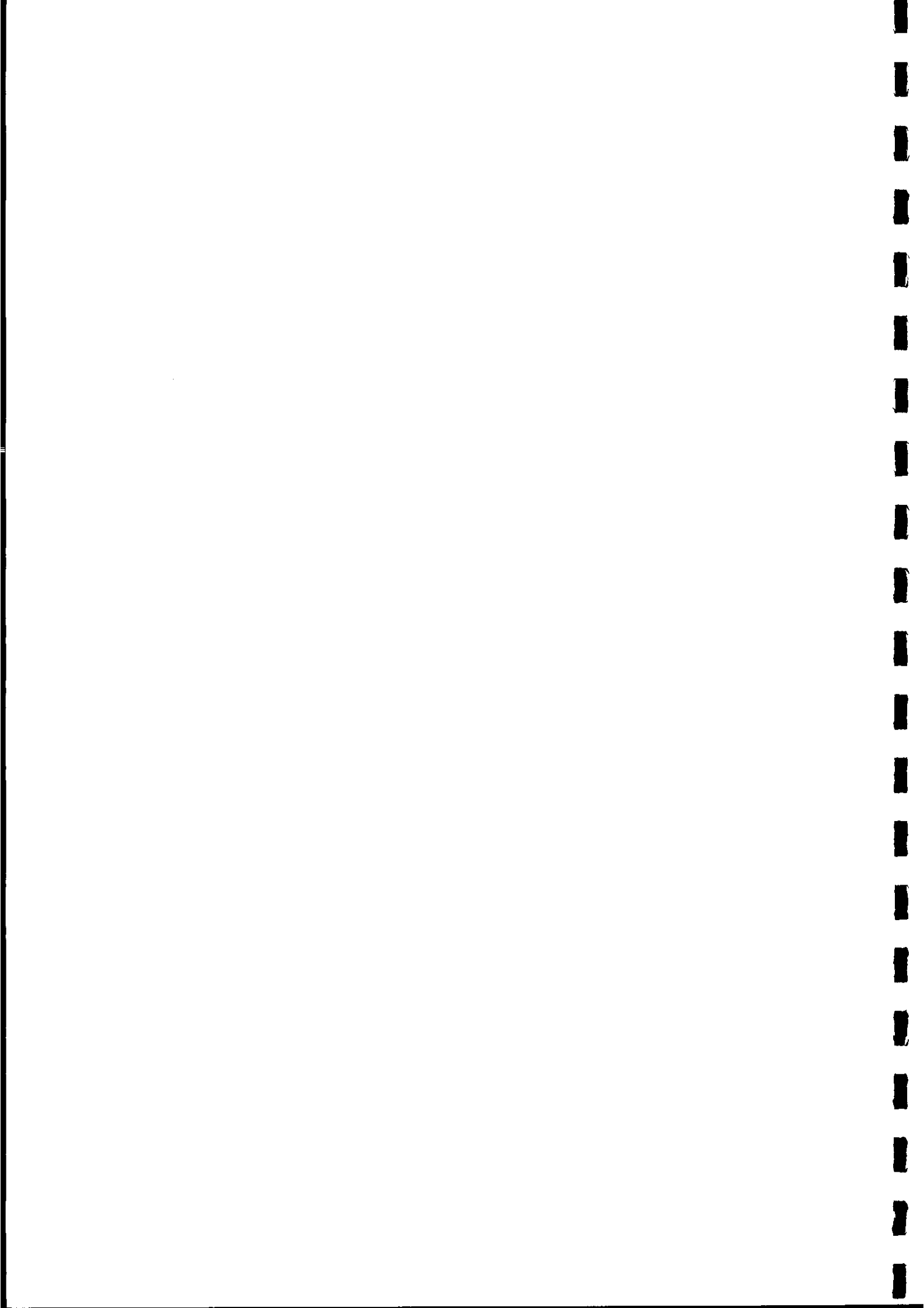


**AUTOMOBILE ASSOCIATION**  
**UNDERWRITING SERVICES LIMITED**  
**ACCOUNTS - 31 DECEMBER 2001**

*Registered Number: 1674675*





**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2001**

- 1 The directors present the audited financial statements for the year ended 31 December 2001.

2 **REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS**

The company's profit and loss account for the year is set out on pages 7 and 8.

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. An analysis of the results by the company's classes of business is shown in Note 2 to the accounts.

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.

3 **DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year (2000, £nil).

4 **DIRECTORS**

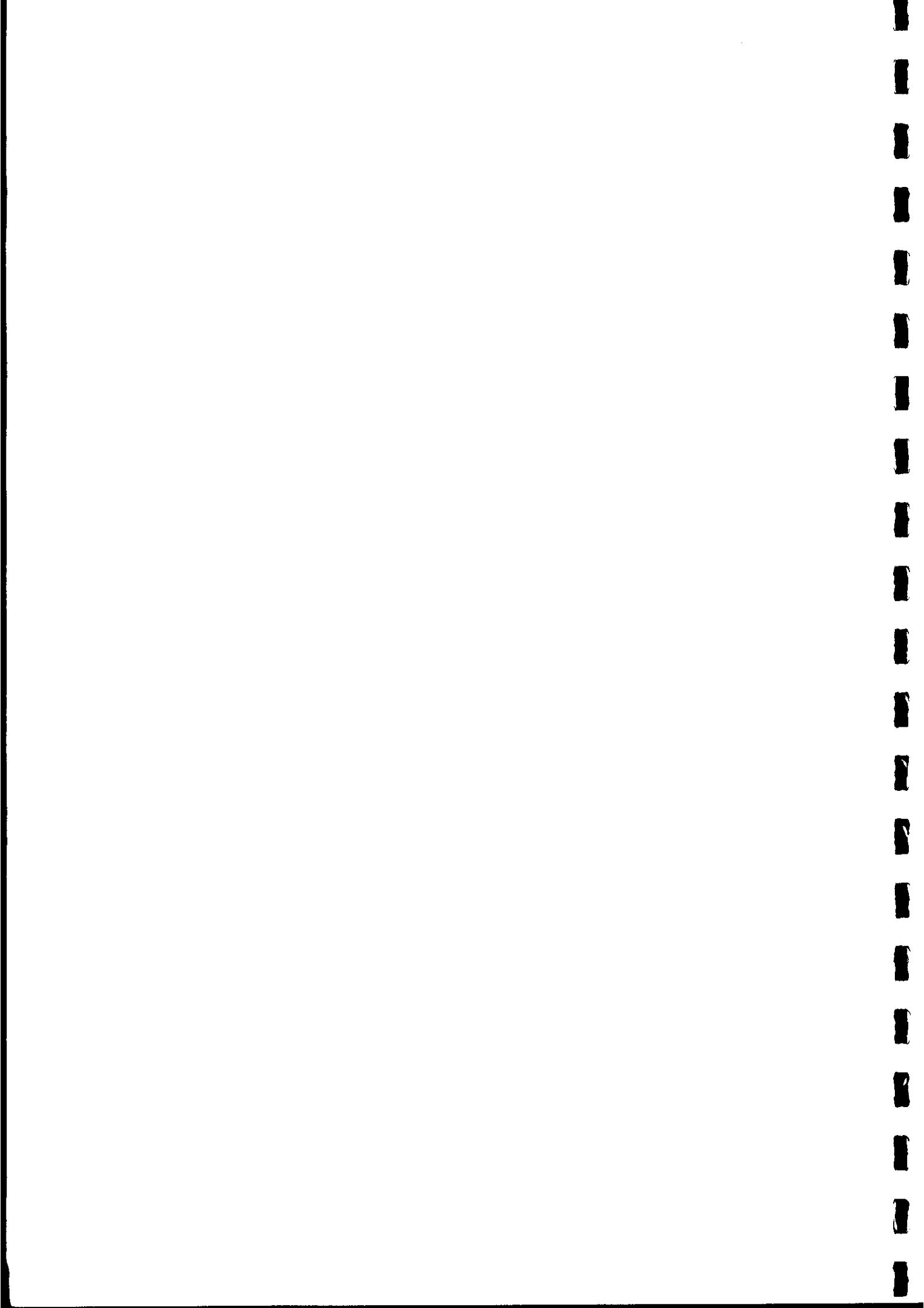
The directors of the company were as follows:

Mark Clare  
Doug Richards  
Kerry Richardson  
Colin Skeen

- Resigned 20 December 2001

5 **DIRECTORS' INTERESTS**

At no time did any director holding office at 31 December 2001 have any interest in the shares of the company, or any other company in the Centrica plc group, except for interests in, and options over, the ordinary shares of the ultimate parent company, Centrica plc.



