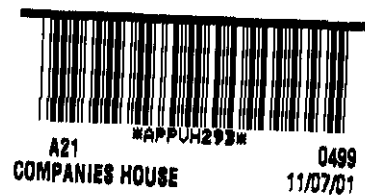


AA FINANCIAL SERVICES LIMITED
(formerly *AA COMMERCIAL INSURANCE SERVICES LIMITED*)
ACCOUNTS - 31 DECEMBER 2000



Registered number: 912211

AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES LIMITED)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2000

1 The directors present the audited financial statements for the year ended 31 December 2000.

2 **REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS**

The profit and loss account for the year is set out on page 5.

The company changed its name to AA Financial Services Limited (formerly AA Commercial Insurance Services Limited) on 27 September 2000.

The main activity of the company is the provision of financial and associated services.

3 **DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year (1999, £nil)

4 **DIRECTORS**

The directors of the company were as follows:

Colin Pett	- appointed 20 December 2000
Kerry Richardson	- appointed 20 December 2000
David Rollins	- appointed 20 December 2000
Mark Taylor	- appointed 20 December 2000
Lucy Caldwell	- resigned 20 December 2000
Anne Garrihy	- resigned 20 December 2000
Ian Ritchie	- resigned 20 December 2000

5 **DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS**

At no time did any director holding office at 31 December 2000 have any interest in the shares of the company, or any other company within the Centrica group, except for interests in and options over the ordinary shares of the ultimate parent company, Centrica plc.

In relation to the interests of the directors at 31 December 2000, details were as follows:

Beneficial interests:

Number of shares	As at 31 December 2000				As at 20 December 2000			
	Colin Pett	Kerry Richardson	David Rollins	Mark Taylor	Colin Pett	Kerry Richardson	David Rollins	Mark Taylor
Ordinary shares (a)	-	1,530	-	-	-	1,530	-	-
Long term incentive scheme (b)	56,849	144,233	40,125	57,863	56,849	144,233	40,125	57,863
Savings related share option scheme (c)	8,329	-	8,329	-	8,329	-	8,329	-
Employee profit share scheme	-	230	-	-	-	230	-	-
	<u>65,178</u>	<u>145,993</u>	<u>48,454</u>	<u>57,863</u>	<u>65,178</u>	<u>145,993</u>	<u>48,454</u>	<u>57,863</u>

AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES LIMITED)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2000 - continued

5 DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS cont.

- (a) Notional allocations of shares were made on 2 October 2000 under the Centrica long term incentive scheme at a base price of 208.68 pence. Figures given represent the maximum award possible if all performance criteria are met at the end of the performance period (three or four years) and would not be made until the expiry of the retention period (a further two years).
- (b) Options over shares in Centrica plc granted in April 2000 at 202.6 pence per share under the terms of Centrica's savings related share option scheme.
- (c) Shares appropriated under the terms of the Centrica Profit Sharing Scheme.

Options granted and allocations made under the terms of the ultimate parent company's Savings Related Share Option Scheme and the Long Term Incentive Scheme, details of which are disclosed in the 2000 Annual Report and Accounts of Centrica plc.

The closing price of a Centrica plc ordinary share on the last day of trading in 2000 (29 December) was 259.25 pence. The range during the year ended 31 December 2000 was 262.75 pence (high) and 173.25 pence (low).

There were no contracts of significance subsisting during or at the end of the financial period to which the company is a party and in which any director is or was materially interested.

The ultimate parent company has maintained insurance cover for all of the directors and officers against liabilities in relation to the company.



BY ORDER OF THE BOARD

MAXINE HARRISON
SECRETARY

6 June 2001

AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES 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 year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 8, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and 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.

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.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES LIMITED)**

We have audited the financial statements on pages 5 to 8, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require 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.

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 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 company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

SOUTHAMPTON, 6 Jun 2001

AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES LIMITED)
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £'000	1999 £'000
Operating expenditure		<u>(31)</u>	<u>-</u>
(LOSS) FOR THE FINANCIAL YEAR		(31)	-
RETAINED RESERVES AT 1 JANUARY		-	-
RETAINED (LOSS) AT 31 DECEMBER		<u>(31)</u>	<u>-</u>

All items dealt with in arriving at the results before taxation for both 2000 and 1999 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 2000 and 1999, other than those included in the results for the financial years reported above and, therefore, no separate statement of total recognised gains and losses is presented.

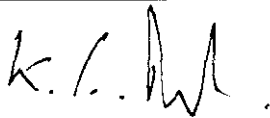
The notes on pages 7 and 8 form part of these financial statements.

AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES LIMITED)

BALANCE SHEET – 31 DECEMBER 2000

	Note	2000 £'000	1999 £'000
CURRENT ASSETS			
Debtors	4	570	570
Cash at bank and in hand		440	-
		<u>1,010</u>	<u>570</u>
CREDITORS: amounts falling due within one year	5	<u>(41)</u>	<u>-</u>
NEW CURRENT ASSETS		969	570
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>969</u>	<u>570</u>
NET ASSETS		<u>969</u>	<u>570</u>
CAPITAL AND RESERVES			
Called up share capital	6	1,000	570
Profit and loss account		(31)	-
EQUITY SHAREHOLDERS' FUNDS	7	<u>969</u>	<u>570</u>

The financial statements on pages 5 to 8 were approved by the Board of directors on
6 June 2001 and were signed on its behalf by:



KERRY RICHARDSON
DIRECTOR

The notes on pages 7 and 8 form part of these financial statements.

AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2000

1 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.

Advertising, promotion and mailing campaign costs

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

Cash flow statement

The company is a wholly owned subsidiary of Centrica plc, whose consolidated financial statements are publicly available. The company is, therefore, exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised).

2 DIRECTORS' EMOLUMENTS

There were no directors' emoluments in the year (1999, £nil).

3 EMPLOYEES

The average number of persons employed by the company during the year was nil (1999, nil).

4 DEBTORS

Amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed by group undertakings	570	570
	<u>570</u>	<u>570</u>

5 CREDITORS

Amounts falling due within one year

	2000 £'000	1999 £'000
Amount owed to group undertakings	10	-
Accruals and deferred income	31	-
	<u>41</u>	<u>-</u>

AA FINANCIAL SERVICES LIMITED
(formerly AA COMMERCIAL INSURANCE SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2000 - CONTINUED

6 CALLED UP SHARE CAPITAL

	2000	1999
	£'000	£'000
Ordinary shares of £1 each		
Authorised	<u>1,000</u>	<u>1,000</u>
Issued, called up and fully paid	<u>1,000</u>	<u>570</u>

During the year a further 430,000 ordinary shares were issued, at par, to the company's parent undertaking, Automobile Association Insurance Services Holdings Limited.

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£'000	£'000
Loss for the financial year	(31)	-
Issue of shares during the year	<u>430</u>	<u>-</u>
Net additions to shareholders' funds	399	-
Shareholders' funds at 1 January 2000	570	570
Shareholders' funds at 31 December 2000	<u>969</u>	<u>570</u>

8 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of the Centrica Group, the company is exempt from the requirement to disclose related party transactions with other group undertakings under Financial Reporting Standard 8 which cancel on consolidation. There are no other related party transactions that require disclosure.

9 ULTIMATE OWNERSHIP

The company is a wholly owned subsidiary of Automobile Association Insurance Services Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is Centrica plc, whose principal place of business is situated at Charter Court, 50 Windsor Road, Slough, Berkshire, SL1 2HA. Copies of the Annual Report and Accounts of Centrica plc are available from the Company Secretary at this address. Centrica plc is the smallest and largest group to consolidate these financial statements.