

The Royal Automobile Club
Motor Sports Association Ltd

Motor Sports House
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England

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2005

The Royal Automobile Club
Motor Sports Association Limited

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

Year ended 31 December 2005



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

The figures and tables on the following pages show that the Motor Sports Association has enjoyed another successful year in 2005.

That the company continues to generate a surplus year on year, despite a fairly static income level, is testament to the significantly improved efficiencies within the organisation. The importance of taking a firm hold on expenditure is best demonstrated by the increasing amount of investment that the MSA is able to make in the good causes described by the Chief Executive on the next page.

Of course the 2005 figures were delivered under the chairmanship of my predecessor, John Grant. On behalf of the MSA's employees, licence holders and volunteers, I thank John for his commitment during his three years in the role and wish him every success for the future.

I am delighted to have taken on the role of Chairman at the start of 2006 as it's a real privilege to take over the chair of what is arguably the finest national governing body of motor sport in the world. As an MSA Board Director and Council Member for several years it has given me a great insight into the many complex areas of the sport. Having also been a competitor, team owner and championship organiser, I feel I have a fairly unique and broad perspective of our sport.

These end of year figures tell a good story, but they can't begin to do justice to the amount of work and endeavour that goes on at Motor Sports House. The MSA is not about making money – as we are a not-for-profit organisation – however it is vital that we do continue to produce solid financial returns, as the revenues we generate are directly proportional to the significant amount of funding that we are able to invest in the sport.

UK motor sport is at a very important stage in its development and it is vital that everyone involved in the sport commits to making a special effort to take it forward. I am fully aware, however, that the MSA needs to show the way and lead from the front, ensuring that it is representing the interests of all its stakeholders.

We are by no means perfect but, by and large, the MSA operates extremely well and tribute must be made to Colin Hilton, Andrew Coe and their excellent staff for delivering the results in 2005 that have enabled us to both build upon, and invest in, the growth of our sport.

As Chairman, I will continue to challenge and question everything we do in order to ensure that the business is operating to its full potential and that the MSA serves our sport to the best of its abilities.

Alan J Gow
Chairman, MSA



CHIEF EXECUTIVE'S MESSAGE

Since the Motor Sports Association began publishing an Annual Report in 2002, the figures themselves have shown a consistent and encouraging growth. Income levels, licence numbers, licence holders and the number of events have remained steady and for the most part show a modest increase. However, thanks to improved efficiencies, working practices and other cost savings, the MSA has generated increasing levels of surplus revenue each year.

This has had a direct impact on the amount of money the MSA has been able to invest back into the sport and I am delighted that in 2005 we brought online a number of substantial projects, each designed to help develop the sport in the UK.

Having identified the importance of British representation at the highest level of world motor sport, the MSA British Rally Elite scheme was launched to help the UK's most promising rally drivers and co-drivers to graduate to the world stage. Benefiting from substantial investment from the MSA, the first students have made great progress with Matthew Wilson being the first to step up to WRC level. The scheme's success has paved the way for further expansion and it will also assist the development of similar activity in racing.

The MSA's Volunteers in Motorsport programme is the first ever centrally co-ordinated activity to address the issues of recruitment, retention, training and development among the essential motor sport volunteer community. The MSA secured £150,000 from the Motorsport Development Board and match-funded this with additional investment, both financial and in kind. In its first 12 months, Volunteers in Motorsport has brought more than 300 new active marshals to the sport, helping to tackle the very real problem of falling numbers, while working with existing volunteers to keep them involved.

As a result of the strong revenues shown on these pages, the MSA has been able to commit a further £360,000 in 2005 to the Motor Sports Training Trust, which itself made grants totalling £153,384 during the year to support volunteer projects and training courses.

Likewise, the Club Development Fund has benefited from these results. The fund, which offers up to 50% grant aid funding for projects that help club level motor sport, committed £44,050 to 26 applications from MSA registered clubs during the year and the fund passed the £2m threshold of the value of projects supported since its inception in 1993.

Make no mistake; the MSA's objective is the good governance and administration of motor sport and our licence and regulatory fees are used only to cover MSA operational expenditure. Through effective management, commercial activities and return on investments, however, the MSA is able to generate a surplus on its income and it is this money that is ploughed back into the sport, especially at grass roots level.

