

**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

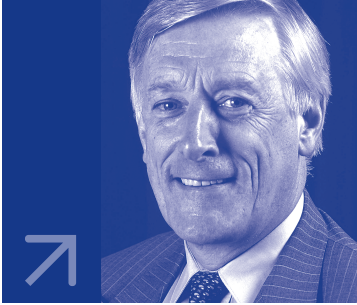
2003

The Royal Automobile Club
Motor Sports Association Limited
and subsidiary company

**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS**

Year ended 31 December 2003





CHAIRMAN'S REVIEW

My first year as Chairman of the MSA has been one of considerable change. We started to adopt a higher profile externally, made a number of changes in the composition of the Board, rolled out the first part of our strategy for UK motor sport and achieved excellent financial results that allowed us to earmark substantial funds for investment in the sport.

Our strategy for UK motor sport is starting to take shape. A new framework for race championships was announced in early 2003, and this has been followed recently by the rationalisation of national rally championships. We are working with many interested parties to continue these efforts to create a more coherent structure for the sport which should result in fewer, better quality events for the benefit of competitors, spectators and organisers.

The Board is now starting to revisit the strategy for the MSA itself. We must continue to perform our governing body role as efficiently as possible, but it is already clear that the MSA also must adopt a leading role in developing motor sport in the UK. During the next 12 months, we will be consulting widely to ensure that the views of our many audiences are taken into account - although I won't promise that we will agree with all of them.

Our financial strategy is for the governance side of the business - the administration and regulation of the sport - to operate slightly above breakeven in an average year. For IMS, our commercial arm, the strategy is to generate profits from organising the major international events and helping to promote national championships. We don't have to pay interest to banks or dividends to shareholders, and we have sufficient financial reserves to cover most "rainy day" risk scenarios, so all profits generated by IMS can be invested in the development of the sport. As the result of a strong financial performance in 2003, we have been able to set aside substantial funds for these purposes.

In our external relationships, I was delighted that we regained our seat on the FIA World Motor Sport Council in October. This is a huge boost to the reputation of UK motor sport and underlines once again that Britain has a leading role to play on the world stage.

We are also working closely with the government, through the recently established Motorsport Development Board, to secure much-needed additional funds for development of the sport. We are hopeful that support will start to materialise in the near future for priorities such as training of volunteer officials.

It has been a good year for the MSA, and I would like to pay tribute to Colin Hilton, Andrew Coe and all the MSA and IMS staff who delivered two world class events in the British Grand Prix and the Wales Rally GB and excellent results in all areas of our business.

During the year, we made a number of constitutional changes designed to ensure a constant cycle of regeneration in the membership of the Board, the Motor Sports Council and its committees. As a result, we lost an unusually large number of long standing directors at the end of 2003 - Julian Fack, Martin Grant-Peterkin and Michael Southcombe from the MSA Board and Jim Molay, Gordon Jaynes and Stuart Turner from the IMS Board. I would like to thank all of them for the enormous contributions they have made and, in particular, to recognise Michael Southcombe's extraordinary commitment both to the Board and the Motor Sports Council, which he chaired for 14 years.

We achieved a number of our goals in 2003 but, as I am frequently reminded, there remains much to do. I hope to be able to report further progress in a year's time.

John Grant
Chairman, MSA



CHIEF EXECUTIVE'S MESSAGE

By any measure, 2003 has been an extremely positive year for British motor sport and the Motor Sports Association.

Britain's two premier world class events were both great successes and the sport is in a healthy state from grassroots through to national level, a fact demonstrated by the continued increase in the number of licences issued by the MSA this year. The number of MSA permitted events has also continued to rise year on year.

Off the track, it has also been a momentous year as the reviews and reforms of the structure of motor sport gathered momentum. The implementation of the Motorsport Strategy Development Group's recommendations on promoted circuit racing will provide an identifiable ladder of progression from the junior formulae through to the pinnacle of national racing.

Similarly, a thorough review of stage rallying was completed and a revised structure from 2005 will ensure a strong and stable future for national rallying.

The financial results detailed in this second MSA Annual Report make encouraging reading. In last year's report I concluded that, by taking the pain in the short-term, the MSA would emerge stronger and leaner and in the best possible position to meet the demands of the sport.

I am pleased to report that the effects of the restructure, improved working practices and the adoption of new technology have enabled the MSA to enjoy a much better year in 2003 and to report a healthy surplus on income.

