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AUTOMOBILE ASSOCIATION  
COMMERCIAL SERVICES LIMITED

ACCOUNTS - 31 DECEMBER 1989

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AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS  
FOR THE PERIOD 13 DECEMBER 1988 TO 31 DECEMBER 1989

1. The Directors present herewith the audited accounts for the period from incorporation on 13 December 1988 to 31 December 1989.

2. Formation of Company

The company was formed on 13 December 1988 as Precis (857) Limited. On 1 March 1989 Automobile Association Developments Limited acquired the beneficial ownership of the whole of the issued share capital, and on 10 April 1989 the company changed its name to Automobile Association Commercial Services Limited.

3. Review of Activities

The main activities of the company are retailing, publishing and the provision of information services. On 1 September 1989, the company acquired the assets less liabilities of these activities from The Automobile Association and other group companies, at their net book value of £13,764,000 and commenced to trade from that date.

The company incurred losses while organisational changes were implemented, and these are believed to have laid the foundations for improved performance in the future. Automobile Association Developments Limited has undertaken to provide continuing financial support, as necessary, for a period of twelve months from the date of this report.

4. Dividends

The Directors do not recommend the payment of a dividend in respect of the period.

5. Fixed Assets

The movements in fixed assets during the period are set out in note 9 to the accounts.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITEDREPORT OF THE DIRECTORS  
FOR THE PERIOD 13 DECEMBER 1988 TO 31 DECEMBER 1989 (CONTINUED)6. Market Value of Interests in Land

In the opinion of the Directors, the current value of the leasehold interests in land and buildings was approximately £1,379,000 less than the amount of £5,291,000 at which they are included in the balance sheet at 31 December 1989.

Realisation at the balance sheet date at the estimated value of £3,912,000 would not have resulted in a taxation liability.

7. Directors

The Directors of the company at 31 December 1989 were:

F C Thackwray - Chairman	appointed 12 April 1989
Simon Dyer	appointed 12 April 1989
E H Garside	appointed 20 June 1989
G R Gill	appointed 20 June 1989
P G Tyer	appointed 20 June 1989

L Neal and P W Long were appointed on 13 December 1988 and resigned on 12 April 1989.

8. Directors' Interests in Shares of the Company and Contracts

None of the Directors of the company had any beneficial interest in shares of the company during the period, nor in any contract of significance to which the company was a party during the period.

9. Disabled Persons

During the period the company gave full consideration to applications for employment from disabled persons whether registered or not, having regard to their particular aptitude and abilities. Disabled persons employed by the company participate as appropriate in training and career development schemes. It is the company's policy where an employee becomes disabled while employed, to make arrangements wherever possible for the employee either to continue in the same job or to be offered retraining for alternative employment.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE PERIOD 13 DECEMBER 1988 TO 31 DECEMBER 1989 (CONTINUED)

10. Employee Participation

An Automobile Association employee participation scheme, in which the company's staff are fully involved, has been created to increase the effectiveness of the company's operations. All employees may attend Communication group meetings to receive information concerning financial performance, progress and service developments and to raise matters relevant to the company's activities. A National Consultative Council, together with Business counterparts, have been elected by employees and meet regularly to discuss and, where appropriate, to influence management decisions. In accordance with agreements which exist with TUC affiliated unions, a wide range of matters is kept under review by National Joint Committees. Staff may participate in a performance related bonus scheme.