Meanwhile, at the very top of the sport, the British Grand Prix and Wales Rally GB once again demonstrated the UK's ability to put on events of the very highest calibre, while the UK's leading drivers continue to excel on the international stage.

As we move into a new financial year, the MSA welcomes Alan Gow as Chairman and I would like to express my gratitude to his predecessor John Grant for his support and commitment over the past three years. As ever, I must also thank the excellent team of people both at Motor Sports House and the officials and volunteers around the country for their relentless efforts.

We will continue to strive for excellence in governance, sound financial management and shape the direction and development of UK motor sport.

Colin Hilton
Chief Executive, MSA

DIRECTORS' REPORT

The Directors present their annual report and the audited group financial statements for the year ended 31 December 2005.

DIRECTORS

J A M Grant - Chairman (resigned 09/02/06)
C N Hilton - Chief Executive
R J Ashmead
B P Cusmead
A J Gow
T G Keown

T A Lankshear - Secretary
G K R Stoker
W S Troughear (resigned 09/02/06)
R G Trouton MBE (resigned 09/02/06)
N A Whale
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 subsidiaries International Motor Sports Limited ("IMS") and British Grand Prix Limited ("BGPL"), to organise and promote motor sport events, provide motor sports consultancy and undertake commercial activities related to motor sport.

INCOME, OPERATING RESULTS & REVIEW

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 £624,868 (2004:£404,474 restated) after donating £325,000 (2004:£300,000) to the British Motor Sports Training Trust. The Company also arranged for the donation of £35,000 (2004:£44,025), the balance of the Motor Sports Council's special Fines Fund to the British Motor Sports Training Trust. Group net assets were increased by £262,776 to £7,265,510 (2004:£7,002,734 restated).

Following the loss by IMS in 2004 and the action taken by us, the Group is now in a stronger position with satisfactory performance on all fronts. We started two new major projects in the year. MSA British Rally Elite is an ongoing programme to identify the promising talent at the top of national

rallying scheme for nurture and support of potential future champions. Volunteers in Motorsport is an MSA scheme, partially funded by the DTI, designed to recruit and retain volunteers in the sport at all levels.

In terms of corporate governance, MSA operates against a background of increasingly high standards and public scrutiny. We are confident that the Group meets the highest standards and has robust processes to identify and manage risk.

FUTURE PROSPECTS

The Group's strategic objective is to be, and be 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.

Our capital investment on the development of electronic services to benefit members using the internet will continue. Communication and consultation is essential within the sport. MSA will pursue the policy for an open and frank dialogue to discuss issues which affect our sport at all levels.

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 2005

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

	The Royal Automobile Club Motor Sports Association Limited	International Motor Sports Limited	British Grand Prix Limited	2005 Total	Restated 2004 Total
INCOME	£	£	£	£	£
Governance of motor sports	3,516,666	-	-	3,516,666	3,491,854
Event promotion and commercial activities	-	2,773,481	242,090	3,015,571	3,062,035
	<u>3,516,666</u>	<u>2,773,481</u>	<u>242,090</u>	<u>6,532,237</u>	<u>6,553,889</u>
EXPENDITURE					
Staff costs	1,290,914	283,604	-	1,574,518	1,615,685
Other administration expenses	1,935,414	2,141,452	243,665	4,320,531	4,622,069
Gift-aid charitable donation	125,000	200,000	-	325,000	300,000
	<u>3,351,328</u>	<u>2,625,056</u>	<u>243,665</u>	<u>6,220,049</u>	<u>6,537,754</u>
Operating surplus/(deficit)	165,338	148,425	(1,575)	312,188	16,135
Increase in current asset investment	17,668	-	-	17,668	118,677
Share of profits/(losses) of joint ventures	(1,387)	(392)	-	(1,779)	20,263
Other finance charge	(45,600)	(11,400)	-	(57,000)	(69,000)
Interest receivable and similar income	334,283	19,298	210	353,791	318,399
Surplus/(deficit) for the year before taxation	470,302	155,931	(1,365)	624,868	404,474
Tax (charge)/credit on the surplus	(141,708)	(21,284)	(4,800)	(167,792)	(69,599)
Surplus/(deficit) for the year after taxation	<u>328,594</u>	<u>134,647</u>	<u>(6,165)</u>	<u>457,076</u>	<u>334,875</u>