This revenue growth will be channelled directly back into the sport, allowing us to look at development opportunities and a significant programme of funding within motor sport.

The MSA Executive has earmarked money for the Motor Sports Training Trust (MSTT) to fund the creation and implementation of a driver development programme, perhaps to work alongside related DTI initiatives and funding.

The MSTT also funds the vital MSA volunteer training seminars held around the country during the year that help to maintain Britain's reputation for high standards of medics, marshals and other motor sport officials. A further donation has been made to the Motor Sports Training Trust to continue this excellent work.

Additional funding has been committed by the MSA to the Motorsport Safety Fund, to support the MSF's prime focus in the next 12 months. As a founder member of the new FIA Foundation, the MSF's resources are likely to form the basis of the library of FIA-approved training material and much time and effort will be spent this year producing more high quality training videos for key officials.

It has been a busy and productive year for all. I must thank my excellent team at the MSA for their continued support and enthusiastic delivery and of course the loyal volunteers who give their time so freely. Without these people we would not be able to demonstrate such excellent figures.

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 2003.

Directors

RJ Ashmead - (appointed 18.03.03)

B P Cussons

R J H Fack - (resigned 31.12.03)

C N Hilton - Chief Executive

A J Gow - (appointed 01.01.03)

J A M Grant - Chairman

M R Grant-Peterkin - (resigned 31.12.03)

T G Keown

T A Lankshear - (Secretary)

R M Southcombe - (resigned 31.12.03)

W S Troughear

R G Trouton MBE

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, 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, 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.

2003 was a satisfactory year financially, with healthy results in each of the key areas. The Group recorded a surplus for the year before tax of £220,800 compared to a deficit of £89,527 for the previous year.

We also strengthened our balance sheet, with Group net assets increasing by £945,254, and produced strong operating cash flows. Our strong financial position allows us to improve, develop and implement plans to invest in the education and training of motor sports at the

grass roots. Money has been earmarked for the Motor Sports Training Trust to fund the creation and implementation of driver development programmes as well as to continue and develop the funding of the vital volunteer training seminars held around the country that help to maintain Britain's reputation for high standards of marshalling and officiating. During the year the Group made gift-aid charitable donations of £290,000 to British Motor Sports Training Trust and £38,500 to Motorsport Safety Fund (2002 £Nil).

Our essential strategy and direction continue unchanged. The Board is confident that 2004 will be another successful year.

INCOME AND OPERATING RESULTS BY PRINCIPAL ACTIVITY

For the year ended 31 December 2003

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

	The Royal Automobile Club Motor Sports Association Limited	International Motor Sports Limited	2003 Total	2002 Total
	£	£	£	£
INCOME				
Governance of motor sports	3,359,089	-	3,359,089	3,251,430
Event promotion and commercial activities	-	3,718,666	3,718,666	3,624,309
	<u>3,359,089</u>	<u>3,718,666</u>	<u>7,077,755</u>	<u>6,875,739</u>
EXPENDITURE				
Staff costs	1,451,348	472,581	1,923,929	1,759,604
Other administration expenses	1,991,639	3,292,242	5,283,881	5,224,635
Share of losses of joint ventures	-	-	21,118	-
(Increase)/diminution in current asset investment	(129,777)	-	(129,777)	241,176
Bank interest payable	8	-	8	-
	<u>3,313,218</u>	<u>3,764,823</u>	<u>7,099,159</u>	<u>7,225,415</u>
Operating surplus/(deficit)	45,871	(46,157)	(21,404)	(349,676)
Investment and similar income	219,044	23,160	242,204	260,149
Surplus/(deficit) for the year before taxation	<u>264,915</u>	<u>(22,997)</u>	<u>220,800</u>	<u>(89,527)</u>
Tax (charge)/credit on the surplus/(deficit) for the year	(30,537)	303	(30,234)	(22,399)
Surplus/(deficit) for the year after taxation	<u>234,378</u>	<u>(22,694)</u>	<u>190,566</u>	<u>(111,926)</u>

