

**AUTOMOBILE ASSOCIATION
FOUNDATION FOR ROAD
SAFETY RESEARCH**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003

Charity number 295573
Company number 2069723



AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

FINANCIAL STATEMENTS

For the year ended 31 December 2003

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AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

FINANCIAL STATEMENTS

For the year ended 31 December 2003

TRUSTEES AND ADVISORS

Patron:	HRH The Duke of Kent KG GCMG GCVO
Council of Management:	The AA Motoring Trust (appointed 1 January 2003)
Secretary:	Ruth Bridger
Principal address:	Southwood East Apollo Rise Farnborough Hampshire GU14 0JW
Registered office:	Millstream Maidenhead Road Windsor Berkshire SL4 5GD
Bankers:	Barclays Bank plc Basingstoke & Reading Business Centre PO Box 6193 Basingstoke RG21 3RX
Solicitors:	Farrer & Co 66 Lincolns Inn Fields London WC2A 3LH
Auditors:	PricewaterhouseCoopers LLP The Quay 30 Channel Way Southampton SO14 3QG

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

REPORT OF THE COUNCIL OF MANAGEMENT

The Council of Management (who are directors of the charity for the purposes of the Companies Act) present their report together with financial statements for the year ended 31 December 2003.

The Foundation was incorporated on 31 October 1986 as a company limited by guarantee and is a registered charity governed by its memorandum and articles of association. The directors of the charity are its trustees for the purpose of charity law and throughout this report are collectively referred to as the Council of Management.

Objectives and policies

The Automobile Association Foundation for Road Safety Research (The Foundation) was established to promote road safety for the benefit of the public and in particular by:

- (1) the carrying out or procuring (whether by way of financial assistance or otherwise) the carrying out of research into all factors affecting the safe use by all members of the community of public roads and the publication of the useful results of such research;
- (2) the promotion of the circulation throughout the community of advice, information and knowledge regarding the safe use of the public roads by all classes of users thereof;
- (3) to conceive, develop and implement whether alone or jointly with third parties ideas, programmes and course of action whether of an educational or other nature designed to or having as their objective the improvement of any aspect of road safety including (but not by way of limitation of the foregoing) the carrying out of any projects or programmes intended to educate young children or others in the safe use of the public roads

Council of Management

For the purposes of company law, the council of management shown on page 1 are the directors of the company.

The minimum number of Trustees shall be three save for circumstances where a charity (as defined by s96 of the Charities Act 1993) is appointed as a Trustee, in which case it may serve as a sole Trustee of the Foundation. There shall be no maximum number (unless otherwise determined by Ordinary Resolution).

Review of the year

The Foundation is a subsidiary of The AA Motoring Trust which is also a registered charity dealing with issues of Road Safety. The Trust also acts as the Council of Management for the Foundation, and as a result is treated as the Foundation's 'Trustee'.

Annual Review

The year 2003 saw the Foundation continue its research to support the second national casualty reduction target – a 40% reduction in death and serious injury, with a 50% reduction for children, by 2010. This national target is now one of many national targets in European countries and an overall target of cutting road deaths by 50% by 2010 has been adopted at the European level.

The year 2003 was an important one for the Foundation. It saw great success and prestigious road safety awards for the programme the Foundation has built and led from scratch, the European Road Assessment Programme (EuroRAP). The year saw quite steady progress moving smaller Foundation projects towards completion. It also saw the Foundation integrate its work with the new charity, The AA Motoring Trust, and prepare itself for eventual merger with the new charity. The principal role of the Foundation continued, as in previous years, to be focused on providing research, leaving comment and advocacy to others.

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

REPORT OF THE COUNCIL OF MANAGEMENT

European Road Assessment Programme (EuroRAP)

During the year, the Foundation continued to take the lead role for EuroRAP. Important grants were received from the European Commission, the FIA Foundation for the Automobile and Society, and Toyota Motor Europe. This enabled the protocols to map the relative risks of death and serious injury across the road networks to be demonstrated on five national road networks.

EuroRAP is a partnership of motoring organisations, road authorities and research institutions embracing over a dozen countries. The principal research contractor is TRL.

During the year, a programme of research and development at various stages involved partners in the UK, Sweden, Netherlands, Italy, Spain, Germany, France, Switzerland and Ireland. With the support of the EC Vice President's cabinet, an event to launch the year's work was held in Brussels. Significant events to launch results or promote the programme were held in the UK, Germany, France, Italy and Spain. Important development work on a protocol to allow inspection of roads for the degree of protection they give road users was developed particularly in conjunction with the motoring organisation and road administration in Sweden.

Britain's primary route network continued to be used as a showcase for mapping work in partnership particularly with the Highways Agency, County Surveyors Society and Scottish Executive. The research was able for the first time to identify the roads with the most improved safety record - and the engineering measures used to achieve the result. The research also identified roads with a persistently high risk.

