

AUTOMOBILE ASSOCIATION
UNDERWRITING SERVICES LIMITED
ACCOUNTS - 31 DECEMBER 1996



AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED**REPORT OF THE DIRECTORS****FOR THE YEAR ENDED 31 DECEMBER 1996**

- 1 The directors present the audited financial statements for the year ended 31 December 1996.

2 **REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS**

The company's profit and loss account for the year is set out on pages 5 and 6.

The principal activity of the company is to transact classes 16 to 18 of 'General Insurance' as defined by Section 1 of the Insurance Companies Act 1982.

Both the level of business and year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

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

3 **DIRECTORS**

The directors of the company are as follows:

John Maxwell	- Chairman, appointed 2 December 1996
John Dawson	- appointed 7 February 1996
Mark Haszlkiewicz	
Pete Johnson	
Kerry Richardson	
Frank Thackwray	

Simon Dyer was a director and Chairman until his death on 17 February 1996. Bob Chase, who was a director at the beginning of the year, was Chairman from 17 February until his resignation as a director and Chairman on 2 October 1996. Frank Thackwray then became Chairman until 2 December 1996, when John Maxwell was appointed a director and Chairman. Mark Wood was a director until his resignation on 31 October 1996.

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

None of the directors had any beneficial interest in shares of any group undertaking during the year and in any contract of significance to which the company was a party during the year.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1996 - continued

5 EMPLOYEE COMMUNICATION AND INVOLVEMENT

The AA Group uses employee communication and consultation to increase the effectiveness of the group's operations for the mutual benefit of members, customers and employees. All employees attend monthly briefings to receive information and to give their views on financial performance, business developments, service standards or local operational topics. Additionally, within these meetings, employees have the opportunity to raise any other matters relevant to the group's activities. In accordance with practice agreements which exist with AA recognised trade unions, a variety of matters relating to employees' terms and conditions of employment are jointly kept under review. All employees within the AA Group participate 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 on the success of the group in attaining its long-term strategic aims.

6 PEOPLE WITH DISABILITIES

The company is committed to the principle of equal opportunity in employment and undertakes a number of ongoing projects in support of this policy. This has included extensive communication and training of employees in relation to the company's responsibilities under the Disability Discrimination Act 1995. In addition, the AA Group has joined the Employers' Forum on Disability and is seeking to obtain the Employment Service Double Tick standard in all businesses.

Full consideration is given to applications for employment from people with disabilities, whether registered or not, having regard to their particular aptitudes, and abilities. People with disabilities 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 to continue in the same job or to be offered retraining for alternative employment.

7 PAYMENT POLICY

The company's policy complies with the CBI's Prompt Payment Code of Good Practice which states that responsible companies should:

- * have a clear and consistent policy that they pay bills in accordance with contract;
- * ensure that the finance and purchasing departments are both aware of this policy and adhere to it;
- * agree payment terms at the outset of a deal and stick to them;

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1996 - continued

7 PAYMENT POLICY - continued

- * not extend or alter payment terms without prior agreement;
- * provide suppliers with clear guidance on payment procedures; and
- * ensure that there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices, are contested.



BY ORDER OF THE BOARD

C J SKEEN

BASINGSTOKE, 1 APRIL 1997

SECRETARY

AUTOMOBILE ASSOCIATION UNDERWRITING 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 financial 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 results of the company for the financial year.

The directors consider that, in preparing the financial statements on pages 5 to 16, 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
UNDERWRITING SERVICES LIMITED**

We have audited the financial statements on pages 5 to 16.

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 company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
SOUTHAMPTON, 1 APRIL 1997

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £'000	1995 £'000
Gross premiums written	2	39,135	39,407
Outward reinsurance premiums		(5,517)	(5,403)
Net premiums written		<u>33,618</u>	<u>34,004</u>
Change in the gross provision for unearned premiums		(1,996)	(1,519)
Change in the provision for unearned premiums, reinsurer's share		<u>462</u>	<u>(127)</u>
Change in the net provision for unearned premiums		<u>(1,534)</u>	<u>(1,646)</u>
EARNED PREMIUMS, NET OF REINSURANCE		32,084	32,358
Allocated investment return transferred from the non-technical account		<u>1,895</u>	<u>1,929</u>
TOTAL TECHNICAL INCOME		<u>33,979</u>	<u>34,287</u>
Gross claims paid		20,233	19,580
Reinsurer's share		(1,135)	(1,230)
Net claims paid		<u>19,098</u>	<u>18,350</u>
Change in the gross provision for claims	3	(661)	(644)
Change in the provision for claims, reinsurer's share		<u>(30)</u>	<u>72</u>
Change in the net provision for claims		<u>(691)</u>	<u>(572)</u>
CLAIMS INCURRED, NET OF REINSURANCE		18,407	17,778
Net operating expenses	4	13,799	14,260
Change in the equalisation provision		30	-
TOTAL TECHNICAL CHARGES		<u>32,236</u>	<u>32,038</u>
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		<u>1,743</u>	<u>2,249</u>