NET ASSETS EMPLOYED BY PRINCIPAL ACTIVITY

	£	£	£	£
Fixed assets				
Tangible assets	2,646,261	189,090	2,835,351	2,111,832
Investments in joint ventures	-	-	(21,118)	-
Total fixed assets	<u>2,646,261</u>	<u>189,090</u>	<u>2,814,233</u>	<u>2,111,832</u>
Current assets	6,919,405	1,284,856	8,204,261	6,741,626
Current liabilities	(1,873,154)	(1,400,238)	(3,273,392)	(2,053,610)
Net current assets/(liabilities)	<u>5,046,251</u>	<u>(115,382)</u>	<u>4,930,869</u>	<u>4,688,016</u>
Net assets employed	<u>7,692,512</u>	<u>73,708</u>	<u>7,745,102</u>	<u>6,799,848</u>

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2003

	2003 £	2002 £
FIXED ASSETS		
Tangible assets	2,835,351	2,111,832
Investments in joint ventures	(21,118)	-
	<u>2,814,233</u>	<u>2,111,832</u>
CURRENT ASSETS		
Debtors	1,354,341	788,262
Investments	5,741,114	5,611,337
Cash at bank and in hand	1,108,806	342,027
	<u>8,204,261</u>	<u>6,741,626</u>
CREDITORS: amounts falling due within one year	(3,244,157)	(2,053,610)
NET CURRENT ASSETS	<u>4,960,104</u>	<u>4,688,016</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>7,774,337</u>	<u>6,799,848</u>
PROVISION FOR LIABILITIES AND CHARGES	<u>(29,235)</u>	-
NET ASSETS	<u>7,745,102</u>	<u>6,799,848</u>
CAPITAL AND RESERVES		
Income and Expenditure account	6,990,414	6,799,848
Property revaluation reserve	754,688	-
	<u>7,745,102</u>	<u>6,799,848</u>

FIVE YEAR CONSOLIDATED RESULTS

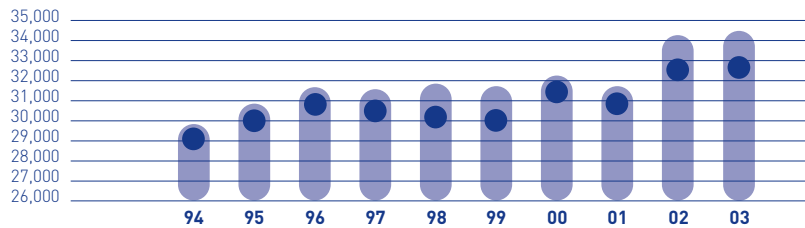
	1999 £	2000 £	2001 £	2002 £	2003 £
Group Income	5,081,620	6,039,159	5,619,998	6,875,739	7,077,755
Operating surplus/(deficit) for the year	396,546	58,100	(194,720)	(349,676)	(21,404)
Interest receivable	397,270	406,750	322,986	260,149	242,204
Surplus/(deficit) for the year before taxation	793,816	464,850	128,266	(89,527)	220,800
Tax charge on the surplus/(deficit) for the year	(250,836)	(164,254)	(54,681)	(22,399)	(30,234)
Surplus/(deficit) for the year after taxation	<u>542,980</u>	<u>300,596</u>	<u>73,585</u>	<u>(111,926)</u>	<u>190,566</u>
Net assets	<u>6,537,593</u>	<u>6,838,189</u>	<u>6,911,774</u>	<u>6,799,848</u>	<u>7,745,102</u>

LICENCE STATISTICS

Last ten years

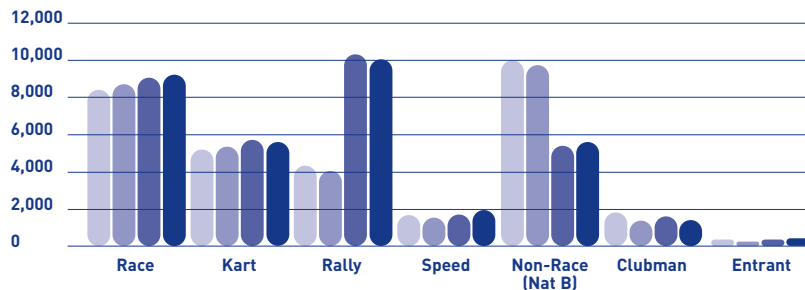


	1994	1995	1996	1997	1998	1999	2000	2002	2002	2003
Licences	29,868	30,932	31,663	31,468	31,915	31,840	32,172	31,731	34,084	34,157
Licence Holders	29,048	29,963	30,811	30,500	31,133	30,854	31,357	30,994	32,518	32,768



