

*AUTOMOBILE ASSOCIATION*  
*INSURANCE SERVICES*  
*HOLDINGS LIMITED*  
*ACCOUNTS - 31 DECEMBER 1995*



## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## REPORT OF THE DIRECTORS

## FOR THE YEAR ENDED 31 DECEMBER 1995

1. The Directors present herewith the audited financial statements for the year ended 31 December 1995.

2. REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS

The consolidated profit and loss account for the year is set out on page 9.

The main activity of the Group is the provision of insurance intermediary services.

Intense competition in the UK personal lines insurance industry continued through 1995 and the Group's commission income fell as a consequence. To offset this, lower operating expenditure was achieved through tight cost control, and by the use of more efficient systems and processes. The Group's net investment income also declined marginally in the year.

The re-organisation of various parts of the Group continued during 1995. A substantial programme of shop closures, regrettably resulting in employee redundancy, was completed in the year.

Taking account of all the above factors, the Group's loss for the year was higher than that reported in 1994.

Following an AA Group decision in 1995 to concentrate on personal lines insurance business, the client portfolio of AA Commercial Insurance Brokers Limited, a subsidiary company, was sold to Rollins Hudig Hall Limited on 10 January 1996 and the Company ceased trading with effect from that date.

The Group is now in a position to return to profitability. Benefits from re-organisation, along with better products and improved information systems will help ensure that the Group's level of customer service continues to improve.

The Group's continuing commitment is to provide quality products and first class services to AA members and customers through its professional and highly motivated employees.

3. DIVIDENDS AND TRANSFERS TO RESERVES

The Directors do not recommend payment of a dividend in respect of the year, (1994 £nil). Accordingly, the loss for the year of £9,439,000 (1994, loss of £1,822,000) has been deducted from reserves.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## REPORT OF THE DIRECTORS

## FOR YEAR ENDED 31 DECEMBER 1995 - continued

## 4. DIRECTORS

The Directors of the Company were as follows:

Bob Chase	
Clive Coates	
George Lowe	
Stephen Melcher	
Barry Smith	- appointed 19 January 1996
Peter Tyer	- appointed 12 January 1995, resigned 15 January 1996
Mark Wood	

Simon Dyer was Chairman of the Company during 1995 and until his death on 17 February 1996.

## 5. INSURANCE OF DIRECTORS

The AA Group maintains liability insurance for the Directors of Automobile Association Insurance Services Holdings Limited in respect of their duties as Directors of the Group.

## 6. DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS

During 1990, a share option scheme for senior executives was established whereby the executives were granted options to subscribe for shares in the Company. These options are exercisable between 1 January 1993 and 1 January 1997 at a price of £5.25 per ordinary share. Under this scheme, a total of 167,771 (1994, 167,771) options over ordinary shares were granted all of which had been exercised by 31 December 1995. The movement in the share options of the Directors were:

	1 January 1995	Exercised in year	31 December 1995
George Lowe	11,428	11,428	-

None of the other Directors had any beneficial interest in the issued share capital of any group company at 31 December 1995, and none of the Directors had any beneficial interest in any contract of significance to which the Company was a party during the year.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## REPORT OF THE DIRECTORS

## FOR YEAR ENDED 31 DECEMBER 1995 - continued

## 7. FIXED ASSETS

The movements in fixed assets during the year are set out in notes 10 to 12 to the financial statements.

During 1995 a full review was undertaken of the viability of the Group's retail operations taking into account the changed nature of general shopping habits, the location of the properties and the move by our customers to deal with us directly by telephone. It was concluded that 93 outlets were uneconomic and, consequently, they were closed and an exceptional depreciation charge of £3.2 million was made to write down the carrying value of those properties. A further £2.6 million was charged as an exceptional item to write down the book value of the remaining properties to recognise a permanent diminution in their value.

In the opinion of the Directors, the current open market value on an existing use basis of the freehold and leasehold land and buildings was approximately £3 million less than the amount of £17 million at which they are included in the balance sheet at 31 December 1995. Apart from the properties referred to above, the Directors consider there has been no permanent diminution in the value of these assets to the Group.

