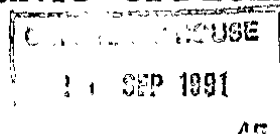


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AUTOMOBILE ASSOCIATION

COMMERCIAL SERVICES LIMITED

ACCOUNTS - 31 DECEMBER 1990



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AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1990

1. The Directors present herewith the audited accounts for the year ended 31 December 1990.

2. REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS

The profit and loss account for the year is set out on page 5. The comparatives cover the period since incorporation; the Company traded from 1 September 1989.

The main activities of the Company are retailing, publishing and the provision of information services.

On 1 October 1990, the Company acquired the trading assets less liabilities of Automobile Association Travel Services Limited, at their net book value of £582,000 and commenced to trade as a travel agent and tour operator from that date.

In November 1990, the Company launched 'AA - The Driving School', although no significant level of trading was achieved in 1990. It is planned to expand this activity during 1991.

The Company continued to seek ways of improving financial performance in 1990, and further organisational changes were implemented. These are designed to have a favourable impact on the Company's results in 1991 and beyond. 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. Automobile Association Developments Limited subscribed for additional share capital of £4 million and provided a further long-term loan of £2 million during 1990.

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

3. DIRECTORS

The Directors of the Company were as follows:

FC Thackwray	- Chairman
Simon Dyer	
E H Garside	
G R Gill	
J V Howard	- appointed 26 November 1990
A D Johnson	- appointed 26 November 1990
D C Stickland	- appointed 26 November 1990
P G Tyer	

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1990 - continued

4. DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS

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

5. MARKET VALUE OF INTERESTS IN LAND

In the opinion of the Directors, the current open market value on an existing use basis of the leasehold land and buildings was approximately £2.9 million less than the amount of £5.4 million at which they are included in the balance sheet at 31 December 1990. Realisation at the balance sheet date at the estimated market value of £2.5 million would not have resulted in a tax liability.

6. FIXED ASSETS

The movements in fixed assets during the year are set out in Note 9 to the accounts.

7. DISABLED PERSONS

During the year 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 YEAR ENDED 31 DECEMBER 1990 - continued

8. EMPLOYEE COMMUNICATION AND INVOLVEMENT

Throughout the Automobile Association, employee communication and consultation schemes exist. These facilities have been created to increase the effectiveness of the Company's operation. All employees may attend communication group meetings or team briefings to receive information concerning financial performance, progress, service and local 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. Employees may participate in a performance related bonus scheme.

9. AUDITORS

A resolution to re-appoint the auditors, Coopers & Lybrand Deloitte, will be proposed at the Annual General Meeting.



BASINGSTOKE, 25 MARCH 1991

BY ORDER OF THE BOARD

C J SKEEN

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 1990, and of its results and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

SOUTHAMPTON, 25 MARCH 1991



COOPERS & LYBRAND DELOITTE

CHARTERED ACCOUNTANTS

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1990

	Note	1990 £'000	1989 £'000
TURNOVER	2	30,342	9,565
Administrative expenses		(39,747)	(12,739)
Other interest receivable and similar income		201	65
Interest payable and similar charges	3	(2,224)	(708)
LOSS BEFORE TAXATION	4	(11,428)	(3,817)
TAXATION CREDIT ON LOSS ON ORDINARY ACTIVITIES	7	5,360	1,202
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(6,068)	(2,615)
EXTRAORDINARY ITEMS	8	677	(926)
LOSS FOR THE FINANCIAL YEAR		(5,391)	(3,541)
ACCUMULATED LOSSES AT 1 JANUARY 1990		(3,541)	-
ACCUMULATED LOSSES AT 31 DECEMBER 1990		(8,932)	(3,541)



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 1990

	Note	1990 £'000	1990 £'000	1989 £'000	1989 £'000
FIXED ASSETS					
Tangible assets	9		8,442		8,002
CURRENT ASSETS					
Stocks	10	4,923		5,426	
Debtors	11	15,483		9,244	
Cash at bank and in hand		<u>21</u>		<u>43</u>	
		20,427		14,713	
CREDITORS: amounts falling due within one year	12a	<u>(26,046)</u>		<u>(22,021)</u>	
NET CURRENT LIABILITIES			(5,619)		(7,308)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,823</u>		<u>694</u>
CREDITORS: amounts falling due after one year	12b		5,000		3,000
PROVISIONS FOR LIABILITIES AND CHARGES					
Pensions and similar obligations	13		1,755		235
CAPITAL AND RESERVES					
Called up share capital	15	5,000		1,000	
Profit and loss account		<u>(8,932)</u>		<u>(3,541)</u>	
			(3,932)		(2,541)
			<u>2,823</u>		<u>694</u>

 SIMON DYER)
 F C THACKWRAY) DIRECTORS

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 YEAR ENDED 31 DECEMBER 1990