11. Auditors

Our auditors, Coopers & Lybrand, are in the process of merging their practice with Deloitte Haskins & Sells and in the meantime have adopted Coopers & Lybrand Deloitte as their business name. They have signed the auditors' report in their new name. A resolution to appoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



R A MENZIES

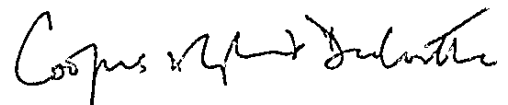
BASINGSTOKE, 26 March 1990

Secretary

REPORT OF THE AUDITORS  
TO THE MEMBERS OF  
AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

We have audited the accounts on pages 5 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989, and of its loss and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND DELOITTE

Chartered Accountants

SOUTHAMPTON, 26 March 1990

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD 13 DECEMBER 1988 TO 31 DECEMBER 1989

	<u>Note</u>	<u>£'000</u>
TURNOVER	2	9,565
Administrative Expenses		(12,739)
Other interest receivable and similar income		65
Interest payable and similar charges	3	<u>(708)</u>
LOSS BEFORE TAXATION	4	(3,817)
TAXATION CREDIT ON LOSS ON ORDINARY ACTIVITIES	7	<u>1,202</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(2,615)
EXTRAORDINARY CHARGES	8	<u>(926)</u>
LOSS FOR THE FINANCIAL PERIOD AND ACCUMULATED LOSS AT 31 DECEMBER 1989		<u>(3,541)</u>

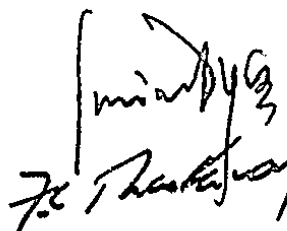

The notes on pages 8 to 15 form part of these accounts

Auditors' report - page 4

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1989

	<u>Note</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS			
Tangible assets	9		8,002
CURRENT ASSETS			
Stocks	10	5,426	
Debtors	11	9,244	
Cash at bank and in hand		<u>43</u>	
		14,713	
CREDITORS: amounts falling due within one year	12(a)	<u>(22,021)</u>	
NET CURRENT LIABILITIES			(7,308)
			<u>        </u>
TOTAL ASSETS LESS CURRENT LIABILITIES			694
			<u>        </u>
CREDITORS: amounts falling due after more than one year	12(b)		3,000
PROVISIONS FOR LIABILITIES AND CHARGES			
Pensions and similar obligations	14		235
CAPITAL AND RESERVES			
Called up share capital	15	1,000	
Profit and loss account		<u>(3,541)</u>	<u>(2,541)</u>
			694
			<u>        </u>



 SIMON DYER     )  
                                 ) DIRECTORS  
 F C THACKWRAY   )

The notes on pages 8 to 15 form part of these accounts

Auditors' report - page 4

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE PERIOD 13 DECEMBER 1988 TO 31 DECEMBER 1989

	<u>£'000</u>	<u>£'000</u>
SOURCE OF FUNDS		
Issue of share capital	1,000	
Sale proceeds of tangible fixed assets	80	
Unsecured loan	<u>3,000</u>	
Total source of funds		4,080
APPLICATION OF FUNDS		
Loss before tax	(3,817)	
Extraordinary item	(926)	
Adjustments for items not involving the movement of funds:		
Depreciation of tangible fixed assets	357	
Profit on sale of fixed assets	(30)	
Provision for pensions	<u>235</u>	
FUNDS ABSORBED BY OPERATIONS	(4,181)	
OTHER APPLICATIONS OF FUNDS		
Purchase of tangible fixed assets	(8,409)	
		(12,590)
(INCREASE)/DECREASE IN WORKING CAPITAL		
Stocks	(5,426)	
Debtors excluding group relief	(8,042)	
Creditors excluding bank loans and overdrafts	<u>7,908</u>	
		(5,560)
DECREASE IN NET LIQUID FUNDS		<u>(14,070)</u>
REPRESENTED BY:		
Increase in bank loans and overdrafts		(14,113)
Increase in cash at bank and in hand		43
		<u>(14,070)</u>
Summary of the effects of the acquisition of the company's activities on 1 September 1989.		
	<u>£'000</u>	
Net assets acquired:		
Tangible fixed assets	7,850	
Stocks	5,202	
Debtors	1,877	
Creditors	(988)	
Cash	<u>(177)</u>	
	<u>13,764</u>	

The notes on pages 8 to 15 form part of the accounts

Auditors' report - page 4



AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 19891. Principal Accounting Policies

The accounts are prepared in accordance with the historical cost convention. A summary of the more important accounting policies is set out below.