**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2001 - continued**

**5 DIRECTORS' INTERESTS - continued**

Details of the interests of Mark Clare in the shares and options over shares in the ultimate parent company, Centrica plc, are shown in the 2001 Annual Report and Accounts of Centrica plc.

Other directors with interests in ordinary shares of Centrica plc during the period (which include those of their families), and who were holding office at the year end are as follows:

**Interests in ordinary shares**

	As at 31 Dec 2001	As at 31 Dec 2000
Doug Richards	1,446	1,200
Kerry Richardson	1,760	1,760

Interests shown include shares held under the terms of the Centrica plc profit sharing scheme, where applicable.

**Sharesave**

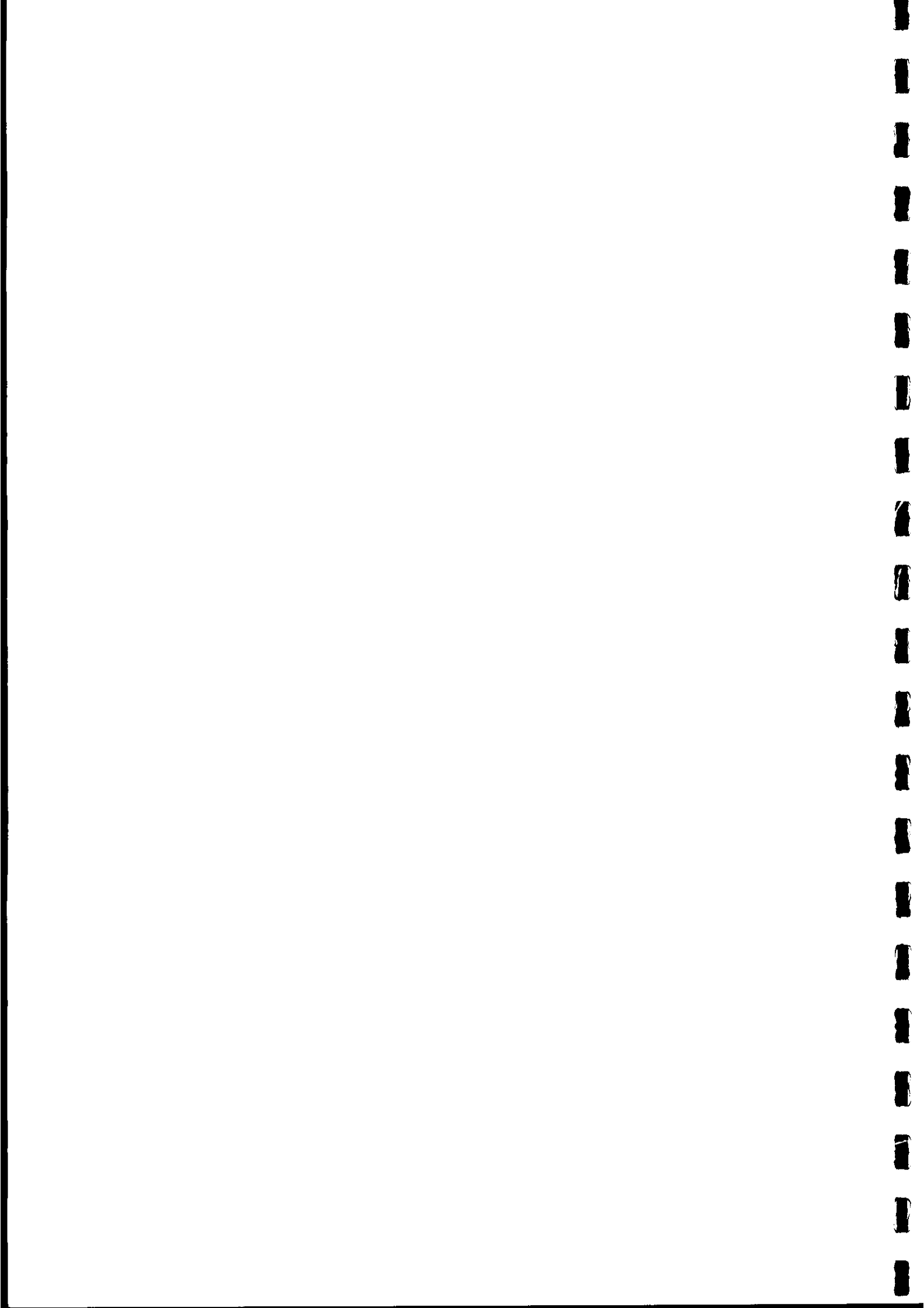
	As at 31 Dec 2001	As at 31 Dec 2000
Doug Richards	37,176	37,176
Kerry Richardson	-	-

Options over shares in Centrica plc granted in April 1997 were at an option price of 46.4 pence per share.

**Long Term Incentive Scheme**

	As at 31 Dec 2001	Granted in the year	Exercised during year	As at 31 Dec 2000
Doug Richards	168,005	29,275	-	138,730
Kerry Richardson	200,588	56,355	-	144,233

Notional allocations of shares were made on 1 October 2001 at a base price of 234.37 pence. Figures as at 31 December 2001 shown above include notional allocations of shares subject to performance conditions and allocations of shares that have reached the conclusion of the relevant performance period but will not be transferred until the expiry of the retention period (a further two years).



**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2001 - continued**

**5 DIRECTORS' INTERESTS - continued**

**Centrica Executive Share Option Scheme**

	As at 31 Dec 2001	Granted in the year	Exercised during year	As at 31 Dec 2000
Doug Richards	49,989	49,989	-	-
Kerry Richardson	96,229	96,229	-	-

Options were granted on 31 May 2001 under the terms of the Centrica Executive Share Option Scheme at an option price of 240.05 pence. The options will become exercisable, to the extent that performance conditions are satisfied, three years after the date of the grant and remain exercisable until the tenth anniversary of the grant.

Options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme and New Executive Share Option, and allocations made under the terms of the Long Term Incentive Scheme. Details of these schemes can be found in the 2001 accounts of Centrica plc.

The closing price of a Centrica plc ordinary share on the last trading day of 2001 (31 December) was 222 pence. The range during the year was 257 pence (high) and 199.75 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.

**6 EMPLOYMENT POLICIES**

The Centrica Group is committed to pursuing an active Equal Opportunities Policy covering recruitment and selection, training and development, appraisal and promotion. The Group recognises the diversity of its employees, its customers and the community at large and seeks to use employees' talents and abilities to the full. This approach extends to the fair treatment of people with disabilities, in relation to their recruitment, training and development. Full consideration is given to the retention of staff who become disabled during employment. The Centrica Group continues to support the Government's New Deal for people with disabilities, the aim of which is to recruit unemployed disabled people and carers into the Group's operations. Centrica's experience is being shared with other UK employers through its membership of the Employers' Forum on Disability.

The Group continues to support Investors in People.

