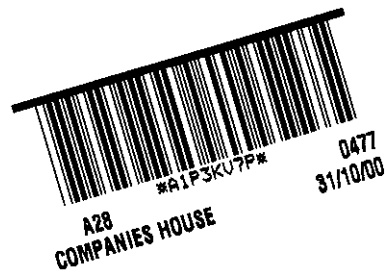


***AUTOMOBILE ASSOCIATION
INSURANCE SERVICES LIMITED
ACCOUNTS - 31 DECEMBER 1999***



Registered number: 2414212

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1999

1 The directors present the audited financial statements for the year ended 31 December 1999.

2 **REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS**

The profit and loss account for the year is set out on page 7.

The main activity of the company is the provision of personal lines insurance intermediary services.

On 23 September 1999, the AA Group, in which the company was a subsidiary, was acquired by Centrica plc.

Personal lines insurance remains an intensely competitive market, and the increases in motor premiums witnessed over the last twelve months have increased the level of churn within the market putting downward pressures on new business and retention rates. Despite this, turnover was broadly consistent with last year and the business was able to grow the home portfolio.

Operating costs before exceptional items were reduced by 16% following the AA Group's decision to close our network of retail shops during 1998.

In 2000 the business will focus on developing new products and adding additional insurers to our panel enabling us to maintain a competitive edge. In addition, we intend to develop our Internet site further to provide our customers with a seamless online insurance service.

On 31 March 2000, the business and portfolio of British Gas Home Insurance was transferred at book value into the company from British Gas Trading Limited, a fellow subsidiary of Centrica plc.

3 **DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year (1998, £10,000,000).

4 **DIRECTORS**

The directors of the company were as follows:

Kerry Richardson	- Chairman
Mark Clare	- appointed 23 September 1999
Doug Richards	- appointed 23 September 1999
Colin Skeen	- appointed 3 August 1999, resigned 23 September 1999
Barry Smith	- resigned 31 August 1999
Don Tangney	- resigned 31 August 1999
Stephen Young	- appointed 3 August 1999, resigned 23 September 1999

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1999 - continued

5 DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS

At no time did any director holding office at 31 December 1999 have any interest in the shares of the company, or any other company within the Centrica group, except for interests in and options over the ordinary shares of the ultimate parent company, Centrica plc.

In relation to the interests of the directors at 31 December 1999, details of the interests of Mark Clare are shown in the 1999 Centrica Annual Report and Accounts. Details of Kerry Richardson and Doug Richards were as follows:

Beneficial interests:

	<u>As at 31 December 1999</u>		<u>As at 31 Dec 1998</u>	<u>As at 23 Sept 1999</u>
	Kerry Richardson	Doug Richards	Kerry Richardson	Doug Richards
Number of shares				
Ordinary shares (a)	1,530	249	1,700	249
Long term incentive scheme (b)	66,293	86,770	-	64,015
Savings related share option scheme (c)	-	37,176	-	37,176
Employee profit share scheme	-	721	-	721
	<u>67,823</u>	<u>124,916</u>	<u>1,700</u>	<u>102,161</u>

- (a) Interests in the ordinary shares of Centrica plc include shares acquired under the British Gas plc profit sharing scheme. Shares were acquired at demerger on the basis of one Centrica plc share for each British Gas plc share. The ordinary share capital of Centrica plc was consolidated on 10 May 1999 on the basis of nine new ordinary shares for every ten ordinary shares held on 7 May 1999.
- (b) Notional allocations of shares were made on 1 October 1999 under the Centrica long term incentive scheme at a price of 128.86 pence. Figures given represent the maximum award possible if all performance criteria are met at the end of the performance period (three or four years) and would not be made until the expiry of the retention period (a further two years). Awards held at the date of demerger were replaced with Centrica plc shares at a base price of 81.7 pence.
- (c) Options over shares in Centrica plc granted in April 1997 at 46.4 pence per share under the terms of Centrica's savings related share option scheme.

The closing price of a Centrica plc ordinary share on the last day of trading in 1999 (30 December) was 175.5 pence. The range during the year ended 31 December 1999 was 191.0 pence (high) and 108.0 pence (low).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED**REPORT OF THE DIRECTORS****FOR THE YEAR ENDED 31 DECEMBER 1999 - continued****5 DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS - continued**

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

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

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 Group supports Investors in People and a number of operating units achieved accreditation during the year.

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.

All employees participate in a performance-related bonus or an incentive scheme, and in addition, there is a long-term remuneration scheme for senior management.

7 CHARITABLE DONATIONS

During the year, donations to charities amounted to £762 (1998, £600). No political donations were made.

8 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

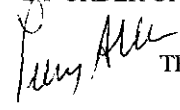
REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1999 - continued

9 YEAR 2000

The total estimated cost for the Year 2000 programme has been quantified at a Centrica Group level and is disclosed in the Centrica plc Group financial statements. As a result of the programme, there was no disruption to operations or customer service over the millennium.