## 8. 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.

## 9. EMPLOYEE COMMUNICATION AND INVOLVEMENT

Throughout the AA Group, employee communication and consultation schemes operate to increase the effectiveness of the Group's operations for the mutual benefit of members, customers and employees. All employees have the opportunity to attend communication meetings or team briefings to receive information and to feedback their views on financial performance, business developments, service standards or other local operational developments. Additionally, within these meetings, employees have the opportunity to raise any other matters relevant to the Group's activities. In accordance with agreements which exist with TUC-affiliated unions, a variety of matters relating to employees' terms and conditions of employment are jointly kept under review by National Joint Committees.

All employees within the Group are able to share in the success of the organisation through participating in performance related bonus or incentive schemes. In addition, there is a long-term remuneration scheme for senior management which may result in bonus payments dependent upon the success of the AA Group in attaining its long-term strategic aims.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1995 - continued

## 10. CHARITABLE DONATIONS

During the year, there were no donations to charities (1994, £11,510 ). No political donations were made.



BY THE ORDER OF THE BOARD

COLIN SKEEN

BASINGSTOKE, 22 MARCH 1996

SECRETARY

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## DIRECTORS' STATEMENT OF RESPONSIBILITY

## in relation to financial statements

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 and the Group as at the end of the financial year and of the results of the Group for the financial year.

The Directors consider that, in preparing the financial statements on pages 6 to 21, 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 financial statements have been prepared on a going concern basis.

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. In addition, the Directors 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. The Directors confirm that they have complied with these requirements.

REPORT OF THE AUDITORS TO THE MEMBERS OF  
AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 21.

**Respective responsibilities of directors and auditors**

As described above, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 31 December 1995 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

COOPERS & LYBRAND  
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS  
SOUTHAMPTON, 22 MARCH 1996

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## ACCOUNTING POLICIES

The financial statements have been prepared on a consistent basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

A summary of accounting policies is set out below.

**Basis of consolidation**

The consolidated financial statements include the Company and all its subsidiary undertakings. Intra-group turnover and profits are eliminated on consolidation and all turnover and profit figures relate to external transactions only. Purchased goodwill arising on the acquisition of new subsidiaries represents the excess of the consideration given over the aggregate of the net book values of the separable net assets acquired. The Group eliminates goodwill arising on consolidation by write-off against reserves.

**Turnover**

Turnover represents commissions on insurance policies and income from related credit products. It excludes value added tax, insurance premium tax and other interest receivable and similar income.

Credit is taken for the brokerage receivable on all insurance premiums credited to underwriters in the Company's books and for two-thirds of the brokerage on premiums received and processed but not closed to underwriters by the balance sheet date. No credit is taken in respect of premiums invited but not received by the balance sheet date. No provision has been made for the potential release of collected non-life commission on returned premiums in the future. The Company has agreed with some underwriters that additional commission may be receivable dependent upon certain underwriting criteria. The credit for these additional amounts is taken when the value is confirmed by the underwriter.

Income from credit products is recognised over the period of the loan with a front end weighting.

**Fixed assets**

Fixed assets are stated at cost, less accumulated 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:

Freehold Buildings	2%
Short leasehold properties	over the period of the leases
Equipment	20% - 33.33%
Motor Vehicles	16% - 22%

Amortisation of leasehold properties commences on 1 January following occupation.

The cost of furniture and fittings is written off in the year of purchase, except in the case of major projects, where the costs are capitalised and depreciated, using an annual rate of 20%.

## ACCOUNTING POLICIES- continued

**Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

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

**Retirement benefits**

The cost of providing retirement 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 and premiums paid is shown as an asset or liability in the balance sheet.

**Costs incurred by and on behalf of other group companies**

The Automobile Association and other group companies allocate to the Group costs, which have been incurred on the Group's behalf; similarly, the Group allocates to other AA Group companies costs, which have been incurred on their behalf.

**Advertising, promotion and mailing campaign costs**

Advertising, promotion and mailing campaign costs are written off as incurred.