100



**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED****REPORT OF THE DIRECTORS****FOR THE YEAR ENDED 31 DECEMBER 2001 – continued****6 EMPLOYMENT POLICIES - continued**

The Group is committed to effective communications, which it maintains through formal and informal briefings, company magazines, videos, audio tape and electronic media. Formal communications with trades unions take place through regular meetings between representatives from the company and trades unions. The Group has procedures for the timely and accurate communication of financial results and other significant business issues to its employees.

**7 CREDITOR PAYMENT POLICY**

The Centrica Group aims to pay all of its creditors promptly. The company complies with the Centrica Group policy, which is to agree the terms of payment at the commencement of business with that supplier, ensure that suppliers are aware of the terms of the payment, and pay in accordance with contractual and other legal obligations.


**8 DIRECTORS' AND OFFICERS' LIABILITY**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc.

**9 AUDITORS**

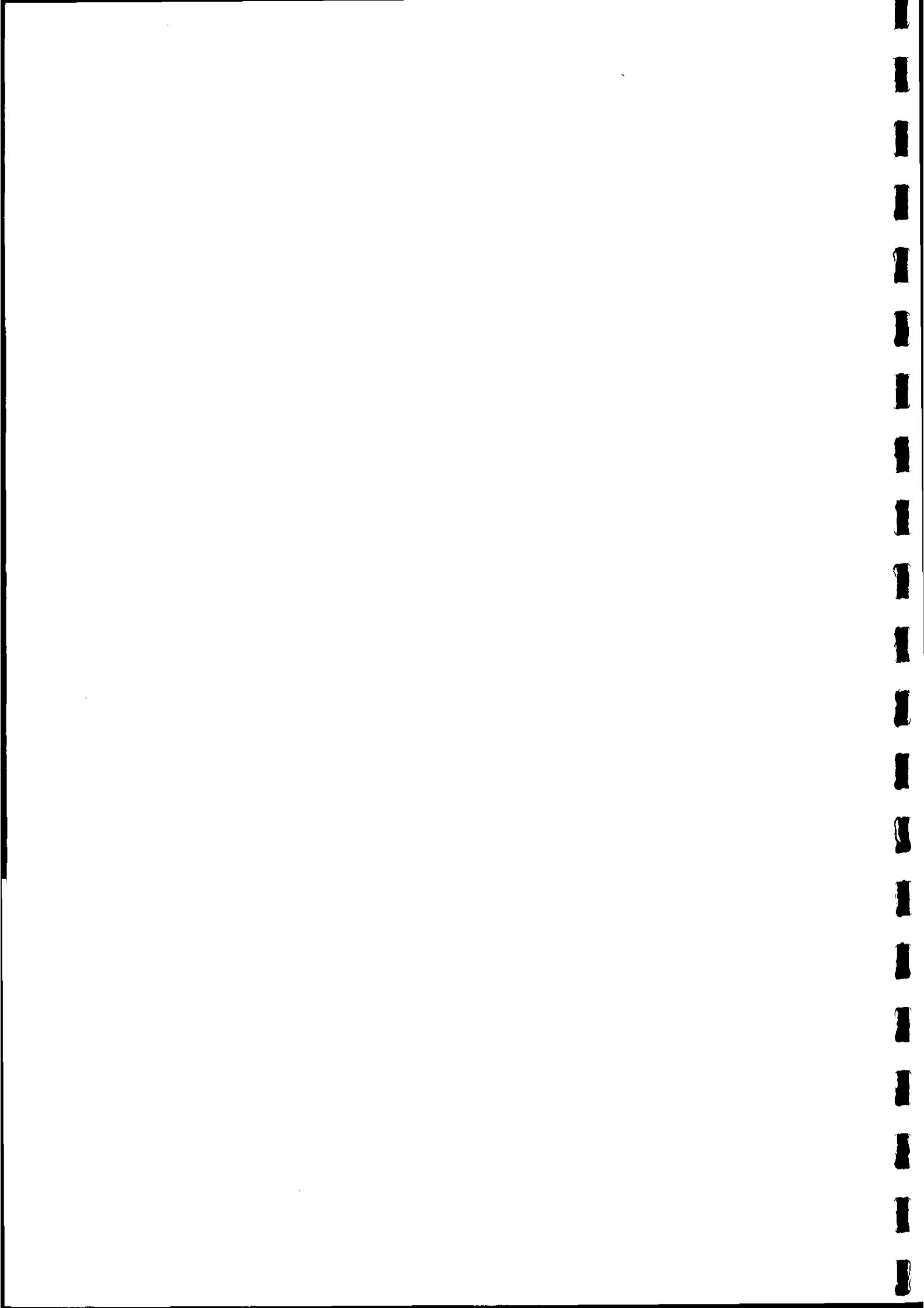
PricewaterhouseCoopers have expressed their willingness to continue in office as auditors.

BY ORDER OF THE BOARD



THOMAS MURPHY  
SECRETARY  
29 APRIL 2002

Registered Office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire SL4 5GD



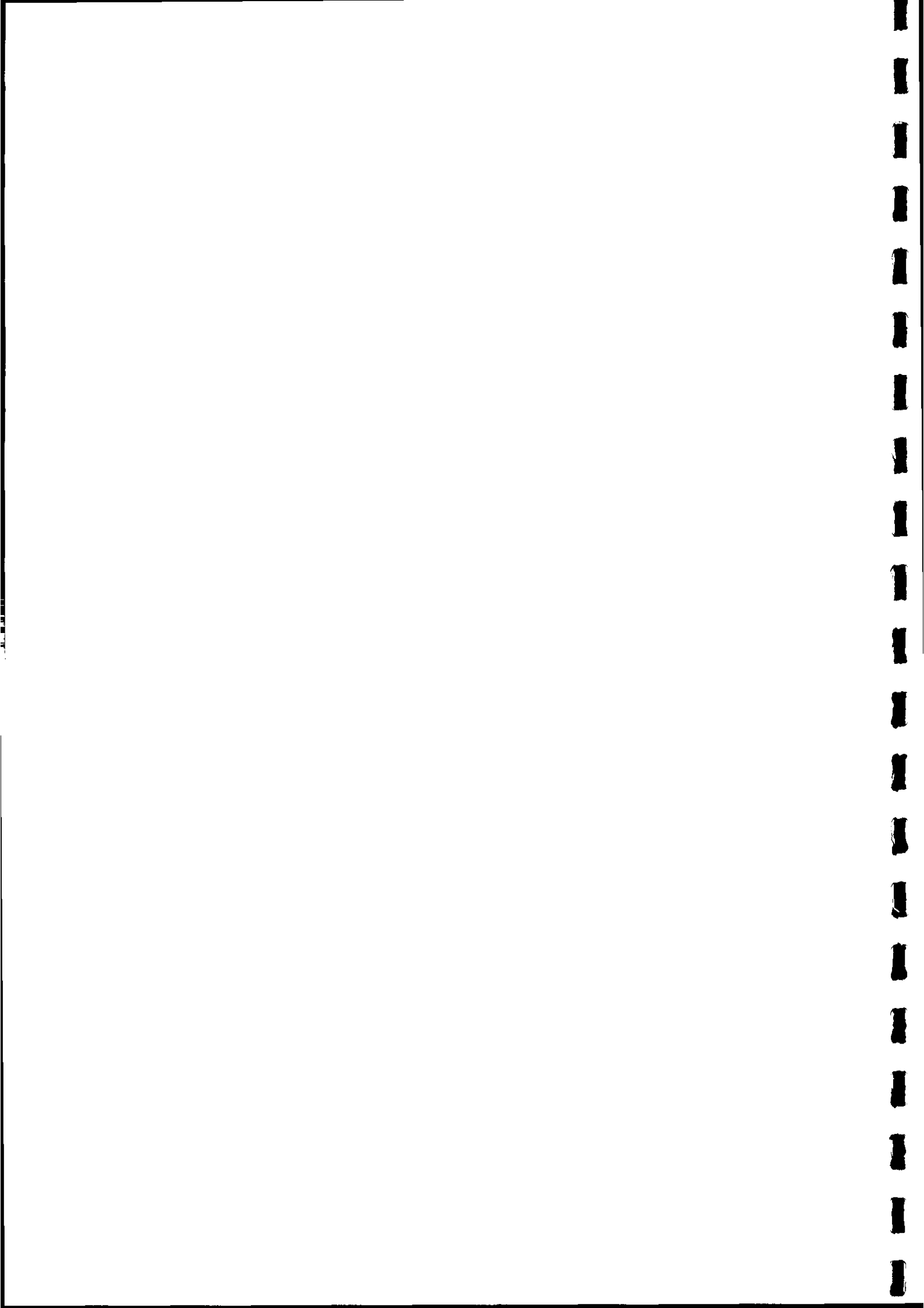
**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED****DIRECTORS' STATEMENT OF RESPONSIBILITY****IN RELATION TO FINANCIAL STATEMENTS**