(a) Turnover

Turnover, which excludes value added tax, represents sales of goods and services.

(b) Management Charge

The Automobile Association charges the company with the management costs it incurs on the company's behalf.

(c) Depreciation

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer Equipment	19%-33%
Equipment	6%-33%
Motor Vehicles	18%-22%

Short leasehold property (with a life under 50 years) is amortised in equal instalments over the period of the leases, commencing on 1 January following occupation. Long leasehold property (with a life over 50 years) is amortised at 2% per annum.

Depreciation is not provided on capital work in progress.

The cost of office and shop furniture and fittings is written off in the year of purchase.

(d) Operating Leases

Costs in respect of operating leases are charged in arriving at profit before taxation.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

1. Principal Accounting Policies (continued)

(e) Deferred Taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts.

Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Pension Costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid is shown as an asset or liability in the balance sheet.

(h) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial year and differences on exchange are taken to the profit and loss account.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

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NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

2. Turnover

The contributions of the various businesses to turnover and loss before taxation are set out below:

	<u>Turnover</u> <u>£'000</u>	<u>Profit/(Loss)</u> <u>before taxation</u> <u>£'000</u>
Publishing	6,321	162
Information Services	3,130	(705)
Retailing	114	(1,922)
Corporate Charges	-	(644)
Interest Payable	-	(708)
	<u>9,565</u>	<u>(3,817)</u>

3. Interest Payable and Similar Charges

£'000

On sums wholly repayable within five years 708

Interest payable arises out of an agreement with the company's bankers whereby the company's bank overdraft is pooled with the bank balance of the Automobile Association and other group companies.

4. Loss Before Taxation

£'000

The loss before taxation is stated after charging:

Depreciation of tangible fixed assets	357
Operating lease rentals for:	
Property	928
Plant and machinery	9
Auditors' remuneration	16
Directors' emoluments (note 5)	58
Furniture and fittings written off	39

5. Directors' Emoluments

Emoluments of directors for the period, including pension contributions:

£'000

For management services 58

Directors' emoluments for the period, disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, and excluding pension contributions are as follows:

Emoluments of the Chairman	<u>£9,614</u>
Emoluments of the highest paid director	<u>£19,866</u>

Numbers of directors for the period,  
(excluding those above) whose  
emoluments were within the ranges:

	No.
Nil - £5,000	4
£15,001 - £20,000	1

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

6. Employees

- (a) The average number of persons employed by the company, including executive directors during the period were:

	<u>No.</u>
Publishing	101
Information Services	245
Retail	603
	<u>949</u>

- (b) Staff costs, including remuneration for executive directors, during the period amounted to:

	<u>£'000</u>
Wages and salaries	3,997
Social Security costs	267
Other pension costs	314
	<u>4,578</u>

7. Taxation credit on Loss on Ordinary Activities

- (a) The taxation credit for the period is made up as follows:

	<u>£'000</u>
United Kingdom corporation tax credit at 35%	1,202
Deferred taxation (Note 13)	-
	<u>1,202</u>

- (b) The corporation tax credit will be settled by the receipt of group relief.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

8. Extraordinary Charges

The charges comprise principally staff costs relating to the restructuring of the Retail business.

9. Tangible Fixed Assets

	<u>Land and Buildings</u>		<u>Computer</u>	<u>Capital</u>	
	<u>Long</u>	<u>Short</u>	<u>Equipment</u>	<u>Work In</u>	
	<u>Leasehold</u>	<u>Leasehold</u>	<u>&amp; Motor</u>	<u>Progress</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>Vehicles</u>	<u>£'000</u>	<u>£'000</u>
Cost					
Intra-group transfers	1,164	5,450	4,825	178	11,617
Additions	-	84	305	236	625
Disposals	-	(31)	(121)	-	(152)
Reclassifications	-	301	-	(301)	-
At 31 December 1989	<u>1,164</u>	<u>5,804</u>	<u>5,009</u>	<u>113</u>	<u>12,090</u>
Depreciation					
Intra-group transfers	99	1,497	2,237	-	3,833
Charge for the period	8	90	259	-	357
Disposals	-	(17)	(85)	-	(102)
At 31 December 1989	<u>107</u>	<u>1,570</u>	<u>2,411</u>	<u>-</u>	<u>4,088</u>
Net book value at 31 December 1989	<u>1,057</u>	<u>4,234</u>	<u>2,598</u>	<u>113</u>	<u>8,002</u>