During the year, the Foundation enabled the establishment of EuroRAP as a sister programme to EuroNCAP (the European New Car Assessment Programme) as an international non-profit making association (INPA) registered in Brussels. The EuroRAP Board now acts as a steering group for the general management and administration of the project and the Technical Committee acts as the technical consensus building body.

During the year, EuroRAP received the *Autocar* magazine 2003 award for road safety and was nominated for a *What Car?* Award. In addition, *Commercial Fleet World* presented its 2003 Honours Award to The AA Motoring Trust for the work of EuroRAP and the publication *The facts about road accidents and children*.

EuroRAP's website www.eurorap.org also received three further international awards in the non-profit making category - Silver in the Mercury 2003 Awards, Bronze in the iNova 2003 Awards and an Honours in the Galaxy 2003 Awards.

During 2003, discussions on promoting road assessment programmes were held with organisations in Australia and the USA.

General Road Safety Research Programme

The financial weight and importance of EuroRAP in 2003 led to careful pacing of the Foundation's on-going work in order that quality was maintained across the programme. A series of research reports were progressed during the year, each partnered with leading organisations. All are planned for publication in 2004:

Night time Accidents. This research, co-funded by the Rees Jeffreys Road Fund and carried out by UCL, is probing accident risk and exposure at night.

Accidents Along High Speed Dual Carriageway. This research, co-funded by the Highways Agency, is probing accident risk on high speed roads.

Roads and Tyres This research, co-funded by the County Surveyors' Society, is probing the safety characteristics of in-service roads and tyres.

Misfitting of child car seats This research, completed in January 2004, was launched by the AA Trust in February 2004, with wide media coverage.

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

REPORT OF THE COUNCIL OF MANAGEMENT

International Collaborative Programmes

EuroRAP is only one of the international collaborative programmes in which the Foundation has been involved. In 2003, working with the AA Motoring Trust, the Foundation also provided research and development on a number of projects including EuroNCAP and EuroTest projects, notably crash-testing popular child car seats in the European market and assessing tunnel safety.

Particularly pleasing was the use of the Foundation's recently co-sponsored research at the University of Central Florida on driver distraction in the car. In 2003, new legislation was introduced making use of hand-held mobile phones while driving illegal in Britain. The driver distraction demonstration equipment featured on national television news and elsewhere showed that use of hands-free phones can significantly affect the ability to drive safely.

Future work within the AA Foundation

The Council has decided that, given the financial weight of EuroRAP and the confidence that major grant giving bodies have in the Foundation's capacity to manage this demanding programme, the work of the Foundation will in future concentrate solely on developing the EuroRAP programme. Existing Foundation projects will be completed and new road safety research projects will be executed by The AA Motoring Trust, whose charitable objects fully cover the work of the Foundation.

The Council's Research Advisory Group

This group met twice in 2003 and is chaired by John Dawson, Director, The AA Motoring Trust. It consists of Sir Peter Baldwin (former Foundation Chairman), Professor Richard Allsop (Centre for Transport Studies, University College, London), Professor Frank McKenna (Psychology Department, University of Reading), Kate McMahon (Road Safety, Department for Transport), Robert Handley (Trauma Unit, John Radcliffe Hospital Oxford), Janet Swain, (Nottinghamshire County Council for County Surveyors Society), and Howard Sheriff (Consultant Accident and Emergency, Addenbrooke's Hospital Cambridge). Rod Kimber (Technical Director of the Foundation), Bert Morris (Deputy Director, The AA Motoring Trust) and Ruth Bridger (Project Manager and Company Secretary) also attend meetings.

Members advice, from a wide range of disciplines, is gratefully received and has helped test and develop the Foundation's programme over many years and has been a critical success factor. This advice will in future be given to The AA Motoring Trust.

Financial review

The fact that this has been a very busy year for the Foundation is clearly reflected in the SOFA for the year. This is largely as a result of the EuroRAP project that commenced at the very end of 2002. This has brought in £555,119 of income alone. Correspondingly therefore, there has been a similar increase in the expenditure levels that match this income, and the EuroRAP programme has cost £693,853 to carry out during the year. The deficit of this project in 2003 has been met by unrestricted reserves brought forward. The EuroRAP project has progressed well and will continue to be run by the Foundation in the coming years.

Reserves policy

The Council considers that the reserves level should be adequate to fulfil current project commitments and will be reviewed in light of the strategy to merge the charity with The AA Motoring Trust and sufficient to fund the EuroRAP programme.

Investment policy

The Foundation has adopted a low risk approach to investing surplus cash by placing cash on deposit at the bank. Investment returns are improved by placing cash, not required in the short term, in fixed deposits.