The directors are required by the Companies Act 1985 to prepare financial statements for each 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 7 to 19, 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED**

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 11 to 13.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Companies Act 1985. 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 misstatements 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 2001 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*  
PricewaterhouseCoopers

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

LONDON,

29 APRIL 2002



## AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

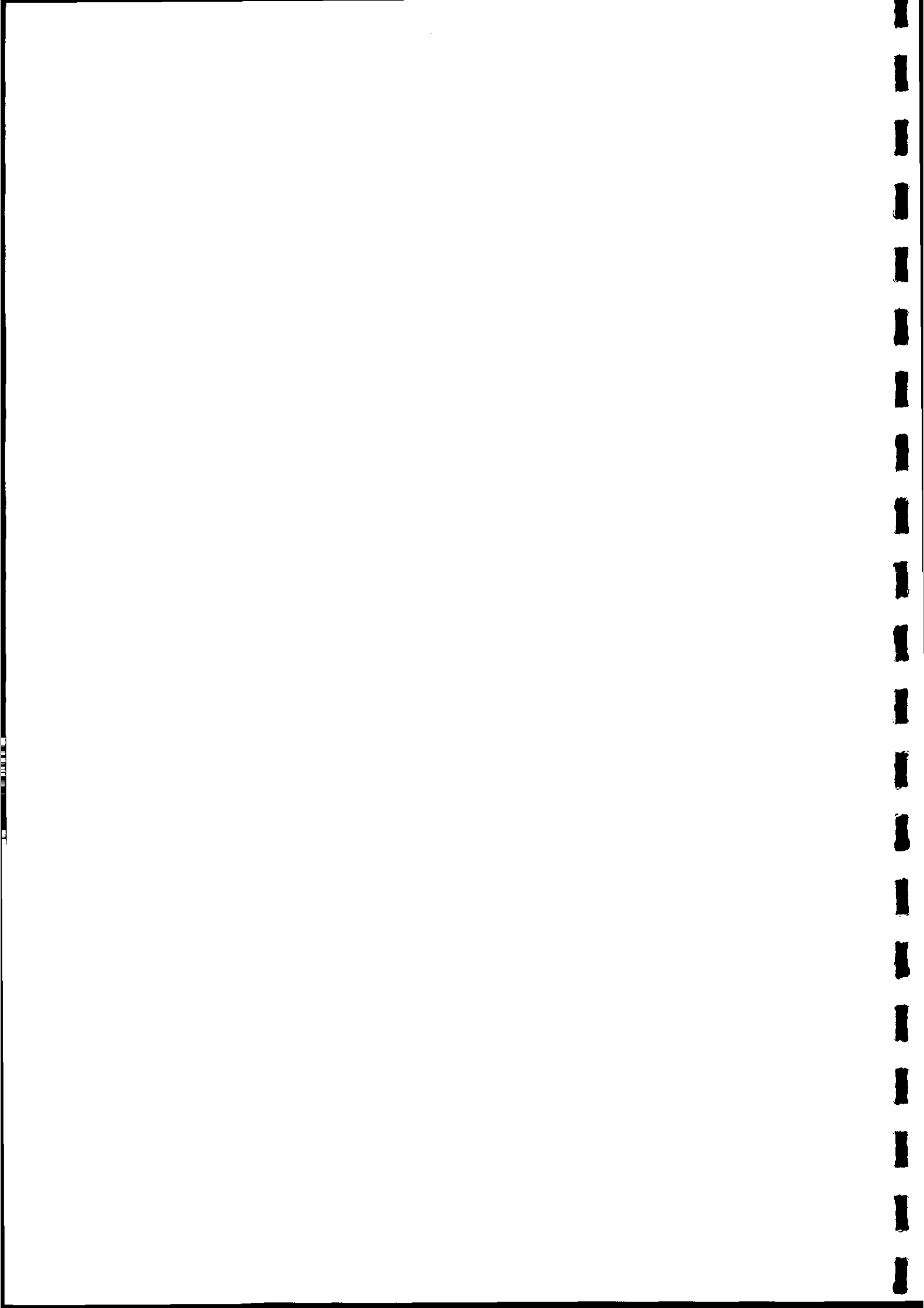
## PROFIT AND LOSS ACCOUNT

## TECHNICAL ACCOUNT - GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £'000	2000 £'000
<b>EARNED PREMIUMS, NET OF REINSURANCE</b>			
Gross premiums written	2	41,699	39,264
Outward reinsurance premiums		(6,953)	(6,145)
Net premiums written		<u>34,746</u>	<u>33,119</u>
Change in the gross provision for unearned premiums		(1,719)	(241)
Change in the provision for unearned premiums, Reinsurer's share		<u>375</u>	<u>(95)</u>
Change in the net provision for unearned premiums		<u>(1,344)</u>	<u>(336)</u>
<b>TOTAL TECHNICAL INCOME</b>		<u>33,402</u>	<u>32,783</u>
<b>CLAIMS INCURRED, NET OF REINSURANCE</b>			
Gross claims paid		12,260	12,521
Reinsurer's share		(642)	(683)
Net claims paid		<u>11,618</u>	<u>11,838</u>
Change in the gross provision for claims	3	261	10
Change in the provision for claims, reinsurer's share		<u>(18)</u>	<u>54</u>
Change in the net provision for claims		<u>243</u>	<u>64</u>
<b>CLAIMS INCURRED, NET OF REINSURANCE</b>		<u>11,861</u>	<u>11,902</u>
Net operating expenses	4	14,849	14,892
Exceptional operating expenses	5	<u>385</u>	<u>534</u>
Total net operating expenses		<u>15,234</u>	<u>15,426</u>
<b>TOTAL TECHNICAL CHARGES</b>		<u>27,095</u>	<u>27,328</u>
<b>BALANCE ON THE TECHNICAL ACCOUNT - GENERAL BUSINESS</b>		<u>6,307</u>	<u>5,455</u>

The notes on pages 11 to 19 form part of these financial statements.





