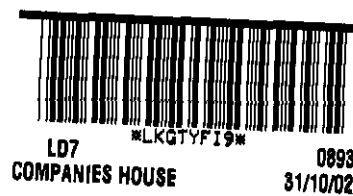


*AUTOMOBILE ASSOCIATION
INSURANCE SERVICES
HOLDINGS LIMITED
ANNUAL REPORT AND ACCOUNTS
31 DECEMBER 2001*



Registered number: 2413321

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS 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 PRINCIPAL ACTIVITY

The principal activity of the company is that of a holding company.

3 REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS

The company did not trade during the year.

4 DIVIDENDS

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

5 DIRECTORS

The directors of the company were as follows:

| | |
|------------------|---------------------------|
| Andrew Briscoe | - appointed 14 March 2002 |
| Nigel Clark | - appointed 14 March 2002 |
| Roger Wood | - appointed 14 March 2002 |
| Mark Clare | - resigned 14 March 2002 |
| Doug Richards | - resigned 14 March 2002 |
| Kerry Richardson | - resigned 14 March 2002 |

6 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, as set out below.

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:

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2001 -- continued

6 DIRECTORS INTERESTS -- continued

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 Scheme

| | 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).

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 | - | - |

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**REPORT OF THE DIRECTORS****FOR THE YEAR ENDED 31 DECEMBER 2001 – continued****6 DIRECTORS INTERESTS – continued**

Options were granted on 31 May 2001 under the terms of the 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 Scheme, and allocations made under the terms of the Long Term Incentive Scheme. Details of these schemes can be found in the 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.

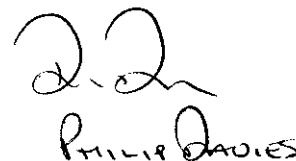
7 DIRECTORS' AND OFFICERS' LIABILITY

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

8 AUDITORS

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

BY ORDER OF THE BOARD



FOR AND ON BEHALF OF
CENTRICA SECRETARIES LIMITED
SECRETARY
25 OCTOBER 2002

Registered Office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

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

The directors are required by the Companies Act 1985 to prepare financial statements for each 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 6 to 12, 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 INSURANCE SERVICES HOLDINGS LIMITED**

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 8 and 9.

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' responsibility on page 4.

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 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

LONDON,

29 OCTOBER 2002

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

| | Notes | 2001 £'000 | 2000 £'000 |
|--|-------|---------------------|-------------------|
| Amount written off investment | 4 | <u>(1,587)</u> | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (1,587) | - |
| TAXATION ON LOSS ON ORDINARY ACTIVITIES | 3 | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR | | (1,587) | - |
| RETAINED PROFIT AT 1 JANUARY | | 641 | 641 |
| RETAINED (DEFICIT)/PROFIT AT 31 DECEMBER | | <u><u>(946)</u></u> | <u><u>641</u></u> |

The company did not trade during the year.

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 2001 and 2000, other than the results for the financial years reported above and, therefore, no separate statement of total recognised gains or losses is presented.

The notes on pages 8 to 12 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

BALANCE SHEET – 31 DECEMBER 2001

| | Notes | 2001 £'000 | 2000 £'000 |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Investments in group undertakings | 4 | <u>126,254</u> | <u>126,841</u> |
| CURRENT ASSETS | | | |
| Cash at bank and in hand | | <u>1,796</u> | <u>1,796</u> |
| | | <u>1,796</u> | <u>1,796</u> |
| CREDITORS: amounts falling due within one year | 5 | <u>(1,000)</u> | <u>-</u> |
| NET CURRENT ASSETS | | <u>796</u> | <u>1,796</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>127,050</u> | <u>128,637</u> |
| NET ASSETS | | <u>127,050</u> | <u>128,637</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 6 | 21,549 | 21,549 |
| Share premium account | 7 | 1,447 | 1,447 |
| Capital reserve | 7 | 105,000 | 105,000 |
| Profit and loss account | | (946) | 641 |
| EQUITY SHAREHOLDERS' FUNDS | 8 | <u>127,050</u> | <u>128,637</u> |

The financial statements on pages 6 to 12 were approved by the board of directors on 25 October 2002 and were signed on its behalf by:

NIGEL CLARK
DIRECTOR



The notes on pages 8 to 12 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001****1 ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention and the Companies Act 1985. Both Financial Reporting Standard (FRS) 18, Accounting Policies, and FRS 19, Deferred Tax, were adopted in 2001.