10. Stocks

The amounts attributable to the different categories are as follows:

	<u>£'000</u>
Publishing and Merchandise	5,194
Cellular Radio Equipment	186
Sundry	46
	<u>5,426</u>

The current replacement cost of the stock does not significantly exceed the historical cost.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

11. Debtors

Amounts falling due within one year:	<u>£'000</u>
Trade debtors	2,442
Amounts owed by group companies:	
The Automobile Association	1,666
Fellow subsidiaries	1,792
Other debtors	1,473
Prepayments and accrued income	<u>1,871</u>
	<u>9,244</u>

12. Creditors

(a) <u>Amounts falling due within one year:</u>	<u>£'000</u>
Bank loans and overdrafts	14,113
Trade creditors	2,624
Amounts owed to group companies:	
Holding company and fellow subsidiaries	3,056
Other creditors including taxation and social security	1,630
Accruals and deferred income	598
	<u>22,021</u>
(b) <u>Amounts falling due after more than one year:</u>	<u>£'000</u>
Amounts owed to Holding company	<u>3,000</u>
The amount comprises of an interest free loan which is unsecured and is repayable at not less than twelve months notice.	

13. Deferred Taxation

The deferred taxation provision and full potential liability/(asset) are set out below:

	<u>Full Potential Liability/(Asset)</u>	<u>Provision made</u>
	<u>£'000</u>	<u>£'000</u>
Timing differences on:		
Fixed Assets	22	-
Provision for pensions	(82)	-
Other items	(45)	-
	<u>(105)</u>	<u>-</u>

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

14. Pensions and similar obligations

Pension schemes for The Automobile Association Group's employees are of the defined benefit, final salary, type, the assets of which are held in trust funds separate from the group's finances. The schemes are self-administered and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date.

They are subject to independent valuations at least every three years, on the basis of which R Watson & Sons, Consulting Actuaries, certify the rates of the employer's contributions which, together with the specified contributions payable by the employees and proceeds from the schemes' assets, are sufficient to fund the benefits payable under the schemes.

Details relating to the latest actuarial valuation of the Schemes are contained in the accounts of Automobile Association Developments Limited.

Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs' requires the employer to provide the cost of future pensions, including the amortisation of scheme surpluses or deficits, on a systematic basis over the periods benefiting from the employee's services. The balance at 31 December 1989 represents the provision made during the period.

15. Called up Share Capital

	<u>£'000</u>
Ordinary shares of £1 each	
Authorised	<u>10,000</u>
Issued, called up and fully paid	<u>1,000</u>

The initial issued share capital of the company was £2, and a further 999,998 shares were issued for cash on 16 October 1989.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)16. Commitments

(a)	<u>Capital Expenditure Approved</u>	<u>£'000</u>
	Expenditure contracted for	15
	Approved by the Directors but not yet contracted for	280
	Approved expenditure outstanding	<u>295</u>
(b)	<u>Operating Leases</u>	
	The company is committed to making payments next year, principally in respect of property operating leases, which are analysed by year of expiry as follows:	
		<u>£'000</u>
	Next year	1
	Second to fifth year from balance sheet date	209
	Thereafter	<u>2,548</u>
		<u>2,758</u>

17. Ultimate Holding Company

The company is a wholly owned subsidiary of Automobile Association Developments Limited. The ultimate ownership of Automobile Association Developments Limited is vested in The Automobile Association.