**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT - continued**

**NON-TECHNICAL ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2001**

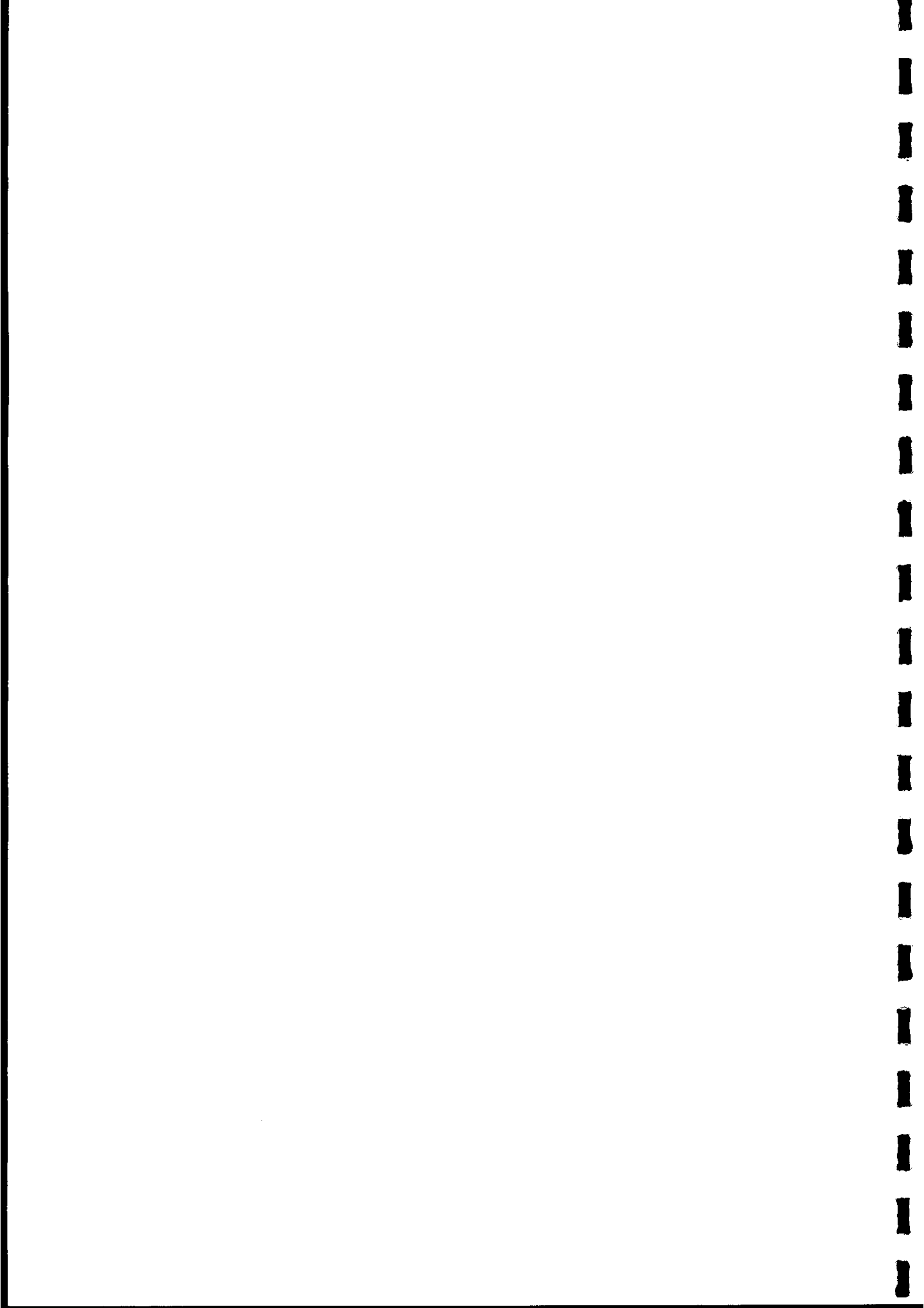
	Notes	2001 £'000	2000 £'000
Balance on the technical account - general business		6,307	5,455
Investment income	6	<u>1,484</u>	<u>1,829</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>7,791</b>	<b>7,284</b>
 <b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	 10	 (72)	 (42)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		<u><b>7,719</b></u>	<u><b>7,242</b></u>
 <b>RETAINED PROFIT AT 1 JANUARY</b>		 <b>35,073</b>	 <b>27,831</b>
 <b>RETAINED PROFIT AT 31 DECEMBER</b>		<u><u><b>42,792</b></u></u>	<u><u><b>35,073</b></u></u>

Profit on ordinary activities before taxation for both 2001 and 2000 relates 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 7 and 8 and its historical cost equivalent.

The company has no recognised gains or losses in 2001 and 2000, other than the profit for the financial year, reported on pages 7 and 8, and, therefore, no separate statement of total recognised gains or losses is presented.

The notes on pages 11 to 19 form part of these financial statements.



## AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

## BALANCE SHEET - 31 DECEMBER 2001

	Notes	2001 £'000	2000 £'000
<b>ASSETS</b>			
<b>INVESTMENTS</b>			
Other financial investments - deposits with credit institutions		32,000	31,000
<b>REINSURER'S SHARE OF TECHNICAL PROVISIONS</b>			
Provision for unearned premiums		3,511	3,136
Claims outstanding		509	491
		<u>4,020</u>	<u>3,627</u>
<b>DEBTORS</b>			
Debtors arising out of direct insurance operations	11	789	734
Other debtors	12	32,984	24,203
		<u>33,773</u>	<u>24,937</u>
<b>OTHER ASSETS</b>			
Tangible assets	13	52	122
Cash at bank and in hand		171	-
		<u>223</u>	<u>122</u>
<b>PREPAYMENTS AND ACCRUED INCOME</b>			
Accrued interest and rent		87	52
Deferred acquisition costs		3,101	2,852
		<u>3,188</u>	<u>2,904</u>
<b>TOTAL ASSETS</b>		<u><u>73,204</u></u>	<u><u>62,590</u></u>

The notes on pages 11 to 19 form part of these financial statements.

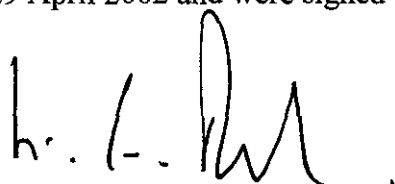


## AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

## BALANCE SHEET - 31 DECEMBER 2001 - continued

	Notes	2001 £'000	2000 £'000
<b>LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2,500	2,500
Profit and loss account		42,792	35,073
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	<u>45,292</u>	<u>37,573</u>
<b>TECHNICAL PROVISIONS</b>			
Provision for unearned premiums		21,184	19,465
Claims outstanding		3,627	3,366
		<u>24,811</u>	<u>22,831</u>
<b>CREDITORS</b>			
Creditors arising out of direct insurance operations		676	78
Other creditors including taxation and social security	16	1,877	1,776
		<u>2,553</u>	<u>1,854</u>
<b>ACCRUALS AND DEFERRED INCOME</b>		548	332
<b>TOTAL LIABILITIES</b>		<u>73,204</u>	<u>62,590</u>

The financial statements on pages 7 to 19 were approved by the board of directors on 29 April 2002 and were signed on its behalf by:



KERRY RICHARDSON  
DIRECTOR

The notes on pages 11 to 19 form part of these financial statements.

**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001****1 ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 1998. The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost convention. Both Financial Reporting Standard (FRS) 18, Accounting Policies, and FRS 19, Deferred Tax, were adopted in 2001.

A summary of the accounting policies is set out below.

**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 relating to the period of the policy that has not expired at the balance sheet date.