**Software**

Software costs are written off as incurred, except for purchases from third parties in respect of major systems. In such cases, the costs are written off over a maximum of five years from the date of implementation.

**Investments**

Investments are stated at cost. Credit is taken for all interest payments due but not received before the year end.

## ACCOUNTING POLICIES - continued

**Insurance intermediary assets and liabilities**

Certain group undertakings act as agents in the insurance of clients' risks and, generally, are not liable as a principal for premiums due to underwriters nor for claims payable to clients. Notwithstanding the undertakings' legal relationship with clients and underwriters and since, in practice, premiums and claims monies are actually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the undertakings themselves.

**Exceptional items**

Exceptional items are those items that need to be disclosed separately by virtue of their size or incidence. Such items are included within the operating results unless they represent profits or losses on the sale or closure of an operation, costs of a fundamental restructuring or reorganisation and profits or losses on the disposal of major fixed assets, in which case they are shown separately on the income and expenditure account after the results on ordinary activities.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 £'000	1994 £'000
TURNOVER	1	103,854	130,455
Operating expenditure		(101,285)	(122,748)
Exceptional operating expenditure	2	(17,330)	(17,895)
Total operating expenditure		<u>(118,615)</u>	<u>(140,643)</u>
Other interest receivable and similar income	3	6,827	7,845
Interest payable and similar charges	4	(872)	(626)
LOSS BEFORE TAXATION	5	<u>(8,806)</u>	<u>(2,969)</u>
TAXATION ON LOSS ON ORDINARY ACTIVITIES	8	(633)	1,147
LOSS FOR THE FINANCIAL YEAR		<u>(9,439)</u>	<u>(1,822)</u>
RETAINED PROFIT AT 1 JANUARY 1995		<u>34,290</u>	<u>36,112</u>
RETAINED PROFIT AT 31 DECEMBER 1995		<u><u>24,851</u></u>	<u><u>34,290</u></u>

All items dealt with in arriving at the results before taxation for both 1995 and 1994 relate to continuing operations.

As the financial statements have been drawn up under the historical cost convention, there is no difference between the profit and loss account, reported above, and its historical cost equivalent.

The Company has no recognised gains or losses in 1995 and 1994, other than the losses for the financial years reported above and, therefore, no separate statement of total recognised gains or losses is presented.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1995

	1995 £'000	1994 £'000
Loss for the financial year	(9,439)	(1,822)
New share capital issued	166	273
Net reduction from shareholders' funds	<u>(9,273)</u>	<u>(1,549)</u>
Opening shareholders' funds	57,120	58,669
Closing shareholders' funds	<u><u>47,847</u></u>	<u><u>57,120</u></u>



## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 £'000	1994 £'000
Net cash inflow from operating activities	23	1,874	9,287
<b>Returns on investments and servicing of finance</b>			
Dividends paid		-	(11,484)
Net cash outflow from returns on investments and servicing of finance		<u>-</u>	<u>(11,484)</u>
<b>Taxation</b>			
UK corporation tax received/(paid)		630	(7,392)
Tax received/(paid)		<u>630</u>	<u>(7,392)</u>
<b>Investing activities</b>			
Purchases of tangible fixed assets		(2,540)	(1,197)
Purchase of unlisted investments		-	(437)
Disposals of tangible fixed assets		9,820	292
Disposals of unlisted investments		-	437
Net cash inflow/(outflow) from investing activities		<u>7,280</u>	<u>(905)</u>
Net cash inflow/(outflow) before financing		9,784	(10,494)
<b>Financing</b>			
Issue of ordinary share capital		166	273
Repayment of mortgage		(3,500)	-
Net cash (outflow)/inflow from financing		<u>(3,334)</u>	<u>273</u>
Increase/(decrease) in cash and cash equivalents	24	<u>6,450</u>	<u>(10,221)</u>

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995

## 1. TURNOVER

All of the turnover and results of the Group arise from one class of business within the UK.

## 2. EXCEPTIONAL OPERATING EXPENDITURE

The exceptional charge arises from the closure of 93 shops (£16.8 million), and from a permanent diminution in the value of certain properties (£2.6 million), offset by the release of an overprovision of £2.1 million for last year's reorganisation.