A summary of accounting policies is set out below.

Basis of accounting

The company is exempt from the requirement to prepare consolidated accounts under Section 228 of the Companies Act 1985, as it and its subsidiary undertakings are included by full consolidation in the accounts of its ultimate parent, Centrica plc.

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).

Investments

Investments are stated at cost, less accumulated provisions for any impairment.

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001- continued

1. ACCOUNTING POLICIES - continued

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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. DIRECTORS' EMOLUMENTS

The emoluments of the directors are paid by other group companies. Their services to this company are of a non-executive nature and their emoluments are deemed to be wholly in respect of their services to those companies.

3. TAXATION ON LOSS ON ORDINARY ACTIVITIES

| | 2001 £'000 | 2000 £'000 |
|----------------------------------|---------------|---------------|
| Total tax on ordinary activities | <u>-</u> | <u>-</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 loss before tax is as follows:

| | 2001 £'000 | 2000 £'000 |
|---|----------------|---------------|
| Loss on ordinary activities before tax | <u>(1,587)</u> | <u>-</u> |
| Tax on loss on ordinary activities at standard UK Corporation tax rate of 30% (2000, 30%) | (476) | - |
| Effects of expenses not deductible for tax purposes | <u>476</u> | <u>-</u> |
| Current tax charge for the year | <u>-</u> | <u>-</u> |

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued

4 FIXED ASSET INVESTMENTS

| | £'000 |
|---|-----------------------|
| Shares in group undertakings | |
| At cost - 1 January 2001 | 126,841 |
| Additions | <u>1,000</u> |
| At cost - at 31 December 2001 | 127,841 |
| Provision | |
| Increase in year and as at 31 December 2001 | <u>(1,587)</u> |
| Net book value - at 31 December 2001 | <u>126,254</u> |

Investments increased during the year by the purchase, at par, of a further 1,000,000 ordinary shares of £1 each in AA Financial Services Limited.

During the year, the company provided £1,587,000 against an investment in group undertakings to reflect the reduction in net asset value of AA Financial Services Limited.

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

| Name | Principal Business Activity |
|---|---|
| Automobile Association Insurance Services Limited | Insurance intermediary services |
| Automobile Association Protection and Investment Planning Limited | Independent life broking and financial advisory services |
| AA Financial Services Limited | Independent life broking and financial advisory services (company ceased trading on 26 April 2002). |
| Goldfish Financial Services Limited | Financial services |
| A.A. Insurance Services Limited * | Dormant |

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

All shares held are ordinary £1 shares.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued

5 CREDITORS

Amounts falling due within one year

| | 2001 | 2000 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | <u>1,000</u> | <u>-</u> |

6 CALLED UP SHARE CAPITAL

| | 2001 | 2000 |
|----------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Ordinary shares of £1 each | | |
| Authorised | <u>30,000</u> | <u>30,000</u> |
| Issued, called up and fully paid | <u>21,549</u> | <u>21,549</u> |

7 UNDISTRIBUTABLE RESERVES

| | Share premium account £'000 | Capital reserve £'000 |
|--|--|--------------------------------------|
| At 1 January 2001 and 31 December 2001 | <u>1,447</u> | <u>105,000</u> |

8 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2001 | 2000 |
|------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Loss for the financial year | (1,587) | - |
| Shareholders' funds at 1 January | <u>128,637</u> | <u>128,637</u> |
| Shareholders' funds at 31 December | <u>127,050</u> | <u>128,637</u> |

9 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 2001, the company's exposure under this guarantee was £1,796,769 (2000, £1,796,769).

10 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 - continued****11 ULTIMATE OWNERSHIP**

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

The ultimate parent undertaking 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 plc are available from the Company Secretary at this address. Centrica plc is the smallest and largest group to consolidate these financial statements.