**Claims**

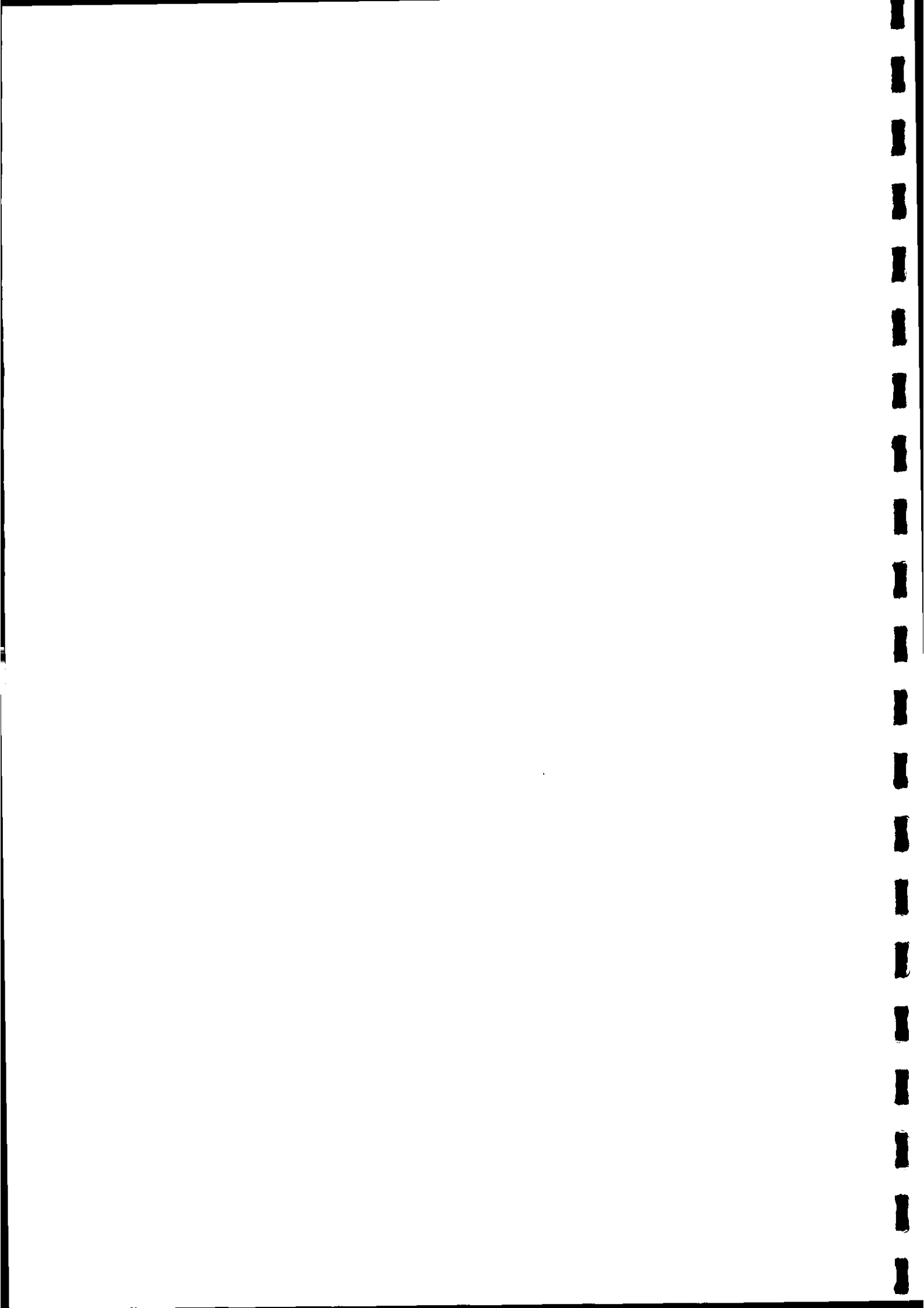
Provision is made for the estimated cost of claims notified but not settled by the balance sheet date and of claims incurred but not reported by that date, together with the expected administrative costs of settlement. Any differences between provisions and subsequent settlements are dealt with in the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

**Unexpired risks provisions**

The total of unearned premiums and related investment returns in future years is compared with the aggregate estimated future claims and expenses in respect of business in force at the year end. A provision for unexpired risks is created to meet any anticipated deficiency for each grouping of business which is managed together.

**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.



**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued****1 ACCOUNTING POLICIES - continued****Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

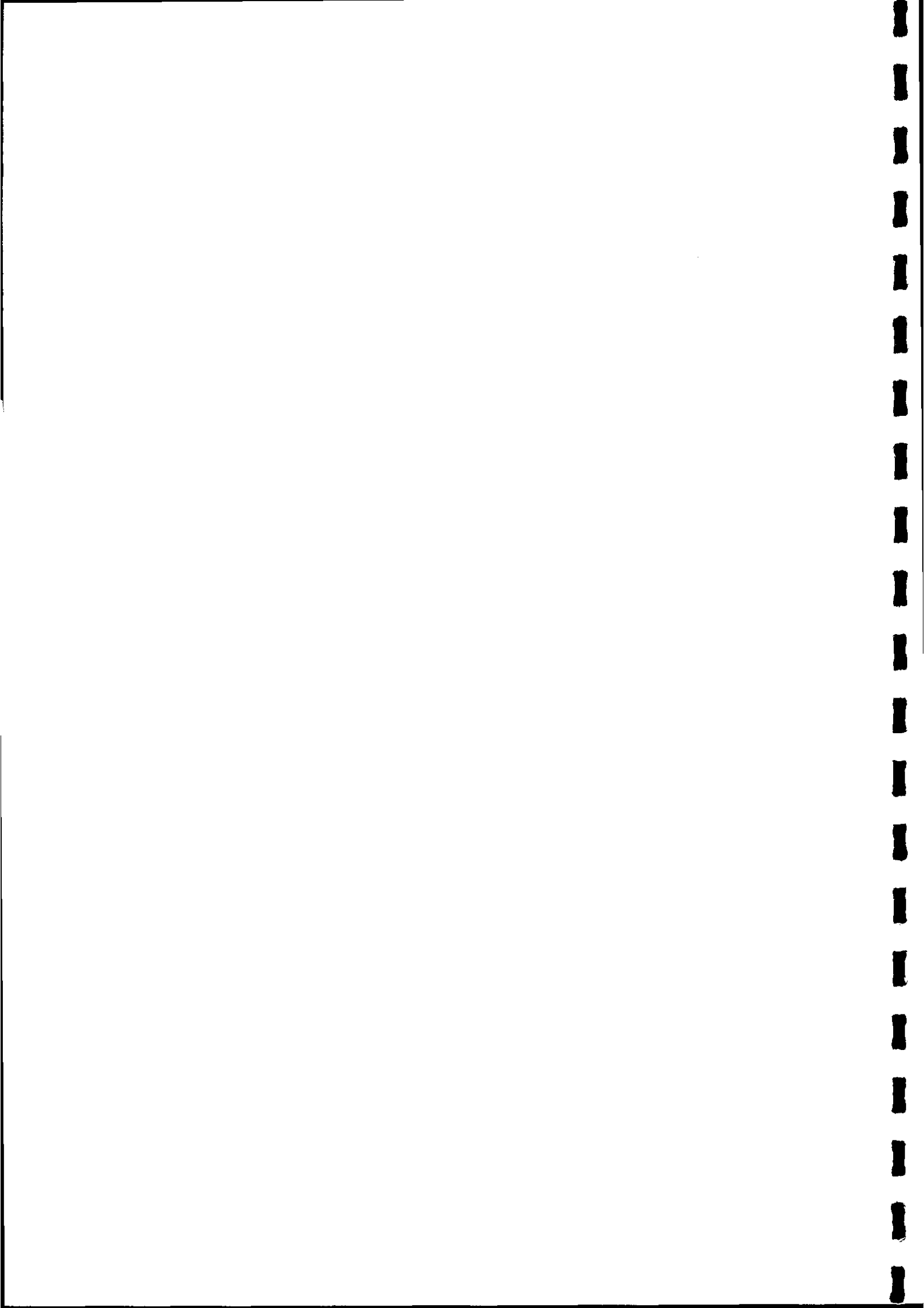
Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Tangible assets**

Tangible assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment. Tangible assets are depreciated 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% - 25%





**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued****1 ACCOUNTING POLICIES - continued****Retirement benefits**

Retirement benefits are accounted for in accordance with SSAP 24, Pension costs. Additional disclosures are also made in the notes to the financial statements as required under the transitional arrangements set out in FRS 17, Retirement Benefits. The cost of providing retirement pensions and related 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 paid to the pension schemes is included as an asset or liability in the balance sheet. The regular pension cost, variations from the regular pension cost and interest are all charged within employee costs, and the straight-line method is applied for amortising surpluses and interest.

