

*AUTOMOBILE ASSOCIATION
UNDERWRITING SERVICES LIMITED
ACCOUNTS - 31 DECEMBER 1995*



Registered number: 1674675

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES 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

The Company's profit and loss account for the year is set out on pages 4 and 5.

The main activity of the Company is unchanged since last year and is principally 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 and the profit has, therefore, been retained.

3. FORMAT OF ACCOUNTS

Following the introduction of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, which amended Section 255 and Schedule 9A of the Companies Act 1985, and Guidance on Accounting for Insurance Business (excluding Accounting for Investments) issued by the Association of British Insurers in December 1995, certain disclosure requirements have been amended; disclosure of comparative amounts have been restated accordingly. There was no effect on overall reported results and net assets as a result of these changes.

4. DIRECTORS

The Directors of the Company are as follows, all of whom have been Directors for the whole of the year, except where indicated:

| | |
|--------------------|-----------------------------|
| Bob Chase | |
| John Dawson | - appointed 7 February 1996 |
| Mark Haszlakiewicz | |
| Pete Johnson | |
| Kerry Richardson | |
| Frank Thackwray | |
| Mark Wood | |

Simon Dyer was Chairman of the Board 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 Underwriting Services Limited in respect of their duties as Directors of the Company.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED
REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1995 - continued

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

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

7. FIXED ASSETS

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

8. PEOPLE WITH DISABILITIES

During the year, the Company gave full consideration to applications for employment from people with disabilities, whether registered or not, having regard to their particular aptitude 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 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 Company'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 give their views on financial performance, business developments, service standards or local operational developments. Additionally, within these meetings, employees have the opportunity to raise any other matters relevant to the Company'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 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 on the success of the AA Group in attaining its long-term strategic aims.



BY ORDER OF THE BOARD

COLIN SKEEN

SECRETARY

BASINGSTOKE, 25 MARCH 1996

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 4 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 4 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 1995 and of its profit 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, 25 MARCH 1996

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 1995

| | Note | 1995 £'000 | 1994 £'000 As restated |
|---|------|----------------|------------------------------|
| Gross premiums written | 2 | 39,407 | 37,656 |
| Outward reinsurance premiums | | (2,161) | (2,264) |
| Net premiums written | | <u>37,246</u> | <u>35,392</u> |
| Change in the gross provision for unearned premiums | | (1,519) | 191 |
| Change in the provision for unearned premiums, reinsurer's share | | (51) | (147) |
| Change in the net provision for unearned premiums | | <u>(1,570)</u> | <u>44</u> |
| EARNED PREMIUMS, NET OF REINSURANCE | | <u>35,676</u> | <u>35,436</u> |
| Allocated investment return transferred from the non-technical account | | <u>1,929</u> | <u>1,141</u> |
| TOTAL TECHNICAL INCOME | | <u>37,605</u> | <u>36,577</u> |
| Gross claims paid | | 19,580 | 18,713 |
| Reinsurer's share | | (1,230) | (1,559) |
| Net claims paid | | <u>18,350</u> | <u>17,154</u> |
| Change in the gross provision for claims | 3 | (644) | 146 |
| Change in the provision for claims, reinsurer's share | | 72 | - |
| Change in the net provision for claims | | <u>(572)</u> | <u>146</u> |
| CLAIMS INCURRED, NET OF REINSURANCE | | <u>17,778</u> | <u>17,300</u> |
| Net operating expenses | 4 | 17,578 | 18,169 |
| Exceptional net operating expenses | 4 | - | 574 |
| TOTAL TECHNICAL CHARGES | | <u>35,356</u> | <u>36,043</u> |
| BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS | | <u>2,249</u> | <u>534</u> |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT - continued

NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

| | Note | 1995 £'000 | 1994 £'000 As restated |
|--|------|----------------------|------------------------------|
| Balance on the general business technical account | | 2,249 | 534 |
| Investment income | 5 | <u>2,270</u> | <u>1,389</u> |
| | | 4,519 | 1,923 |
| Allocated investment return transferred to the general business technical account | | <u>(1,929)</u> | <u>(1,141)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | 2,590 | 782 |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | 9 | (669) | (726) |
| PROFIT FOR THE FINANCIAL YEAR | | <u>1,921</u> | <u>56</u> |
| RETAINED PROFIT AT 1 JANUARY | | 11,575 | 11,519 |
| RETAINED PROFIT AT 31 DECEMBER | | <u><u>13,496</u></u> | <u><u>11,575</u></u> |

All items dealt with in arriving at the profit 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 on pages 4 and 5, and its historical cost equivalent.

The Company has no recognised gains or losses in 1995 and 1994, other than the profit for the financial year, reported on pages 4 and 5, and, therefore, no separate statement of total recognised gains or losses is presented.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1995

| | 1995 £'000 | 1994 £'000 |
|-------------------------------------|---------------|---------------|
| Profit for the financial year | 1,921 | 56 |
| Net addition to shareholders' funds | <u>1,921</u> | <u>56</u> |
| Opening shareholders' funds | 14,075 | 14,019 |
| Closing shareholders' funds | <u>15,996</u> | <u>14,075</u> |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1995

| | Note | 1995 £'000 | 1994 £'000 As restated |
|---|------|----------------------|------------------------------|
| ASSETS | | | |
| INVESTMENTS | | | |
| Deposits with credit institutions | | 33,500 | - |
| REINSURER'S SHARE OF TECHNICAL PROVISIONS | | | |
| Provision for unearned premiums | | 1,127 | 1,178 |
| Claims outstanding | | <u>128</u> | <u>200</u> |
| | | <u>1,255</u> | <u>1,378</u> |
| DEBTORS | | | |
| Debtors arising out of direct insurance operations | 10 | 2,440 | 1,702 |
| Debtors arising out of reinsurance operations - group undertakings | | 538 | 684 |
| Other debtors | 11 | <u>3,673</u> | <u>3,650</u> |
| | | <u>6,651</u> | <u>6,036</u> |
| OTHER ASSETS | | | |
| Tangible assets | 12 | 354 | 366 |
| Cash at bank and in hand | | <u>167</u> | <u>29,939</u> |
| | | <u>521</u> | <u>30,305</u> |
| PREPAYMENTS AND ACCRUED INCOME | | | |
| Accrued interest and rent | | 742 | - |
| Deferred acquisition costs | | <u>3,419</u> | <u>3,533</u> |
| | | <u>4,161</u> | <u>3,533</u> |
| TOTAL ASSETS | | <u><u>46,088</u></u> | <u><u>41,252</u></u> |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1995 - continued

| | Note | 1995 £'000 | 1994 £'000 As restated |
|---|------|---------------|------------------------------|
| LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 2,500 | 2,500 |
| Profit and loss account | | <u>13,496</u> | <u>11,575</u> |
| EQUITY SHAREHOLDERS' FUNDS | | <u>15,996</u> | <u>14,075</u> |
| TECHNICAL PROVISIONS | | | |
| Provision for unearned premiums | | 15,601 | 14,082 |
| Claims outstanding | | <u>3,468</u> | <u>4,112</u> |
| | | <u>19,069</u> | <u>18,194</u> |
| PROVISIONS FOR OTHER RISKS AND CHARGES | 14 | 997 | 882 |
| CREDITORS | | | |
| Creditors arising out of direct insurance operations | | 668 | 391 |
| Creditors arising out of reinsurance operations - group undertakings | | 1,023 | 1,056 |
| Other creditors including taxation and social security | 15 | <u>7,155</u> | <u>5,103</u> |
| | | <u>8,846</u> | <u>6,550</u> |
| ACCRUALS AND DEFERRED INCOME | | 1,180 | 1,551 |
| TOTAL LIABILITIES | | <u>46,088</u> | <u>41,252</u> |

The financial statements on pages 4 to 16 were approved by the Board of Directors on 25 March 1996 and were signed on its behalf by:



MARK HASZLAKIEWICZ
DIRECTOR

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995

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.