	1990 £'000	1990 £'000	1989 £'000	1989 £'000
SOURCE OF FUNDS				
Loss before taxation		(11,428)		(3,817)
Extraordinary item before taxation		437		(926)
Adjustments for items not involving the movement of funds:				
Depreciation of tangible fixed assets	1,763		357	
Profit on sale of fixed assets	(1,082)		(30)	
Provision for pensions	1,520		235	
		<u>2,201</u>		<u>562</u>
FUNDS ABSORBED BY OPERATIONS		<u>(8,790)</u>		<u>(4,181)</u>
FUNDS FROM OTHER SOURCES				
Loan from holding company	2,000		3,000	
Sale of tangible fixed assets	1,239		80	
Receipt of group relief	3,541		-	
Issue of share capital	4,000		1,000	
		<u>10,780</u>		<u>4,080</u>
		1,990		(101)
APPLICATION OF FUNDS				
Purchases of tangible fixed assets		<u>(2,360)</u>		<u>(8,409)</u>
		(370)		(8,510)
(INCREASE)/DECREASE IN WORKING CAPITAL				
Stocks	503		(5,426)	
Debtors excluding group relief	(4,180)		(8,042)	
Current creditors excluding bank loans and overdrafts	2,165		7,908	
		<u>(1,512)</u>		<u>(5,560)</u>
DECREASE IN NET LIQUID FUNDS		<u>(1,882)</u>		<u>(14,070)</u>
REPRESENTED BY:				
Increase/(decrease) in cash at bank and in hand		(22)		43
Increase in bank overdraft		<u>(1,860)</u>		<u>(14,113)</u>
		<u>(1,882)</u>		<u>(14,070)</u>

Summary of the effects of the acquisition of the net trading assets of Automobile Association Travel Services Limited on 1 October 1990:

Net assets acquired:	£'000
Tangible fixed assets	531
Stocks	288
Debtors including group relief	7,391
Creditors	(7,095)
Provision for pensions	(533)
	<u>582</u>

The notes on pages 8 to 15 form part of these accounts
Auditors' report - page 4

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990

1. ACCOUNTING POLICIES

The accounting policies, which the Company has adopted to determine the amounts included in respect of material items in the accounts, are shown below.

a. Basis of Accounting

The accounts are prepared in accordance with the historical cost convention.

b. Turnover

Turnover, which excludes value added tax, represents sales of goods and services, agency commission and income from sales of motoring holidays and travel documentation.

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, which are consistent with those of last year, are:

Computer equipment	19% - 33%
Equipment	6% - 33%
Motor vehicles	18% - 22%

Short leasehold property, with a life of under 50 years, is amortised in equal instalments over the periods of the leases, commencing 1 January following occupation. Long leasehold property, with a life of 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 the year in arriving at profit before taxation.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 - continued

1. 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 employees' services. The difference between the charge to the profit and loss account and the contributions paid to the schemes 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.

i. Management charge

The Automobile Association and Automobile Association Developments Limited charge the Company with the management costs they incur on the Company's behalf.

j Advertising costs

Advertising costs in respect of the Travel business are charged in the year in which the relevant income is generated.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 - continued

2. TURNOVER

The contribution of the various activities of the Company to turnover and profit/(loss) before taxation are set out below:

	1990	1990	1989	1989
		(Loss)		Profit/(Loss)
	Turnover	before	Turnover	before
	£'000	taxation	£'000	taxation
Publishing	10,583	(630)	4,710	162
Information services	7,639	(3,490)	3,050	(705)
Retailing	10,268	(1,285)	1,805	(1,922)
Travel	1,852	(908)	-	-
Corporate charges	-	(2,891)	-	(644)
Interest payable	-	(2,224)	-	(708)
	<u>30,342</u>	<u>(11,428)</u>	<u>9,565</u>	<u>(3,817)</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	1990	1989
	£'000	£'000
On sums wholly repayable within five years	<u>2,224</u>	<u>708</u>

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 undertakings.

4. LOSS BEFORE TAXATION

The loss before taxation is stated after charging/(crediting)

	1990	1989
	£'000	£'000
Depreciation of tangible fixed assets-normal	1,289	357
Depreciation of tangible fixed assets-accelerated	474	-
Operating lease rentals	3,133	937
Furniture and fittings written off	344	39
Auditors' remuneration	34	16
Directors' emoluments (note 5)	258	58
Reorganisation cost of an existing business segment	654	-
Profit on sale of a leasehold property	(1,075)	-

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 - continued

5. DIRECTORS' EMOLUMENTS

1990	1989
£'000	£'000

Emoluments of directors, including pension contributions:

For management services	258	58
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The emoluments disclosed above (excluding pension contributions) include amounts paid to:

The Chairman	£85,044	£9,614
The highest paid director	£85,044	£19,866

Number of directors (excluding those above) whose emoluments were within the ranges:

	No	No
Nil - £5,000	2	4
£5,000 - £10,000	3	-
£15,001 - £20,000	-	1
£65,001 - £70,000	1	-
£75,001 - £80,000	1	-

6. EMPLOYEES

a. The average number of persons employed by the Company including executive directors during the year is analysed as follows:

	1990	1989
	No	No
Publishing	76	101
Information Services	248	245
Retail	666	603
Travel	246	-
	1,236	949

b. Staff costs, including remuneration to executive directors, during the year amounted to:

	1990	1989
	£'000	£'000
Wages and salaries	13,128	3,997
Social security costs	908	267
Other pension costs	923	314
	14,959	4,578

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 - continued

7. TAXATION CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1990 £'000	1989 £'000
United Kingdom corporation tax at 35%(1989 - 35%)	4,131	1,202
Additional group relief receivable	1,229	-
Taxation credit	<u>5,360</u>	<u>1,202</u>

The current year corporation taxation credit will be settled by group relief available within the group.

