

Company number 1772586

**AUTOMOBILE ASSOCIATION  
FINANCIAL SERVICES LIMITED**

**ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1995**



**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 1995**

The Directors hereby submit their Report and the accounts for the year ended 31 December 1995.

**Directors' accounting responsibilities**

The Directors are 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 company as at the end of the year and of the profit or loss for the year. The Directors consider that in preparing these financial statements the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Accounting Standards which they consider applicable have been followed.

The Directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Results**

£000

The accounts of the company show a profit for the financial year of  
A dividend is proposed of

8,315

8,300

15

The balance brought forward at 1 January 1994 was

41

Leaving a balance to be carried forward of

56

**Activities of the company**

The principal activity of the company is the provision of finance and associated services. The company has conducted its activities throughout the year in a satisfactory manner.

No significant change in the company's activities is foreseen at the present time.

**Directors**

The Directors of the company as at 31 December 1995 were:-

G. Bruce	R.J. Mee
S.Dyer	J.A. Mercer
M.J.C.Haszlkiewicz	P.R. Oakes
R. Littler	G.M. Wood

None of the Directors had an interest in the share capital of the company during the financial year.

Mr. R.E. Bowyer, who was a Director during the year, resigned as a Director on 20 January 1995 and Mr G. Bruce was appointed as a Director on 20 January 1995. Mr.S. Dyer died on 17 February 1996.

Continued.....

**REPORT OF THE DIRECTORS (continued)**

**Directors (continued)**

The Articles of Association do not provide for the retirement of Directors by rotation.

**Auditors**

The joint auditors, Ernst & Young and Coopers & Lybrand, have expressed their willingness to continue in office as joint auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



C.J. SKEEN



R. NIXON

Joint Secretaries

NWS House  
City Road  
CHESTER

29 February 1996

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and on the basis of the stated accounting policies.

### Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company'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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG

LIVERPOOL

COOPERS & LYBRAND

MANCHESTER

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*Ernst & Young* 8 March 1996

*Coopers & Lybrand* 8 March 1996

Chartered Accountants

Registered Auditors

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1995**

	<u>Notes</u>	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
TURNOVER	2	31,796	29,358
Finance and trading costs		<u>15,597</u>	<u>16,077</u>
GROSS PROFIT		16,199	13,281
Administration expenses		<u>3,683</u>	<u>3,789</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	12,516	9,492
Tax on profit on ordinary activities	4	<u>4,201</u>	<u>3,137</u>
PROFIT FOR THE FINANCIAL YEAR		<u>8,315</u>	<u>6,355</u>
Proposed dividend		<u>8,300</u>	<u>6,400</u>
(Loss)/retained profit for the financial year		15	(45)
Balance brought forward		<u>41</u>	<u>86</u>
BALANCE CARRIED FORWARD		<u>56</u>	<u>41</u>

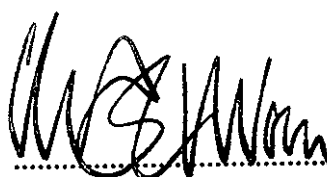
There are no recognised gains and losses other than those shown above.

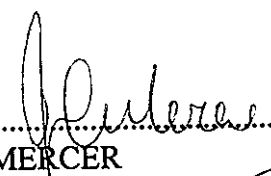
There is no difference between the results for the year stated above and their historical cost equivalents.

## BALANCE SHEET AS AT 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
<b>CURRENT ASSETS</b>			
Debtors : receivable within one year		44,842	38,675
: receivable after one year		<u>75,635</u>	<u>60,394</u>
	5	<u>120,477</u>	<u>99,069</u>
CREDITORS: payable within one year	6	<u>(71,151)</u>	<u>(62,213)</u>
NET CURRENT ASSETS		<u>49,326</u>	<u>36,856</u>
CREDITORS: payable after one year	6	(41,770)	(29,315)
Subordinated loan stock	7	(4,500)	(4,500)
		<u>3,056</u>	<u>3,041</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	3,000	3,000
Profit and loss account		<u>56</u>	<u>41</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>3,056</u>	<u>3,041</u>

Approved by the Board of Directors on 29 February 1996 and signed on its behalf by

..... DIRECTOR  
G.M. WOOD

..... DIRECTOR  
J.A. MERCER

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 1995**

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Net cash (outflow)/inflow from operating activities	(7,115)	9,637
Returns on investments and servicing of finance		
Ordinary dividend paid	(6,400)	(4,800)
Taxation		
Corporation tax paid	(3,519)	(1,737)
Investing activities	-	-
Net cash (outflow)/inflow before financing	<u>(17,034)</u>	<u>3,100</u>
Financing		
(Increase)/decrease in amounts owed to associated undertakings	(16,624)	2,975
(Decrease)/increase in cash and cash equivalents	<u>(410)</u> <u>(17,034)</u>	<u>125</u> <u>3,100</u>

Notes on the cash flow statement are given on pages 9 and 10.

**NOTES ON THE ACCOUNTS****1. ACCOUNTING POLICIES****Accounting convention**

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards and with S226 of, and schedule 4 to, the Companies Act 1985.

**Finance earnings**

Credit is taken in each accounting year for finance charges received and receivable after:

- (i) deducting a fixed amount in respect of initial costs when incurred;
- (ii) deducting a fixed amount in respect of estimated costs of collection evenly over the life of each agreement;
- (iii) eliminating from the balance, at the conclusion of each such year, the unearned finance charges as calculated using the 'rule of 78' on an expired months' basis.