The exceptional charge in 1994 represents the cost of redundancies and other related expenditure following reorganisations.

The taxation charge was reduced by £3,760,000 (1994, £3,928,000) arising from these charges.

## 3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1995	1994
	£'000	£'000
Bank interest receivable	4,874	3,667
Other interest receivable	622	1,022
Other income	1,331	3,156
	<u>6,827</u>	<u>7,845</u>

Other interest receivable and payable arises out of an agreement with the Group's bankers whereby the Group's bank balance is pooled with that of The Automobile Association and other group undertakings for interest allocation purposes. Interest is calculated using commercial rates of interest.

## 4. INTEREST PAYABLE AND SIMILAR CHARGES

	1995	1994
	£'000	£'000
Interest payable on sums wholly repayable within five years	<u>872</u>	<u>626</u>

## 5. LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	1995	1994
	£'000	£'000
Depreciation of tangible fixed assets		
Normal	2,972	3,447
Exceptional	5,595	-
Furniture and fittings written off	85	178
Fees paid to the auditors:		
Audit (parent company £5,300; 1994 £4,900)	104	107
Other	26	31
Hire of plant and machinery	-	20
Operating leases	3,516	4,553

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 6. DIRECTORS' EMOLUMENTS

	1995 £'000	1994 £'000
Emoluments of directors, including pension contributions:		
For management services	455	609
Special payments (see below)	135	361
	<u>590</u>	<u>970</u>
Compensation for loss of office, including pension contributions	-	190
	<u>590</u>	<u>1,160</u>

The emoluments disclosed above (excluding pension contributions and compensation for loss of office) include amounts paid to:

The Chairman	<u>£37,960</u>	<u>£50,296</u>
The highest paid director	<u>£253,289</u>	<u>£497,797</u>

Number of directors whose emoluments were within the ranges:

	No	No
Nil - £5,000	2	3
£20,001 - £25,000	-	1
£35,001 - £40,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	-	1
£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
£85,001 - £90,000	1	-
£90,001 - £95,000	1	-
£95,001 - £100,000	-	1
£105,001 - £110,000	-	1
£250,001 - £255,000	1	-
£495,001 - £500,000	-	1

Special payments were made to a director to compensate him for share option rights forfeited when he terminated his previous employment.

## 7. EMPLOYEES

The average number of persons employed by the Group including executive directors, during the year was 2,039 (1994, 4,695). On 1 January 1995, 1,293 staff employed in the Retail activity were transferred to Automobile Association Developments Limited. At 31 December 1995, the number of persons employed was 1,945.

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

	1995 £'000	1994 £'000
Wages and salaries	19,576	47,250
Social security costs	1,311	3,314
Other pension costs	1,478	3,438
	<u>22,365</u>	<u>54,002</u>

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 7 EMPLOYEES - continued

These staff costs represent costs directly incurred by the Group and exclude the cost of redundancies and other related expenditure, included in exceptional expenditure; in addition, the following staff costs were allocated to the Group by other AA Group undertakings and by the Group to other AA Group undertakings:

	Allocations in		Allocations out	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Wages and salaries	8,486	8,322	879	4,575
Social security costs	642	559	66	306
Other pension costs	723	578	75	315
	<u>9,851</u>	<u>9,459</u>	<u>1,020</u>	<u>5,196</u>

## 8. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	1995	1994
	£'000	£'000
United Kingdom corporation tax at 33% (1994, 33%)		
Current	596	1,814
Deferred	-	(1,704)
Group relief claimed	-	(637)
Under/(over) provision in respect of prior years		
Corporation tax	37	(1,741)
Deferred	-	1,121
	<u>633</u>	<u>(1,147)</u>

The charge to UK corporation tax for the year arises, despite the loss before taxation, because the tax effect of the depreciation charge in respect of assets not qualifying for capital allowances amounts to £1 million. In addition, the deferred tax asset not recognised increased by £2.5 million during the year (see note 18).