LICENCE STATISTICS 2000 v 2001 v 2002 v 2003

	2000	2001	2002	2003
Race	8,552	8,872	9,221	9,307
Kart	5,414	5,535	5,704	5,675
Rally	4,442	4,194	10,129	10,059
Speed	1,856	1,803	1,845	1,888
Non-race (Nat B)	9,939	9,703	5,472	5,620
Clubman	1,745	1,415	1,519	1,411
Entrant	224	209	194	197
Total Licences	32,172	31,731	34,084	34,157
Total Holders	31,357	30,994	32,518	32,768



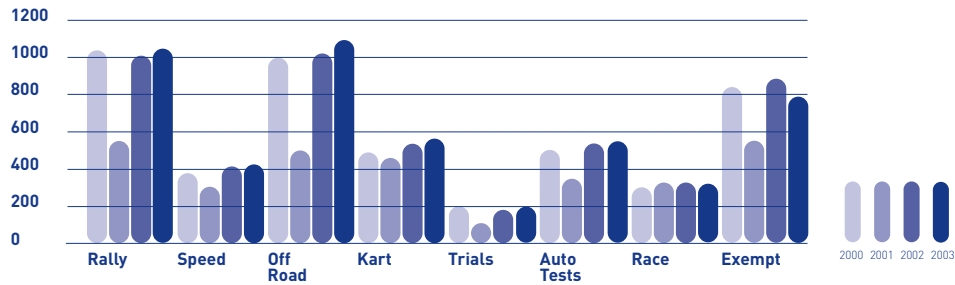
LICENCE STATISTICS

	2000	2001*	2002	2003
RACE				
International	1,398	1,454	1,445	1,423
National A	2,257	2,457	2,590	3,130
National B	4,462	4,509	4,700	4,315
International Historic	412	430	463	416
Truck	23	22	23	23
Total Race	8,552	8,872	9,221	9,307
KART				
International	104	109	156	155
National A	2,934	2,913	3,000	3,194
National B	2,376	2,513	2,548	2,326
Total Kart	5,414	5,535	5,704	5,675
RALLY				
International	809	660	672	674
National A	2,383	2,444	2,607	2,578
National B (new 2002)	0	0	5,494	5,290
Navigator	1,173	1,049	1,306	1,467
International Historic	77	41	50	50
Total Rally	4,442	4,194	10,129	10,059
SPEED (Sprint, Hillclimb, Drag)				
International	54	40	46	40
National A	1,802	1,763	1,799	1,848
Total Speed	1,856	1,803	1,845	1,888
NON-RACE (National B)	9,939	9,703	5,472	5,620
CLUBMAN	1,745	1,415	1,519	1,411
ENTRANT	224	209	194	197
Total Licences	32,172	31,731	34,084	34,157
Total Holders	31,357	30,994	32,518	32,768

* Note: 2001 figures adversely affected by Foot & Mouth

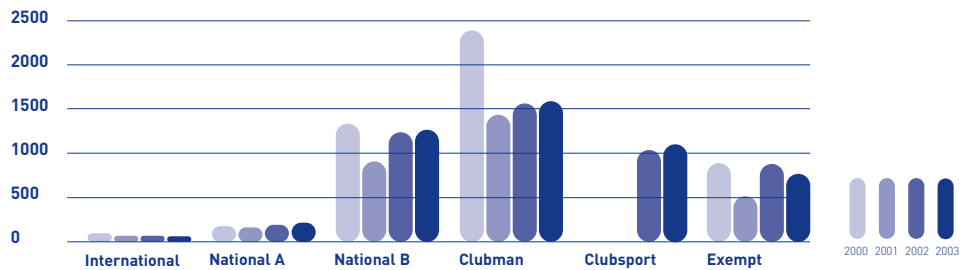
EVENT STATISTICS

	2000	2001*	2002	2003
Rally	1033	543	1016	1044
Speed	381	321	404	412
Off-road	990	492	1015	1090
Kart	475	464	523	569
Trials	198	91	189	200
Autotests	501	351	524	525
Race	316	332	333	330
Exempt	849	547	865	798



EVENT STATUS

	2000	2001*	2002	2003
International	50	46	41	39
National A	168	165	187	202
National B	1301	938	1205	1256
Clubman	2375	1445	1552	1579
Clubsport	-	-	1019	1094
Exempt	849	547	865	798
Total	4743	3141	4869	4968



* Note: 2001 figures adversely affected by Foot & Mouth