Following the introduction of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and the publication of guidance issued by the Association of British Insurers in December 1995, certain disclosures have been amended; comparative amounts have been restated.

Premiums

All premiums written relate to business incepted 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.

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.

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%.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

1. ACCOUNTING POLICIES - continued

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.

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 technical and non technical accounts.

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.

Transfer of investment return

A transfer of investment return, including 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 1995 - continued

2. SEGMENTAL INFORMATION

| 1995 | Legal expenses £'000 | Assistance £'000 | Total £'000 |
|--|----------------------------|---------------------|----------------|
| Gross premiums written | 12,109 | 27,298 | 39,407 |
| Gross premiums earned | 12,445 | 25,443 | 37,888 |
| Gross claims incurred | 3,030 | 15,906 | 18,936 |
| Net operating expenses | 7,192 | 10,386 | 17,578 |
| Reinsurer's share of premiums and claims | 1,054 | - | 1,054 |
| Technical result before interest | 1,169 | (849) | 320 |

| 1994 | Legal expenses £'000 | Assistance £'000 | Total £'000 |
|--|----------------------------|---------------------|----------------|
| Gross premiums written | 12,773 | 24,883 | 37,656 |
| Gross premiums earned | 13,498 | 24,349 | 37,847 |
| Gross claims incurred | 4,217 | 14,642 | 18,859 |
| Net operating expenses | 7,852 | 10,891 | 18,743 |
| Reinsurer's share of premiums and claims | 852 | - | 852 |
| Technical result before interest | 577 | (1,184) | (607) |

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

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

3. MOVEMENTS IN PRIOR YEARS' CLAIMS PROVISIONS

The total over provision in respect of prior years' claims was in the order of £526,000 (1994, £492,000) and arose primarily in respect of Assistance risks.

4. NET OPERATING EXPENSES

| | 1995 £'000 | 1994 £'000 |
|--------------------------------------|---------------|---------------|
| Policy acquisition costs | 11,325 | 12,591 |
| Change in deferred acquisition costs | (114) | (443) |
| Administration costs | 6,367 | 6,021 |
| | <u>17,578</u> | <u>18,169</u> |
| Exceptional net operating expenses | - | 574 |
| Net operating expenses | <u>17,578</u> | <u>18,743</u> |

The total commission incurred during the year was £10,112,000 (1994, £11,076,000).

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

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

5. INVESTMENT INCOME

| | 1995 £'000 | 1994 £'000 |
|---|---------------|---------------|
| Income from investments other than participating interests: | | |
| Income from other investments | <u>2,270</u> | <u>1,389</u> |

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is stated after charging:

| | 1995 £'000 | 1994 £'000 |
|---------------------------------------|---------------|---------------|
| Depreciation of tangible fixed assets | 173 | 165 |
| Furniture and fittings written off | 1 | 2 |
| Policyholders Protection Act levy | 455 | 352 |
| Fees payable to the auditors: | | |
| Audit | 31 | 28 |
| Other | 7 | 36 |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

7. DIRECTORS' EMOLUMENTS

| | 1995 £'000 | 1994 £'000 |
|---|---------------|---------------|
| Emoluments of directors, including pension contributions: | | |
| For management services | 49 | 47 |
| Special payments (see below) | 3 | 7 |
| | <u>52</u> | <u>54</u> |

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

| | 1995 | 1994 |
|---|----------------|----------------|
| The Chairman | <u>£14,599</u> | <u>£11,177</u> |
| The highest paid director (1995 - The Chairman) | <u>£14,599</u> | <u>£11,371</u> |

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

| | 1995 No | 1994 No |
|-------------------|------------|------------|
| Nil - £5,000 | 2 | 4 |
| £5,001 - £10,000 | 4 | 2 |
| £10,001 - £15,000 | 1 | 2 |

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 279 (1994, 324).