## 9. PROFIT OF AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

Of the consolidated loss for the year of £9,439,000 (1994, loss £1,822,000), a profit of £181,000 (1994, £2,865,000) is dealt with in the financial statements of the parent company. As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the parent company only has not been presented.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 10. TANGIBLE FIXED ASSETS

	Land and Buildings		Equipment and motor vehicles	Total
	Freehold	Short leasehold		
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 1995	17,340	9,867	13,211	40,418
Additions	1,546	10	954	2,510
Intra-group transfers	-	(57)	(156)	(213)
Disposals	-	(367)	(1,977)	(2,344)
At 31 December 1995	<u>18,886</u>	<u>9,453</u>	<u>12,032</u>	<u>40,371</u>
<b>Depreciation</b>				
At 1 January 1995	1,568	3,432	7,308	12,308
Charge for the year	309	6,280	1,978	8,567
Intra-group transfers	-	(37)	(128)	(165)
Disposals	-	(247)	(1,643)	(1,890)
At 31 December 1995	<u>1,877</u>	<u>9,428</u>	<u>7,515</u>	<u>18,820</u>
<b>Net book value</b>				
At 31 December 1995	<u>17,009</u>	<u>25</u>	<u>4,517</u>	<u>21,551</u>
At 31 December 1994	<u>15,772</u>	<u>6,435</u>	<u>5,903</u>	<u>28,110</u>

## 11. FIXED ASSET INVESTMENTS

	1995	1994
	£'000	£'000
Shares in group undertakings		
Shares at cost	<u>126,411</u>	<u>126,411</u>

The following companies, incorporated in England, are wholly owned by the Company, except as indicated.

Name	Principal Business Activity
Automobile Association Insurance Services Limited	Insurance intermediary services
Automobile Association Protection and Investment Planning Limited	Independent life broking and financial advisory services
AA Commercial Insurance Brokers Limited	Insurance broking
A.A. Insurance Services Limited *	Dormant

\* This Company is a wholly owned subsidiary of Automobile Association Insurance Services Limited.

All shares held are ordinary £1 shares.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 12. OTHER INVESTMENTS OTHER THAN LOANS

	1995	1994
	£'000	£'000
Cash deposits	437	437
Government securities (market value £17,000, 1994, £16,000)	15	15
	<u>452</u>	<u>452</u>

## 13. DEBTORS

## Amounts falling due within one year

	GROUP		COMPANY	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Trade debtors	53,175	64,148	-	-
Amounts owed by group undertakings	1,018	-	-	2,831
Other debtors	5,114	5,390	-	22
Prepayments and accrued income	1,024	1,207	-	-
	<u>60,331</u>	<u>70,745</u>	<u>-</u>	<u>2,853</u>
Amounts falling due after more than one year				
Other debtors	608	-	-	-
	<u>60,939</u>	<u>70,745</u>	<u>-</u>	<u>2,853</u>

## 14. CURRENT ASSET INVESTMENTS

	GROUP		COMPANY	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Short-term deposits	52,805	45,390	-	-

## 15. CREDITORS

## Amounts falling due within one year

	GROUP		COMPANY	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	20,095	-	-
Trade creditors	41,904	49,662	-	-
Amounts owed to group undertakings	13,953	6,781	81	2,947
Corporation tax	1,110	-	86	-
Other creditors	8,293	14,686	1	-
Accruals and deferred income	836	692	-	-
	<u>66,096</u>	<u>91,916</u>	<u>168</u>	<u>2,947</u>

Included in bank loans and overdrafts at 31 December 1994 was a mortgage amounting to £3,500,000. This was repaid in full on 15 November 1995.

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Pensions and similar obligations (note 17) £'000	Property provisions £'000	Total £'000
At 1 January 1995	16,329	100	16,429
Charge for the year	1,742	9,128	10,870
Utilised in the year	(1,239)	(1,239)	(2,287)
At 31 December 1995	<u>17,023</u>	<u>7,989</u>	<u>25,012</u>

## 17. PENSIONS AND SIMILAR OBLIGATIONS

## Pensions

Pension schemes for the AA 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 financial statements of The Automobile Association.