**Provision for bad debts**

Provision is made:-

- (i) specifically against individual balances considered to be of doubtful recoverability;
- (ii) as a general provision against finance debtors to cover unforeseen contingencies.

**Deferred taxation**

Deferred taxation is provided on the liability method on those timing differences which are considered likely to reverse in the foreseeable future.

**2. TURNOVER**

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on instalment finance agreements and mortgage loans together with income from associated services.

The turnover and pre-tax profit are attributable to one continuing activity, the provision of finance and associated services.



## NOTES ON THE ACCOUNTS (continued)

<b>3. PROFIT ON ORDINARY ACTIVITIES</b>	<b><u>1995</u></b>	<b><u>1994</u></b>
<b>BEFORE TAXATION</b>	<b><u>£000</u></b>	<b><u>£000</u></b>

Profit is stated after charging:

Interest on short term loans and deposits		
- wholly repayable within 5 years	6,374	5,633
Interest on other loans	372	315
Bank interest	3	2
Directors' remuneration	-	-
Auditors' remuneration - audit	22	23
- other	-	-
	<u>          </u>	<u>          </u>

The company has no employees. All its staff are jointly employed by an associated undertaking which charges the company for its share of employee costs; these costs are included in administration expenses.

<b>4. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b><u>1995</u></b>	<b><u>1994</u></b>
	<b><u>£000</u></b>	<b><u>£000</u></b>

The tax charge based on the profit for the year is made up as follows:

Corporation tax at 33% (1994:33%)	<u>4,201</u>	<u>3,137</u>
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**5. DEBTORS**

	<u>1995</u>			<u>1994</u>		
	<u>Receivable</u>			<u>Receivable</u>		
	within one year <u>£000</u>	after one year <u>£000</u>	<u>Total</u> <u>£000</u>	within one year <u>£000</u>	after one year <u>£000</u>	<u>Total</u> <u>£000</u>
Instalment finance debtors	44,803	72,528	117,331	38,624	57,799	96,423
Other loans and advances	-	3,107	3,107	-	2,595	2,595
Other debtors	39	-	39	51	-	51
	<u>44,842</u>	<u>75,635</u>	<u>120,477</u>	<u>38,675</u>	<u>60,394</u>	<u>99,069</u>

## NOTES ON THE ACCOUNTS (continued)

## 6. CREDITORS

	<u>1995</u>		<u>1994</u>	
	<u>Payable</u>		<u>Payable</u>	
	<u>within</u>	<u>after</u>	<u>within</u>	<u>after</u>
	<u>one</u>	<u>one</u>	<u>one</u>	<u>one</u>
	<u>year</u>	<u>year</u>	<u>year</u>	<u>year</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts owed to associated undertakings	52,752	41,770	48,583	29,315
Bank overdraft	604	-	194	-
Corporation tax	4,724	-	4,042	-
Proposed dividend	8,300	-	6,400	-
Other creditors	4,771	-	2,994	-
	<u>71,151</u>	<u>41,770</u>	<u>62,213</u>	<u>29,315</u>

## 7. SUBORDINATED LOAN STOCK

The loan stock has been issued to the holders of the 'A' and 'B' shares in equal amounts and is redeemable at the company's option at par on or before 31 December 1997. The stock bears interest at 1½% per annum over the relevant LIBOR. It has been issued on the basis that it is subordinate to the claims of preferred creditors.

8. DEFERRED TAXATION	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
Provision has been made as follows:		
Short term timing differences	<u>-</u>	<u>-</u>
Deferred tax asset not recognised in the accounts in respect of other short term timing differences	<u>(398)</u>	<u>(328)</u>

## 9. CASH FLOW STATEMENT

(a) Reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
Profit on ordinary activities before taxation	12,516	9,492
Increase/(decrease) in bad debt provisions	<u>445</u>	<u>(114)</u>
Net cash flow from trading activities	12,961	9,378
Net increase in creditors	1,777	1,558
Net increase in debtors	<u>(21,853)</u>	<u>(1,299)</u>
Net cash (outflow)/inflow from continuing operating activities	<u>(7,115)</u>	<u>9,637</u>

Continued.....

## NOTES ON THE ACCOUNTS (continued)

## 9. CASH FLOW STATEMENT (continued)

(b) Analysis of changes in cash and cash equivalents during the year	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Balance at 1 January	(194)	(319)
Net cash (outflow)/inflow	(410)	125
Balance at 31 December	<u>(604)</u>	<u>(194)</u>

(c) Analysis of changes in financing during the year	Amounts owed to associated undertakings	
	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Balance at 1 January	77,898	80,873
Net movement	16,624	(2,975)
Balance at 31 December	<u>94,522</u>	<u>77,898</u>

10. SHARE CAPITAL	<u>1995</u>	<u>1994</u>
<b>Authorised</b>		
'A' Ordinary shares of £1 each	2,500,000	2,500,000
'B' Ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>
	<u>5,000,000</u>	<u>5,000,000</u>
<b>Allotted, called up and fully paid</b>		
'A' Ordinary shares of £1 each	1,500,000	1,500,000
'B' Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>
	<u>3,000,000</u>	<u>3,000,000</u>

The 'A' shares are held by Automobile Association Developments Limited and the 'B' shares are held by NWS BANK plc.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Shareholders' funds at 1 January	3,041	3,086
Profit for the financial year	8,315	6,355
Dividend	(8,300)	(6,400)
Other recognised gains and losses	-	-
Shareholders' funds at 31 December	<u>3,056</u>	<u>3,041</u>