**Investments**

- i) Investment income is the amount receivable for the period, and includes, where appropriate, the imputed tax credit.
- ii) Investments are included in the balance sheet at current market value.
- iii) Realised and unrealised investment gains are included in the non-technical account in the period in which they arise.

**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. Exchange differences on the translation of assets and liabilities are taken to the technical account - general business together with other exchange differences.

**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 FRS 1 (Revised).

## AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued

## 2 SEGMENTAL INFORMATION

2001	Miscellaneous Financial Loss £'000	Legal Expenses £'000	Assistance £'000	Total £'000
Gross premiums written	750	13,907	27,042	41,699
Gross premiums earned	736	13,156	26,088	39,980
Gross claims incurred	302	1,315	10,904	12,521
Operating expenses	335	4,781	9,733	14,849
Reinsurer's share of premiums and claims	-	5,918	-	5,918
<b>General business technical result before Exceptional expenses</b>	<b>99</b>	<b>1,142</b>	<b>5,451</b>	<b>6,692</b>
2000	Miscellaneous Financial Loss £'000	Legal Expenses £'000	Assistance £'000	Total £'000
Gross premiums written	684	13,239	25,341	39,264
Gross premiums earned	678	13,050	25,295	39,023
Gross claims incurred	315	1,386	10,830	12,531
Operating Expenses	315	4,847	9,730	14,892
Reinsurer's share of premiums and claims	-	5,611	-	5,611
<b>General business technical result before Exceptional expenses</b>	<b>48</b>	<b>1,206</b>	<b>4,735</b>	<b>5,989</b>

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 2001 - continued**

**3 MOVEMENTS IN PRIOR YEARS' CLAIMS PROVISIONS**

A positive run-off deviation of £64,000 was experienced during the year in respect of legal expenses and a positive run-off of £586,000 in respect of Assistance (2000, adverse run-off deviation of £281,000 in respect of legal expenses and a positive run-off of £316,000 in respect of Assistance).

**4 NET OPERATING EXPENSES**

	2001	2000
	£'000	£'000
Policy acquisition costs	8,632	7,743
Change in deferred acquisition costs	(249)	108
Administration costs	6,466	7,041
Net operating expenses	<u>14,849</u>	<u>14,892</u>

The total commission incurred during the year was £7,768,515 (2000, £7,284,000).

Administration costs include general marketing costs, being an allocation of Centrica Group's marketing expenses.

**5 EXCEPTIONAL OPERATING EXPENSES**

Restructuring costs during 2001 and 2000 primarily related to integration activity following the acquisition of the AA Group in 1999 by Centrica plc.

**6 INVESTMENT INCOME**

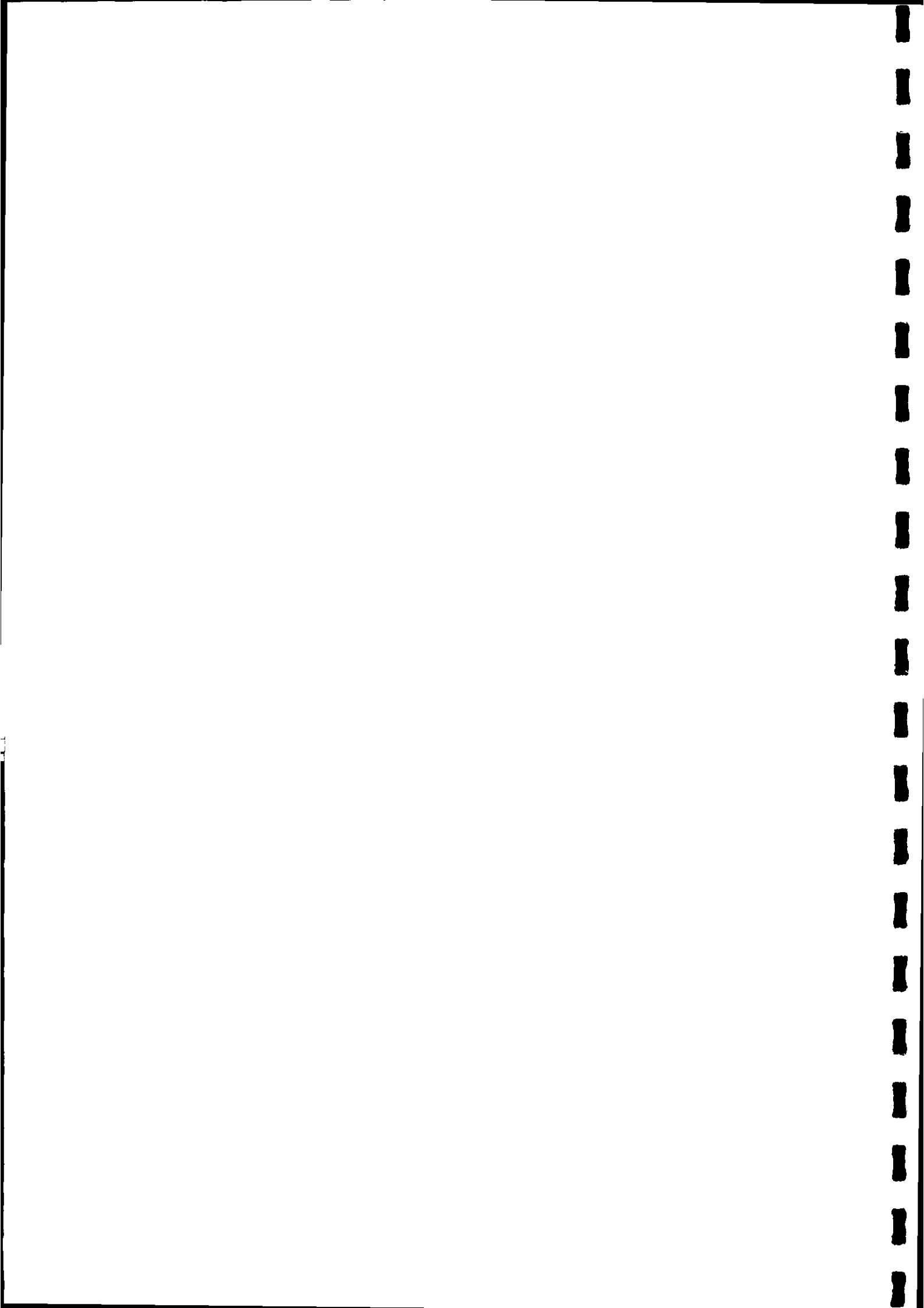
	2001	2000
	£'000	£'000
Income from other financial investments	<u>1,484</u>	<u>1,829</u>

**7 AUDITORS' REMUNERATION**

The remuneration of the auditors of the company for audit services was borne by The Automobile Association Limited and recharged as part of an overall allocation of costs. As such it was not possible to identify audit fees as a separate item (2000 – Audit fees separately borne by Company - £25,014).

**8 DIRECTORS' EMOLUMENTS**

The emoluments of the directors are paid by other group companies. All of the directors were also directors of a number of companies within the Centrica group, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the group companies.



**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued**

**9 EMPLOYEES**

The average number of persons employed by the company during the year was 111 (2000, 115).