NET ASSETS EMPLOYED BY PRINCIPAL ACTIVITY

	£	£	£	£	£
Fixed assets					
Tangible assets	2,556,074	127,458	-	2,683,532	2,755,555
Current assets	7,997,353	582,270	26,760	8,606,383	7,709,397
Current liabilities	(3,340,379)	(677,692)	(6,334)	(4,024,405)	(3,462,218)
Net current assets/(liabilities)	<u>4,656,974</u>	<u>(95,422)</u>	<u>20,426</u>	<u>4,581,978</u>	<u>4,247,179</u>
Net assets employed	<u>7,213,048</u>	<u>32,036</u>	<u>20,426</u>	<u>7,265,510</u>	<u>7,002,734</u>

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

GROUP BALANCE SHEET

As at 31 December 2005

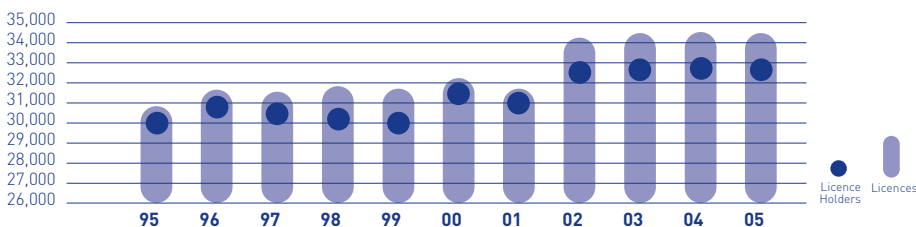
	2005 £	Restated 2004 £
FIXED ASSETS		
Tangible assets	2,683,532	2,755,555
CURRENT ASSETS		
Debtors	1,024,476	558,491
Investments	7,087,107	6,636,439
Cash at bank and in hand	494,800	514,467
	<u>8,606,383</u>	<u>7,709,397</u>
CREDITORS : amounts falling due within one year	<u>(3,212,499)</u>	<u>(2,679,907)</u>
NET CURRENT ASSETS	<u>5,393,884</u>	<u>5,029,490</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>8,077,416</u>	<u>7,785,045</u>
Debtors due in more than one year	9,727	17,544
PROVISIONS FOR INVESTMENTS IN JOINT VENTURES:		
Share of gross assets	(2,633)	(855)
Share of gross liabilities	22,627	26,849
	<u>(25,260)</u>	<u>(27,704)</u>
	<u>8,084,510</u>	<u>7,801,734</u>
Pension liability	(819,000)	(799,000)
NET ASSETS INCLUDING PENSION LIABILITY	<u>7,265,510</u>	<u>7,002,734</u>
CAPITAL AND RESERVES		
Income and Expenditure account	6,547,998	6,266,634
Property revaluation reserve	717,512	736,100
	<u>7,265,510</u>	<u>7,002,734</u>

FIVE YEAR GROUP RESULTS

	2001 £	2002 £	2003 £	Restated 2004 £	2005 £
Group Income	5,619,998	6,875,739	7,077,755	6,553,889	6,532,237
Operating surplus/(deficit) for the year	(169,774)	(108,500)	(130,063)	16,135	312,188
Share of profits/(losses) of joint ventures	-	-	(21,118)	20,263	(1,779)
Write back of impairment in current asset investment	(24,946)	(241,176)	129,777	118,677	17,668
Other finance charge	-	-	-	(69,000)	(57,000)
Interest receivable	322,986	260,149	242,204	318,399	353,791
Surplus/(deficit) for the year before taxation	128,266	(89,527)	220,800	404,474	624,868
Tax charge on the surplus/(deficit) for the year	(54,681)	(22,399)	(30,234)	(69,599)	(167,792)
Surplus/(deficit) for the year after taxation	73,585	(111,926)	190,566	334,875	457,076
Recognised in the STRGL	-	-	754,688	242,100	(194,300)
Prior year adjustments	-	-	-	(1,319,343)	-
Movement in the year	73,585	(111,926)	945,254	(742,368)	262,776
Net group assets brought forward	6,838,189	6,911,774	6,799,848	7,745,102	7,002,734
Net Group assets carried forward	6,911,774	6,799,848	7,745,102	7,002,734	7,265,510