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

REPORT OF THE COUNCIL OF MANAGEMENT

Funding

The Council of Management is satisfied that the charity's assets are available and adequate to fulfil its obligations.

Connected charities

The following charity is connected with the Automobile Association Foundation for Road Safety Research:

Name	Nature of relationship
The AA Motoring Trust	Parent

Risk assessment

The major risks to which the charity is exposed are currently under review by the Council of Management.

Council of Management responsibilities for the financial statements

The Council is required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Foundation as at the end of the financial year and of its net movement in funds for the financial year.

The Council confirms that in preparing the financial statements on pages 9 to 16 appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that all applicable accounting standards have been followed. The Council also confirms that the financial statements have been prepared on a going concern basis.

The Council has overall responsibility for ensuring that the Foundation has an appropriate system of controls, financial and otherwise. The council also has a responsibility for ensuring that the Foundation keeps proper accounting records, for safeguarding the assets of the Foundation and for taking reasonable steps for the prevention of fraud and other irregularities.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. They include:

- An annual budget approved by the Council of Management;
- Consideration by the council of financial results and variances from budgets;
- Delegation of authority and segregation of duties; and
- Identification and management of risks.

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

REPORT OF THE COUNCIL OF MANAGEMENT

Auditors

PricewaterhouseCoopers LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

Ruth Bridger.

ON BEHALF OF THE COUNCIL OF MANAGEMENT

Ruth Bridger
Secretary

17 June 2004.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH**

We have audited the financial statements which comprise the statement of financial activities, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in Note 1.

Respective responsibilities of Council of Management and Auditors

The Council of Management is also a director of The Automobile Association Foundation for Road Safety Research for the purpose of Company Law. Its responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Council of Managements responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the report of the Council of Management is not consistent with the financial statements, if the Foundation has not kept proper accounting records, if we have not received all the information and explanations we required for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. The other information comprises only the report of the Council of Management.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Foundation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

Opinion

In our opinion the financial statements give a true and fair view of the state of the Foundation's affairs as at 31 December 2003 and of the net resources expended, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
SOUTHAMPTON,

17 June 2004

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)

For the year ended 31 December 2003

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2003 £	Total 2002 £
Income					
Incoming resources					
Donations and gifts	2	276,981	-	276,981	164,988
Activities in furtherance of the Foundation's objects	3	-	555,119	555,119	123,172
Activities for generating funds: Investment income	4	8,890	-	8,890	10,739
Total incoming resources		285,871	555,119	840,990	298,899
Expenditure					
Resources expended					
Charitable expenditure:					
Costs of activities in furtherance of the Foundation's objects:					
Research projects, development & publication		(209,979)	(689,153)	(899,132)	(323,135)
Support costs		(1,948)	(3,940)	(5,888)	(28,568)
Management and administration		(8,707)	(760)	(9,467)	(7,180)
Total resources expended	5	(220,634)	(693,853)	(914,487)	(358,883)
Net income/ (expenditure) for the year		65,237	(138,734)	(73,497)	(59,984)
Fund balances at 1 January 2003		266,252	1,525	267,777	327,761
Transfers between funds		(137,209)	137,209	-	-
Fund balances at 31 December 2003		194,280	-	194,280	267,777

All items dealt with in arriving at the results for the year relate to continuing operations.

The company has no recognised gains and losses other than the results for the financial years reported above and therefore no separate Statement of Total Recognised Gains and Losses is presented.

The accompanying accounting policies and notes form an integral part of these financial statements

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

BALANCE SHEET

As at 31 December 2003

	Note	2003 £	2002 £
Tangible fixed assets			
Computer equipment	8	1,463	-
Current assets			
Debtors	9	322,146	43,414
Cash at bank and in hand		314,782	389,235
		<u>636,928</u>	<u>432,649</u>
Creditors: amounts falling due within one year	10	<u>(444,111)</u>	<u>(164,872)</u>
Net current assets		192,817	267,777
Net assets	11	<u>£194,280</u>	<u>£267,777</u>
Funds			
Restricted funds		-	1,525
Unrestricted funds		194,280	266,252
Total funds	11	<u>£194,280</u>	<u>£267,777</u>

The financial statements were approved by the Council of Management on 17 June 2004.



On behalf of The AA Motoring Trust

Trustee

The accompanying accounting policies and notes form an integral part of these financial statements

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and follow the recommendations in the Statement of Recommended Practice: Accounting and Reporting by Charities (the SORP) issued in October 2000. They have been prepared under the historical cost convention.

The principal accounting policies of the foundation have remained unchanged from the previous year and are set out below.

INCOMING RESOURCES

Donations and gifts

All monetary donations and gifts are included in full in the statement of financial activities when receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the pre-condition has been met.