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT - continued

NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £'000	1995 £'000
Balance on the general business technical account		1,743	2,249
Investment income	5	<u>2,200</u>	<u>2,270</u>
		3,943	4,519
Allocated investment return transferred to the general business technical account		<u>(1,895)</u>	<u>(1,929)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>2,048</u>	<u>2,590</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	9	<u>(487)</u>	<u>(669)</u>
PROFIT FOR THE FINANCIAL YEAR		1,561	1,921
RETAINED PROFIT AT 1 JANUARY 1996		13,496	11,575
RETAINED PROFIT AT 31 DECEMBER 1996		<u><u>15,057</u></u>	<u><u>13,496</u></u>

All items dealt with in arriving at the profit before taxation for both 1996 and 1995 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 on pages 5 and 6 and its historical cost equivalent.

The company has no recognised gains or losses in 1996 and 1995, other than the profit for the financial year, reported on pages 5 and 6, and, therefore, no separate statement of total recognised gains or losses is presented.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1996

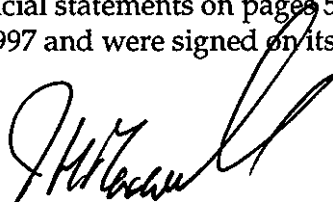
	Note	1996 £'000	1995 £'000
ASSETS			
INVESTMENTS			
Deposits with credit institutions		35,000	30,000
REINSURER'S SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums		3,280	2,818
Claims outstanding		158	128
		<u>3,438</u>	<u>2,946</u>
DEBTORS			
Debtors arising out of direct insurance operations	10	2,720	2,440
Debtors arising out of reinsurance operations - group undertakings		583	538
Other debtors	11	<u>3,312</u>	<u>3,673</u>
		<u>6,615</u>	<u>6,651</u>
OTHER ASSETS			
Tangible assets	12	252	354
Cash at bank and in hand		<u>1,836</u>	<u>3,667</u>
		<u>2,088</u>	<u>4,021</u>
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest and rent		781	742
Deferred acquisition costs		<u>2,128</u>	<u>1,728</u>
		<u>2,909</u>	<u>2,470</u>
TOTAL ASSETS		<u><u>50,050</u></u>	<u><u>46,088</u></u>

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1996 - continued

	Note	1996 £'000	1995 £'000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	13	2,500	2,500
Profit and loss account		15,057	13,496
EQUITY SHAREHOLDERS' FUNDS	14	<u>17,557</u>	<u>15,996</u>
TECHNICAL PROVISIONS			
Provision for unearned premiums		17,597	15,601
Claims outstanding		2,807	3,468
Equalisation provision		30	-
		<u>20,434</u>	<u>19,069</u>
PROVISIONS FOR OTHER RISKS AND CHARGES	15	-	997
CREDITORS			
Creditors arising out of direct insurance operations		160	668
Creditors arising out of reinsurance operations - group undertakings		1,119	1,023
Other creditors including taxation and social security	16	<u>9,733</u>	<u>7,155</u>
		<u>11,012</u>	<u>8,846</u>
ACCRUALS AND DEFERRED INCOME		1,047	1,180
TOTAL LIABILITIES		<u>50,050</u>	<u>46,088</u>

The financial statements on pages 5 to 16 were approved by the Board of directors on 1 April 1997 and were signed on its behalf by:



JOHN MAXWELL
DIRECTOR

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and in accordance with applicable Accounting Standards in the United Kingdom and with the Association of British Insurers Guidance on Accounting for Insurance Business (Excluding Accounting for Investments).

Premiums

All premiums written relate to business inception in the year and are shown gross of any commission due to intermediaries and exclusive of insurance premium tax. The amount includes an estimate of premiums due but not yet received.

Unearned premiums

The provision for unearned premiums represents that proportion of the premiums written in the year relating to the period of the policy that has not expired at the balance sheet date.

Claims

Provision is made for the estimated cost of claims notified but not settled by the balance sheet date and of claims incurred but not reported by that date, together with the expected administrative costs of settlement. Any differences between provisions and subsequent settlements are dealt with in the technical accounts of later years.

Equalisation provision

An equalisation provision has been established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995.

Unexpired risks provisions

A provision is established where claims and administration expenses are expected to exceed the unearned premium provision after the end of the year. The provision is calculated for each separate category of direct business class, but, where, in the opinion of the directors, the business classes concerned are managed together, a provision for unexpired risks is made only where there is an aggregate deficit.

Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred subject to recoverability and amortised over the period in which the related premiums are earned.

Transfer of investment return

A transfer of investment return, including any unrealised gains and losses, expenses and charges, is made from the non-technical account to the technical account - general business to reflect the return made on those assets directly attributable to the insurance business. The allocation is estimated, based on the ratio of the fixed capital of the company to total shareholders' funds.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 - continued

1 ACCOUNTING POLICIES - continued

Costs incurred by and on behalf of other group companies

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

Retirement benefits

The cost of providing retirement benefits is charged to the technical account - general business 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 included as an asset or liability in the balance sheet.

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:

Equipment	20% - 33.33%
Motor vehicles	18% - 22%

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%.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year or, if hedged forward, at the rate of exchange under the related forward currency contract. Gains and losses arising on the translation of assets and liabilities are taken to the technical account - general business together with other exchange differences.

Investments

Investments are valued individually at the lower of cost and net realisable value.

Deferred taxation

Provision is made for all material timing differences to the extent that it is probable that a liability or asset will crystallise, at the rate which is then expected to apply.

Comparatives

The presentation of reinsurance premiums and acquisition costs, together with related balance sheet accounts, has been restated to reflect more closely the company's reinsurance arrangements. Deposits with credit institutions repayable on demand have been included in cash at bank and in hand. Segmental information has been further analysed, to disclose Miscellaneous financial loss as a separate category. Finally, debtors arising out of direct insurance operations, have been reanalysed between amounts due from policyholders and intermediaries.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 - continued

2 SEGMENTAL INFORMATION

1996	Misc- ellaneous financial loss £'000	Legal expenses £'000	Assist- ance £'000	Total £'000
Gross premiums written	<u>1,018</u>	<u>11,654</u>	<u>26,463</u>	<u>39,135</u>
Gross premiums earned	950	11,161	25,028	37,139
Gross claims incurred	632	2,808	16,132	19,572
Operating expenses	438	3,436	9,925	13,799
Reinsurer's share of premiums and claims	-	3,890	-	3,890
Change in the equalisation provision	30	-	-	30
Technical result before allocated investment income	<u>(150)</u>	<u>1,027</u>	<u>(1,029)</u>	<u>(152)</u>
1995	Misc- ellaneous financial loss £'000	Legal expenses £'000	Assist- ance £'000	Total £'000
Gross premiums written	<u>997</u>	<u>12,109</u>	<u>26,301</u>	<u>39,407</u>
Gross premiums earned	954	12,445	24,489	37,888
Gross claims incurred	594	3,030	15,312	18,936
Operating expenses	437	3,874	9,949	14,260
Reinsurer's share of premiums and claims	-	4,372	-	4,372
Technical result before allocated investment income	<u>(77)</u>	<u>1,169</u>	<u>(772)</u>	<u>320</u>

All gross premiums written are in respect of direct business and were concluded in the United Kingdom.

Net assets

Shareholders' funds are held to meet solvency requirements of the company as a whole, and, therefore, are not regarded as operating net assets for the purposes of segmental reporting. Accordingly, the net assets in relation to the foregoing business segments are not shown.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 - continued

3 MOVEMENTS IN PRIOR YEARS' CLAIMS PROVISIONS

Included in the change in the provision for claims, are the following material movements relating to prior years.

	1996		1995	
	Legal expenses £'000	Assist- ance £'000	Legal expenses £'000	Assist- ance £'000
Net loss provisions brought forward as at 1 January 1996	1,488	1,752	1,749	2,363
Net payments during the year in respect of these provisions	(639)	(1,508)	(1,096)	(1,640)
Net loss provisions carried forward in respect of claims provided at 1 January 1996	(375)	(369)	(485)	(365)
Over/(under) provision of prior years' provisions	474	(125)	168	358

4 NET OPERATING EXPENSES

	1996 £'000	1995 £'000
Policy acquisition costs	7,321	7,932
Change in deferred acquisition costs	400	(39)
Administration costs	6,078	6,367
Net operating expenses	13,799	14,260

The total commission incurred during the year was £6,561,000 (1995, £6,794,000).

Administration costs include general marketing costs, being an allocation of The Automobile Association's total marketing expense.