8. EXTRAORDINARY ITEMS

	1990 £'000	1989 £'000
Restructuring costs	(693)	(926)
Profit on disposals	1,130	-
	<u>437</u>	<u>(926)</u>
Corporation tax credit	240	-
	<u>677</u>	<u>(926)</u>

9. TANGIBLE FIXED ASSETS

	Land and Buildings Leasehold		Equipment & motor vehicles	Capital work in progress	Total
	Long £'000	Short £'000	£'000	£'000	£'000
Cost					
At 1 January 1990	1,164	5,804	5,009	113	12,090
Additions	-	249	1,177	15	1,441
Intra-group transfers	-	151	2,506	-	2,657
Reclassifications	-	113	-	(113)	-
Disposals	-	(5)	(735)	-	(740)
At 31 December 1990	<u>1,164</u>	<u>6,312</u>	<u>7,957</u>	<u>15</u>	<u>15,448</u>
Depreciation					
At 1 January 1990	107	1,570	2,411	-	4,088
Charge for the year	23	355	1,385	-	1,763
Intra-group transfers	-	16	1,722	-	1,738
Disposals	-	(2)	(581)	-	(583)
At 31 December 1990	<u>130</u>	<u>1,939</u>	<u>4,937</u>	<u>-</u>	<u>7,006</u>
Net book value					
At 31 December 1990	<u>1,034</u>	<u>4,373</u>	<u>3,020</u>	<u>15</u>	<u>8,442</u>
At 31 December 1989	<u>1,057</u>	<u>4,234</u>	<u>2,598</u>	<u>113</u>	<u>8,002</u>

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 - continued

10. STOCKS

The amounts attributable to the different categories are as follows:

	1990 £'000	1989 £'000
Publishing and merchandise	4,564	5,194
Cellular radio equipment	50	186
Travel	279	-
Sundry	30	46
	<u>4,923</u>	<u>5,426</u>

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

11. DEBTORS

Amounts falling due within one year

	1990 £'000	1989 £'000
Trade debtors	6,778	2,442
Amounts owed by group undertakings	1,956	3,458
Other debtors	5,858	1,473
Prepayments and accrued income	891	1,871
	<u>15,483</u>	<u>9,244</u>

12. CREDITORS

a. Amounts falling due within one year

	1990 £'000	1989 £'000
Bank loans and overdraft	15,973	14,113
Trade creditors	4,415	2,624
Amounts owed to group undertakings	3,776	3,056
Other creditors including taxation and social security	993	1,630
Accruals and deferred income	889	598
	<u>26,046</u>	<u>22,021</u>

b. Amounts falling due after more than one year

Amount due to holding company	<u>5,000</u>	<u>3,000</u>
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The amount comprises an interest free loan which is unsecured and is repayable at not less than twelve months notice.

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 - continued

13. PENSIONS AND SIMILAR OBLIGATIONS

	1990 £'000	1989 £'000
At 1 January 1990	235	-
Charge for the year	987	235
Transfer on acquisition of travel business	533	-
At 31 December 1990	<u>1,755</u>	<u>235</u>

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.

14. DEFERRED TAXATION

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

	1990 Full potential liability / (asset) £'000	1990 Provision made £'000	1989 Full potential liability / (asset) £'000	1989 Provision made £'000
Timing differences on				
Fixed assets	(117)	-	22	-
Provision for pensions	(614)	-	(82)	-
Other items	30	-	(45)	-
Capital gain rolled over	763	-	-	-
	<u>62</u>	<u>-</u>	<u>(105)</u>	<u>-</u>

AUTOMOBILE ASSOCIATION COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990- continued

15. CALLED UP SHARE CAPITAL

	1990 £'000	1989 £'000
Ordinary shares of £1 each Authorised	10,000	10,000
Issued, called up and fully paid	5,000	1,000

During the year 4,000,000 shares were issued at par for cash in order to improve the capital structure of the Company.

16. COMMITMENTS

a. Capital

	1990 £'000	1989 £'000
Expenditure contracted for	138	15
Approved by the directors but not yet contracted for	543	280
Approved expenditure outstanding	681	295

b. Operating Leases

The Company is committed to make payments next year, principally in respect of property operating leases, analysed by year of expiry as follows:

	1990 £'000	1989 £'000
Next year	77	1
Second to fifth year from balance sheet date	196	209
Thereafter	3,180	2,548
	3,453	2,758

17. ULTIMATE OWNERSHIP

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.