Grants receivable

Revenue grants are credited as incoming resources when they are received or receivable if the grant has been applied for, the work to which it relates has been completed and it will be received subsequently, unless they relate to a specified future period, in which case they are deferred.

RESOURCES EXPENDED

Expenditure, which is charged on an accruals basis, is allocated between:

- Expenditure incurred directly to the fulfilment of the charity's objectives (direct charitable);
- Expenditure incurred directly in the effort to raise voluntary contributions (fundraising and publicity);
and
- Expenditure incurred in the management and administration of the charity.

FUND ACCOUNTING

Restricted funds are to be used for specific purposes laid down by the donor. Expenditure for those purposes is charged to the fund.

The restricted fund was set up in 2002 by a donation from the FIA Foundation for the Automobile and Society to carry out work pertaining to the European Road Assessment Programme (EuroRAP) programme. The programme has been set up to provide regular tracking of accident risk, initially on Britain's primary route network but further extending to other European countries.

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is calculated to write down the cost by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Computer equipment	3 years
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AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

CASHFLOW STATEMENT

The company is exempt from the requirement to prepare a cashflow statement under FRS 1 (Revised) as it is a small company.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the statement of financial activities.

2 DONATIONS AND GIFTS

Donations

	2003	2002
	£	£
The AA Motoring Trust	265,000	-
The Automobile Association Limited	-	149,181
Other corporate donors	11,981	15,807
	276,981	164,988

3 ACTIVITIES IN FURTHERANCE OF THE FOUNDATION'S OBJECTS

	2003	2002
	£	£
Grants receivable	555,119	102,067
Other income	-	21,105
	555,119	123,172

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT INCOME

Investment income comprises income from:

	2003 £	2002 £
Bank deposits	<u>8,890</u>	<u>10,739</u>

5 ANALYSIS OF RESOURCES EXPENDED

	Direct costs	Recharge of AA seconded staff	Communications and reports	Other	Total	Total
	2003 £	2003 £	2003 £	2003 £	2003 £	2002 £
Charitable expenditure						
Research projects	419,022	357,865	119,902	2,343	899,132	323,135
Support costs	-	-	-	5,888	5,888	28,568
Management and administration	-	-	-	9,467	9,467	7,180
	<u>419,022</u>	<u>357,865</u>	<u>119,902</u>	<u>17,698</u>	<u>914,487</u>	<u>358,883</u>

Total resources expended include:

	2003 £	2002 £
Auditors remuneration:		
Audit services	6,157	3,000
Depreciation	<u>731</u>	<u>-</u>

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

6 EMPLOYEES

The Foundation does not have any employees.

7 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

No expense reimbursements were paid to the Council of Management (2002: £2,975) during the year. No Trustees received any remuneration for their services during the year (2002: nil).

8 FIXED ASSETS

	Computer Equipment £
Cost	
Additions in the year	2,194
Cost at 31 December 2003	<u>2,194</u>
Depreciation	
Charge for the year	(731)
	<u>1,463</u>
NBV as at 31 December 2003	

9 DEBTORS

	2003 £	2002 £
Other debtors	133,898	39,664
Prepayments	3,362	-
Amounts owed by parent	165,000	-
Amounts owed by fellow subsidiary	19,886	-
Interest receivable	-	3,750
	<u>322,146</u>	<u>43,414</u>

Amounts owed by the parent/ subsidiary are interest free and are repayable on demand.

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade creditors	44,348	-
Accruals	41,898	164,872
Amounts owed to fellow subsidiary	357,865	-
	<u>444,111</u>	<u>164,872</u>

Amounts owed to the subsidiary are interest free and are payable on demand.

11 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds 2003 £	Restricted Funds 2003 £	Total 2003 £
Tangible fixed assets	-	1,463	1,463
Current assets	300,465	336,463	636,928
Current liabilities	(106,185)	(337,926)	(444,111)
	<u>194,280</u>	<u>-</u>	<u>194,280</u>

12 CAPITAL COMMITMENTS

The charity did not have any capital commitments at 31 December 2003 (31 December 2002: nil).

13 CONTROLLING RELATED PARTY

The directors consider that the ultimate parent undertaking of this company is The AA Motoring Trust, incorporated in England and Wales.

The AA Motoring Trust is the company's controlling related party by virtue of its holding of the significant influence and control which it demonstrates over the decision making processes of the company. A copy of the consolidated accounts can be obtained from the registered office (see page 1).

AUTOMOBILE ASSOCIATION FOUNDATION FOR ROAD SAFETY RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

14 RELATED PARTY TRANSACTION

As a subsidiary of The AA Motoring Trust, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by The AA Motoring Trust which cancel on consolidation.

15 INDEMNITY INSURANCE

The indemnity insurance is paid for by the parent charity and covers the Council of Management worldwide with the exclusion of North America.