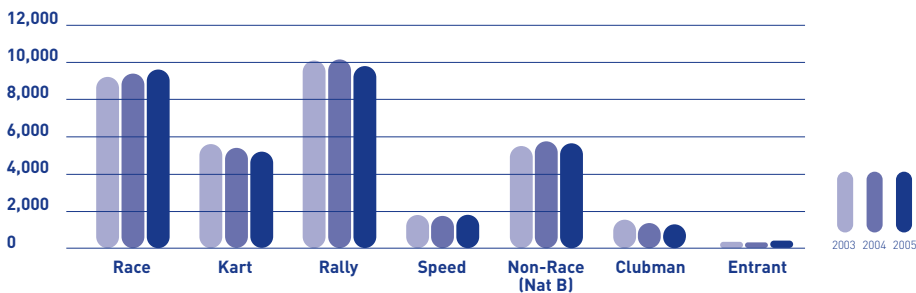
LICENCE STATISTICS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Licences	30,932	31,663	31,663	31,915	31,840	32,173	31,770	34,079	34,112	34,211	34,113
Licence Holders	29,963	30,811	30,500	31,133	30,854	31,134	30,819	32,888	32,814	32,889	33,410



LICENCE STATISTICS 2003 v 2004 v 2005

	2003	2004	2005
Race	9,307	9,437	9,696
Kart	5,675	5,419	5,281
Rally	10,059	10,071	9,881
Speed	1,888	1,872	1,889
Non-race (Nat B)	5,620	5,785	5,764
Clubman	1,411	1,365	1,308
Entrant	197	193	198
Total Licences	34,157	34,218	34,113
Total Holders	32,768	32,876	33,410

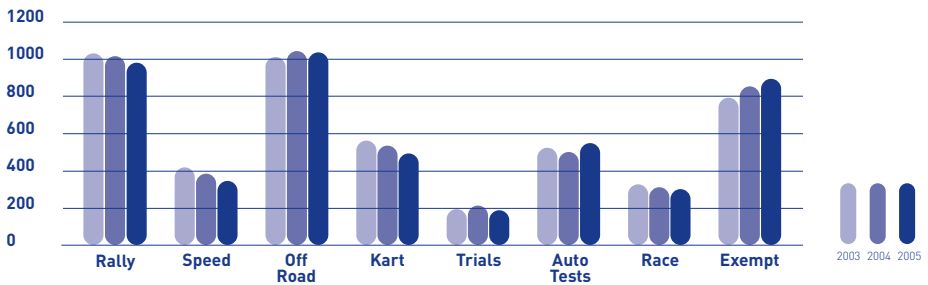


LICENCE STATISTICS

	2003	2004	2005
RACE			
International	1,423	1,481	1,541
National A	3,114	3,191	3,317
National B	4,313	4,304	4,386
International Historic	415	434	427
Truck	23	27	25
Total Race	9,288	9,437	9,696
KART			
International	155	174	190
National A	3,193	3,151	3,089
National B	2,324	2,094	2,002
Total Kart	5,672	5,419	5,281
RALLY			
International	672	663	579
National A	2,521	2,499	2,436
National B	5,286	5,333	5,230
Navigator	1,465	1,543	1,609
International Historic	50	33	27
Total Rally	9,994	10,071	9,881
SPEED (Sprint, Hillclimb, Drag)			
International	40	36	34
National A	1,848	1,836	1,855
Total Speed	1,888	1,872	1,889
NON-RACE (National B)			
CLUBMAN	5,619	5,785	5,764
ENTRANT	1,396	1,365	1,308
	197	193	198
Total Licences	34,112	34,211	34,113
Total Holders	32,814	32,889	33,410

EVENT STATISTICS

	2003	2004	2005
Rally	1,044	1,019	913
Speed	412	396	346
Off-road	1,090	1,174	1,143
Kart	569	547	503
Trials	200	205	199
Autotests	525	499	548
Race	330	326	318
Exempt	798	839	889



EVENT STATUS

	2003	2004	2005
International	39	44	37
National A	202	201	194
National B	1,256	1,206	1,170
Clubman	1,579	1,641	1,497
Clubsport	1,094	1,078	1,072
Exempt	798	839	834
Total	4,968	5,009	4,804

