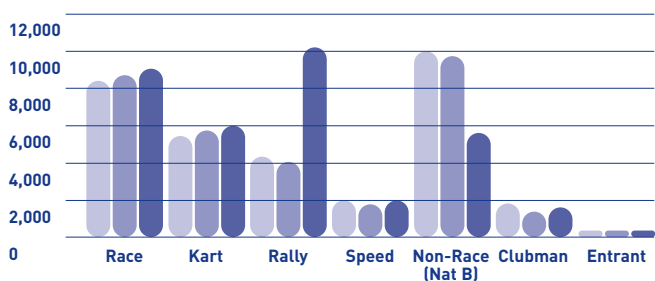


	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Licences	31,493	30,761	29,868	30,932	31,663	31,468	31,915	31,840	32,172	31,731	34,084
Licence Holders	29,392	29,927	29,048	29,963	30,811	30,500	31,133	30,854	31,357	30,994	32,518



LICENCE STATISTICS 2000 v 2001 v 2002

	2000	2001	2002
Race	8,552	8,872	9,221
Kart	5,414	5,535	5,704
Rally	4,442	4,194	10,129
Speed	1,856	1,803	1,845
Non-race (Nat B)	9,939	9,703	5,472
Clubman	1,745	1,415	1,519
Entrant	224	209	194
Total Licences	32,172	31,731	34,084
Total Holders	31,357	30,994	32,518



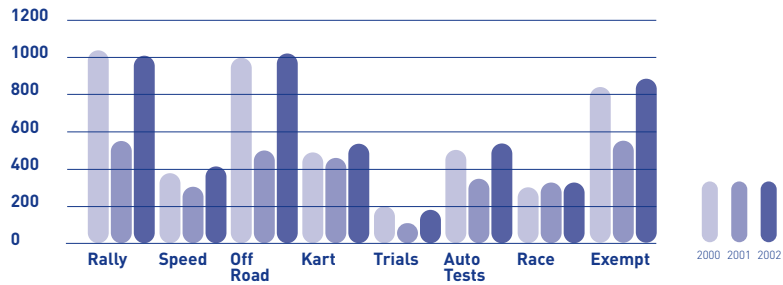
LICENCE STATISTICS

	2000	2001*	2002
RACE			
International	1,398	1,454	1,445
National A	2,257	2,457	2,590
National B	4,462	4,509	4,700
International Historic	412	430	463
Truck	23	22	23
Total Race	8,552	8,872	9,221
KART			
International	104	109	156
National A	2,934	2,913	3,000
National B	2,376	2,513	2,548
Total Kart	5,414	5,535	5,704
RALLY			
International	809	660	672
National A	2,383	2,444	2,607
National B (new 2002)	0	0	5,494
Navigator	1,173	1,049	1,306
International Historic	77	41	50
Total Rally	4,442	4,194	10,129
SPEED (Sprint, Hillclimb, Drag)			
International	54	40	46
National A	1,802	1,763	1,799
Total Speed	1,856	1,803	1,845
NON-RACE (National B)	9,939	9,703	5,472
CLUBMAN	1,745	1,415	1,519
ENTRANT	224	209	194
Total Licences	32,172	31,731	34,084
Total Holders	31,357	30,994	32,518

* Note: 2001 figures adversely affected by Foot & Mouth

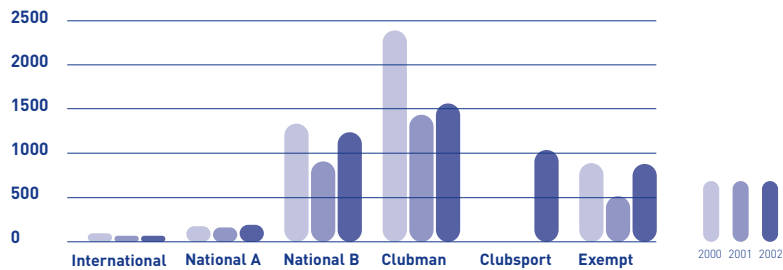
EVENT STATISTICS

	2000	2001*	2002
Rally	1033	543	1016
Speed	381	321	404
Off-road	990	492	1015
Kart	475	464	523
Trials	198	91	189
Autotests	501	351	524
Race	316	332	333
Exempt	849	547	865



EVENT STATUS

	2000	2001*	2002
International	50	46	41
National A	168	165	187
National B	1301	938	1205
Clubman	2375	1445	1552
Clubsport	-	-	1019
Exempt	849	547	865
Total	4743	3141	4869



* Note: 2001 figures adversely affected by Foot & Mouth