Staff costs during the year amounted to:	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>1,591</b>	1,798
Social security costs	<b>99</b>	130
Other pension costs	<b>117</b>	171
	<u><b>1,807</b></u>	<u>2,099</u>

**10 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

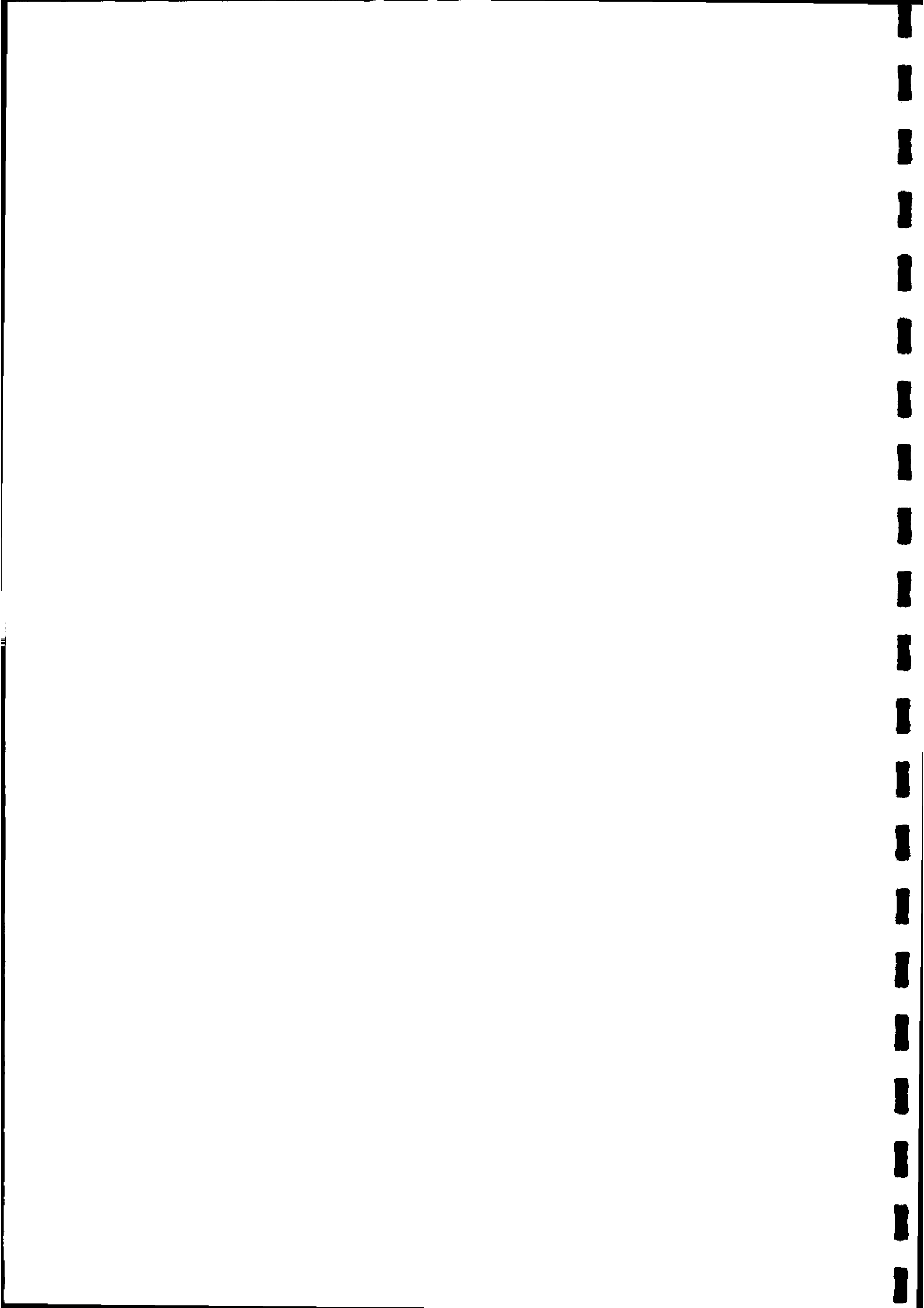
The tax charge comprises:	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Adjustments in respect of prior years	<u>72</u>	<u>42</u>
Total tax on profit on ordinary activities	<u><b>72</b></u>	<u>42</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	<u><b>7,791</b></u>	<u>7,284</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2000: 30%)	<b>2,337</b>	2,185
Effects of:		
Expenses not deductible for tax purposes	-	1
Depreciation in excess of capital allowances	2	-
Utilisation of other short-term timing differences	6	(74)
Group relief surrendered for no consideration	<b>(2,345)</b>	(2,112)
Adjustments to tax charge in respect of previous periods	<b>72</b>	42
Current tax charge for the period	<u><b>72</b></u>	<u>42</u>

**11 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Policyholders	<b>291</b>	234
Intermediaries	<b>498</b>	500
	<u><b>789</b></u>	<u>734</u>



## AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued

## 12 OTHER DEBTORS

	2001	2000
	£'000	£'000
Amounts owed by group undertakings	32,521	23,001
Other debtors	463	1,202
	<u>32,984</u>	<u>24,203</u>

## 13 TANGIBLE ASSETS

	Equipment and motor vehicles £'000
<b>Cost</b>	
At 1 January 2001	477
Inter-group transfers	(42)
Disposals	(46)
At 31 December 2001	<u>389</u>
<b>Depreciation</b>	
At 1 January 2001	(355)
Charge for the year	(58)
Inter-group transfers	42
Disposals	34
At 31 December 2001	<u>(337)</u>
<b>Net book value</b>	
At 31 December 2001	<u>52</u>
At 31 December 2000	<u>122</u>

## 14 CALLED UP SHARE CAPITAL

	2001	2000
	£'000	£'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>

## 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£'000	£'000
Retained profit for the financial year	7,719	7,242
Shareholders' funds at 1 January	<u>37,573</u>	<u>30,331</u>
Shareholders' funds at 31 December	<u>45,292</u>	<u>37,573</u>



## AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued

## 16 OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

	2001	2000
	£'000	£'000
Bank overdrafts	17	504
Amounts owed to group undertakings	744	891
Corporation tax	-	124
Other taxation and social security	288	200
Other creditors	828	57
	<u>1,877</u>	<u>1,776</u>

## 17 PENSIONS AND SIMILAR OBLIGATIONS

Substantially all of the company's employees were members of either the Centrica Management Pension Scheme (formerly the AA Management Pension Scheme) or the AA Staff Pension Scheme. These defined benefit schemes are funded to cover pension liabilities in respect of service up to the balance sheet date and their assets are held in separate trustee administered funds. The latest actuarial valuations of the schemes, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of Centrica plc, show a total deficit of £29m. Further details of these valuations can be found in the annual report of Centrica plc.

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 also contained in the annual report of Centrica plc. Provisions for pensions and similar obligations are held centrally by The Automobile Association Limited.

## 18 DEFERRED TAXATION

Potential amounts of unrecognised deferred tax (assets)/liabilities comprise:	2001	2000
Timing differences on:	£'000	£'000
Accelerated capital allowances	(32)	(33)
Provisions for pensions and similar obligations	(214)	(217)
Other short term timing differences	(157)	(156)
Deferred corporation tax (asset)/liability	<u>(403)</u>	<u>(406)</u>

There is no deferred taxation recognised in the accounts (2000: £ nil). As required by FRS 19, deferred tax assets are only recognised when there is persuasive and reliable evidence that the assets can be realised. Detailed operating plans covering two years from the balance sheet date are used for deferred tax asset recognition purposes. Potential deferred tax asset utilisation falling outside that planning horizon is not currently recognised on the balance sheet. As encouraged by FRS 19, deferred tax asset recognition will be regularly reassessed.

**AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued****19 RELATED PARTY TRANSACTIONS**

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

**20 ULTIMATE OWNERSHIP**

The company is a wholly owned subsidiary of Automobile Association Developments Limited.

The ultimate parent undertaking, which is also the parent of the smallest and largest group to consolidate these accounts, is Centrica plc, whose principal place of business is situated at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD. Copies of the Annual Report and Accounts of Centrica are available from the Company Secretary at this address.