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

| | 1995 £'000 | 1994 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 3,396 | 3,457 |
| Social security costs | 245 | 259 |
| Other pension costs | 256 | 263 |
| | <u>3,897</u> | <u>3,979</u> |

These staff costs represent costs directly incurred by the Company; in addition, the following staff costs were allocated to the Company by other group companies, and to other group companies by the Company.

| | Allocations in | | Allocations out | |
|-----------------------|----------------|---------------|-----------------|---------------|
| | 1995 £'000 | 1994 £'000 | 1995 £'000 | 1994 £'000 |
| Wages and salaries | 1,977 | 2,030 | 51 | 41 |
| Social security costs | 152 | 152 | 4 | 3 |
| Other pension costs | 174 | 154 | 4 | 3 |
| | <u>2,303</u> | <u>2,336</u> | <u>59</u> | <u>47</u> |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | 1995 £'000 | 1994 £'000 |
|--|---------------|---------------|
| United Kingdom corporation tax at 33% (1994 33%) | | |
| Current | 668 | 665 |
| Under provision in respect of prior years' corporation tax | 1 | 61 |
| | <u>669</u> | <u>726</u> |

10. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

| | 1995 £'000 | 1994 £'000 |
|----------------|---------------|---------------|
| Policyholders | 2,344 | 1,592 |
| Intermediaries | 96 | 110 |
| | <u>2,440</u> | <u>1,702</u> |

11. OTHER DEBTORS

| | 1995 £'000 | 1994 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 242 | 389 |
| Other debtors | 3,431 | 3,261 |
| | <u>3,673</u> | <u>3,650</u> |

12. TANGIBLE ASSETS

| | Equipment and motor vehicles £'000 |
|-------------------------|--|
| Cost | |
| At 1 January 1995 | 961 |
| Additions | 221 |
| Inter-company transfers | (75) |
| Disposals | (154) |
| At 31 December 1995 | <u>953</u> |
| Depreciation | |
| At 1 January 1995 | 595 |
| Charge for the year | 173 |
| Inter-company transfers | (32) |
| Disposals | (137) |
| At 31 December 1995 | <u>599</u> |
| Net book value | |
| At 31 December 1995 | <u>354</u> |
| At 31 December 1994 | <u>366</u> |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

13. CALLED UP SHARE CAPITAL

| | 1995 £'000 | 1994 £'000 |
|--|---------------|---------------|
| Ordinary shares of £1 each Authorised | 10,000 | 10,000 |
| Issued, called up and fully paid | 2,500 | 2,500 |

14. PROVISIONS FOR OTHER RISKS AND CHARGES

| | 1995 £'000 | 1994 £'000 |
|----------------------------------|---------------|---------------|
| Pensions and similar obligations | | |
| At 1 January 1995 | 882 | 786 |
| Charge for the year | 278 | 264 |
| Utilised in the year | (163) | (168) |
| At 31 December 1995 | 997 | 882 |

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 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 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 to certain current and past employees. The provision of £90,000 at 31 December 1995 (1994, £68,000) was established on an actuarial basis, assuming a 4% per annum real increase in premiums.

15. OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

| | 1995 £'000 | 1994 £'000 |
|---------------------------------|---------------|---------------|
| Amounts owed to group companies | 5,978 | 3,981 |
| Corporation tax | 790 | 845 |
| Other creditors | 387 | 277 |
| | 7,155 | 5,103 |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 - continued

16. DEFERRED TAXATION

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

| | 1995 Full potential asset £'000 | 1995 Provision made £'000 | 1994 Full potential asset £'000 | 1994 Provision made £'000 |
|--|---|------------------------------------|---|------------------------------------|
| Timing differences on | | | | |
| Fixed assets | (20) | - | (6) | - |
| Provisions for pensions and similar obligations | (299) | - | (273) | - |
| Other items | (390) | - | (609) | - |
| | <u>(709)</u> | <u>-</u> | <u>(888)</u> | <u>-</u> |

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