5 INVESTMENT INCOME

	1996 £'000	1995 £'000
Income from investments other than participating interests:		
Income from investments	2,200	2,270

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1996 £'000	1995 £'000
Depreciation of tangible fixed assets	172	173
Furniture and fittings written off	13	1
Policyholders Protection Act levy	33	455
Fees payable to the auditors:		
Audit	32	31
Other	-	7

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 - continued

7 DIRECTORS' EMOLUMENTS

	1996 £'000	1995 £'000
Emoluments of directors, including pension contributions:		
For management services	50	49
Special payments (see below)	-	3
	<u>50</u>	<u>52</u>

The emoluments disclosed above (excluding pension contributions) include amounts paid to:

	1996	1995
The Chairmen		
from 1 January to 17 February 1996	<u>£4,583</u>	-
from 18 February to 2 October 1996	<u>£5,407</u>	-
from 3 October to 2 December 1996	<u>£1,102</u>	-
from 3 December to 31 December 1996	-	-
from 1 January to 31 December 1995	-	<u>£14,599</u>
The highest paid director	<u>£14,947</u>	<u>£14,599</u>

Number of directors who received emoluments (excluding pension contributions) in the following ranges was:

	1996 No	1995 No
Nil - £5,000	5	2
£5,001 - £10,000	3	4
£10,001 - £15,000	1	1

In 1995, special payments were made to a director to compensate him for share option rights forfeited when he terminated his previous employment.

8 EMPLOYEES

The average number of persons employed by the company, including executive directors, during the year was 293 (1995, 279).

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

	1996 £'000	1995 £'000
Wages and salaries	3,703	3,396
Social security costs	251	245
Other pension costs	277	256
	<u>4,231</u>	<u>3,897</u>

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 - continued

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33% (1995 33%)		
Current	517	668
(Over)/under provision in respect of prior years	(30)	1
	<u>487</u>	<u>669</u>

10 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	1996 £'000	1995 £'000
Policyholders	845	652
Intermediaries	1,875	1,788
	<u>2,720</u>	<u>2,440</u>

11 OTHER DEBTORS

	1996 £'000	1995 £'000
Amounts owed by group undertakings	239	242
Other debtors	3,073	3,431
	<u>3,312</u>	<u>3,673</u>

12 TANGIBLE ASSETS

	Equipment and motor vehicles £'000
Cost	
At 1 January 1996	953
Additions	80
Disposals	(45)
At 31 December 1996	<u>988</u>
Depreciation	
At 1 January 1996	599
Charge for the year	172
Disposals	(35)
At 31 December 1996	<u>736</u>
Net book value	
At 31 December 1996	<u>252</u>
At 31 December 1995	<u>354</u>

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 - continued

13 CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'000
Ordinary shares of £1 each		
Authorised	<u>10,000</u>	<u>10,000</u>
Issued, called up and fully paid	<u>2,500</u>	<u>2,500</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit for the financial year	<u>1,561</u>	<u>1,921</u>
Net addition to shareholders' funds	<u>1,561</u>	<u>1,921</u>
Shareholders' funds at 1 January 1996	15,996	14,075
Shareholders' funds at 31 December 1996	<u>17,557</u>	<u>15,996</u>

15 PROVISIONS FOR OTHER RISKS AND CHARGES

	1996 £'000	1995 £'000
Pensions and similar obligations		
At 1 January 1996	997	882
Charge for the year	294	278
Utilised in the year	(260)	(163)
Transferred to The Automobile Association	<u>(1,031)</u>	<u>-</u>
At 31 December 1996	<u>-</u>	<u>997</u>

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 AA 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 the company's consulting actuary certifies 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.

The company has a commitment to provide post-retirement private medical insurance cover for certain current and past employees.

Details relating to the latest actuarial valuations of these arrangements are contained in the financial statements of The Automobile Association. Provisions for pensions and similar obligations are now held centrally by The Automobile Association.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 - continued

16 OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

	1996	1995
	£'000	£'000
Amounts owed to group undertakings	8,515	5,978
Corporation tax	639	790
Other taxation and social security	177	188
Other creditors	402	199
	<u>9,733</u>	<u>7,155</u>

17 DEFERRED TAXATION

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

	1996 Full potential asset £'000	1996 Provision made £'000	1995 Full potential asset £'000	1995 Provision made £'000
Timing differences on				
Fixed assets	41	-	20	-
Provisions for pensions and similar obligations	305	-	299	-
Other items	176	-	390	-
	<u>522</u>	<u>-</u>	<u>709</u>	<u>-</u>

18 COMMITMENTS

The company is part of a group cross guarantee arrangement whereby it has guaranteed the overdrafts of certain other group undertakings. At 31 December 1996, the company's exposure under this guarantee was £56,058,000 (1995, £82,253,000).

19 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the company is exempt from the requirement to disclose related party transactions with other AA Group undertakings under Financial Reporting Standard 8.

20 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, whose principal place of business is situated at Norfolk House, Priestley Road, Basingstoke, Hampshire, RG24 9NY.