## Other retirement benefits

The Company has a commitment to provide post-retirement private medical insurance cover for certain current and past employees. The provision of £1,750,000 at 31 December 1995 (1994, £1,549,000) was established on an actuarial basis, assuming a 4% per annum real increase in premiums.

## 18. DEFERRED TAXATION

The deferred taxation provision and full potential asset are set out below:

GROUP	1995 Full potential asset £'000	1995 Provision made £'000	1994 Full potential asset £'000	1994 Provision made £'000
Timing differences on				
Fixed assets	3,939	3,954	4,810	4,810
Provisions for pensions and similar obligations	(5,040)	(383)	(4,838)	(4,810)
Other items	(3,624)	(3,571)	(2,218)	-
	<u>(4,725)</u>	<u>-</u>	<u>(2,246)</u>	<u>-</u>

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 19. CALLED UP SHARE CAPITAL

	1995 £'000	1994 £'000
Ordinary shares of £1 each Authorised	30,000	30,000
Issued, called up and fully paid	21,549	21,518

During the year, 31,771 ordinary shares of £1 were allotted under the share option scheme for a cash consideration of £166,000.

## 20. UNDISTRIBUTABLE RESERVES

	GROUP Share premium account £'000	COMPANY Share premium account £'000	Capital reserve £'000
At 1 January 1995	1,312	1,312	105,000
Premium on shares issued (note 19)	135	135	-
At 31 December 1995	1,447	1,447	105,000

The cumulative amount of goodwill, which has all been written off against the share premium account, is £105 million (1994, £105 million).

## 21. PROFIT AND LOSS ACCOUNT

	GROUP £'000	COMPANY £'000
At 1 January 1995	34,290	3,600
Retained (loss)/profit for the year	(9,439)	181
At 31 December 1995	24,851	3,781

## 22. COMMITMENTS

	GROUP		COMPANY	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
<b>Capital</b>				
Expenditure contracted for Approved by the directors but not contracted for	4	93	-	-
Approved expenditure outstanding	1,613	3,181	-	-
	1,617	3,274	-	-

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 22. COMMITMENTS - continued

## Operating leases

The Group is committed to make payments next year, analysed by the year of expiry, as follows:

GROUP	Land and buildings	
	1995 £'000	1994 £'000
Next year	150	122
Second to fifth year from balance sheet date	574	388
Thereafter	3,179	3,642
	<u>3,903</u>	<u>4,152</u>

The commitments for land and buildings include £1,926,000 relating to properties no longer occupied by the Group, for which a provision for future lease costs has been established.

## 23. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £'000	1994 £'000
Loss before taxation	(8,806)	(2,969)
Depreciation charges	8,567	3,447
Loss on sale of fixed assets	196	415
Provisions for pensions and similar obligations	694	1,367
Other provisions	7,889	-
Non cash items	<u>17,346</u>	<u>5,229</u>
Decrease in:		
Debtors	9,652	10,234
Creditors	(16,318)	(3,207)
Movement in working capital	<u>(6,666)</u>	<u>7,027</u>
Net cash inflow from operating activities	<u>1,874</u>	<u>9,287</u>

## AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

## 24. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	Cash at bank and in hand	Cash equivalents (see below)	Bank loans/ overdrafts	Total
	£'000	£'000	£'000	£'000
At 1 January 1994	6,737	61,000	(7,953)	59,784
Net cash inflow/(outflow) for 1994	14,031	(15,610)	(8,642)	(10,221)
At 31 December 1994	20,768	45,390	(16,595)	49,563
Net cash inflow/(outflow) for 1995	(17,560)	7,415	16,595	6,450
At 31 December 1995	3,208	52,805	-	56,013

Cash equivalents include short-term investments with an original maturity of within three months.

## 25. ULTIMATE OWNERSHIP

The Company is a subsidiary of Automobile Association Developments Limited, a company registered in England and Wales. The ultimate ownership of Automobile Association Developments Limited is vested in The Automobile Association. Their principal places of business are both situated at Norfolk House, Priestley Road, Basingstoke, Hampshire, RG24 9NY.