BY ORDER OF THE BOARD


TRACY ALLEN
SECRETARY26TH OCTOBER 2000

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

The directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 7 to 17, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED**

We have audited the financial statements on pages 7 to 17, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual report. As described on page 5, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of 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

SOUTHAMPTON, 30 October 2000

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 £'000	1998 £'000
TURNOVER	2	100,833	103,597
Operating expenditure, before exceptional items		(83,354)	(97,730)
Exceptional operating expenditure	3	<u>(1,061)</u>	<u>(10,878)</u>
Total operating expenditure		(84,415)	(108,608)
Operating profit/(loss)		<u>16,418</u>	<u>(5,011)</u>
Other interest receivable and similar income	4	4,118	5,108
Interest payable and similar charges	5	(993)	(1,506)
PROFIT/(LOSS) BEFORE TAXATION	6	<u>19,543</u>	<u>(1,409)</u>
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	9	<u>120</u>	<u>(1,650)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		19,663	(3,059)
DIVIDENDS	10	<u>-</u>	<u>(10,000)</u>
RETAINED PROFIT /(LOSS) FOR THE YEAR		19,663	(13,059)
RETAINED PROFIT AT 1 JANUARY 1999		2,717	15,776
RETAINED PROFIT AT 31 DECEMBER 1999		<u><u>22,380</u></u>	<u><u>2,717</u></u>

All items dealt with in arriving at the results before taxation for both 1999 and 1998 relate to continuing operations.

As the financial statements have been drawn up under the historical cost convention, there is no difference between the profit and loss account, reported above, and its historical cost equivalent.

The company has no recognised gains or losses in 1999 and 1998, 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 9 to 17 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

BALANCE SHEET – 31 DECEMBER 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	11	20,086	16,220
Other investments other than loans	13	<u>452</u>	<u>452</u>
		20,538	16,672
CURRENT ASSETS			
Debtors	14	113,419	70,090
Investments	15	40,000	53,470
Cash at bank and in hand		<u>12,956</u>	<u>1,811</u>
		166,375	125,371
CREDITORS: amounts falling due within one year	16	<u>(129,399)</u>	<u>(100,104)</u>
NET CURRENT ASSETS		<u>36,976</u>	<u>25,267</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		57,514	41,939
CREDITORS: amounts falling due after more than one year	17	(5,678)	(7,303)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(10,456)</u>	<u>(12,919)</u>
NET ASSETS		<u>41,380</u>	<u>21,717</u>
CAPITAL AND RESERVES			
Called up share capital	21	19,000	19,000
Profit and loss account		<u>22,380</u>	<u>2,717</u>
EQUITY SHAREHOLDERS' FUNDS	22	<u>41,380</u>	<u>21,717</u>

The financial statements on pages 7 to 17 were approved by the Board of directors on 26 October 2000 and were signed on its behalf by:



DIRECTOR

The notes on pages 9 to 17 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999

1 ACCOUNTING POLICIES

The financial statements have been prepared on a consistent basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

A summary of accounting policies is set out below.

Turnover

Turnover represents commissions on insurance policies and income from related credit products. It excludes value added tax and insurance premium tax.

Credit is taken for commission receivable on all insurance premiums credited to underwriters in the company's books and for two-thirds of the commission on premiums receivable and processed but not closed to underwriters by the balance sheet date. No credit is taken for commission or premiums invited but not received by the balance sheet date. The company has agreed with some underwriters that additional commission may be receivable dependent upon certain underwriting criteria. The credit for these additional amounts is taken when the value is confirmed by the underwriter.

Income from credit products is recognised over the period of the loan with a front end weighting.

Fixed assets

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated so as to write off the cost of fixed assets, other than land, over the expected useful economic lives of the assets concerned. A straight line basis is used, except where additional depreciation is charged in the period when an impairment in value is recognised. The principal annual rates used for this purpose are:

Freehold buildings	2%
Short leasehold properties	over the period of the leases
Equipment	20% - 33.33%
Motor vehicles	16% - 22%

Provision is made in relation to unoccupied properties for future property costs up to the estimated date of final disposal.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

1 ACCOUNTING POLICIES - continued

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 included as an asset or liability in the balance sheet.

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.

Insurance intermediary assets and liabilities

The company acts as an agent in the insurance of clients' risks and, generally, is not liable as a principal for premiums due to underwriters nor for claims payable to clients. Notwithstanding the company's legal relationship with clients and underwriters and since, in practice, premiums and claims monies are usually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself.

Investments

Investments are stated at cost. Credit is taken for all interest due but not received before the year end.

Advertising, promotion and mailing campaign costs

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

Cash flow statement

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

2 **TURNOVER**

All of the turnover arises from one class of business within the UK.

3 **EXCEPTIONAL OPERATING EXPENDITURE**

The exceptional operating expenditure in 1999 comprise revenue costs associated with the company's new property in Cardiff of £2,286,000 less the release of property provisions made in 1998 of £1,225,000. No tax relief has been recognised in 1999 in respect of these costs.

In 1998, the exceptional operating expenditure related to the costs associated with the closure of the network of high street outlets. A taxation credit of £1,089,000 arose from this exceptional expenditure.

4 **OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	1999	1998
	£'000	£'000
Bank interest receivable	3,151	4,499
Other interest receivable	176	103
Other income	791	506
	<u>4,118</u>	<u>5,108</u>

5 **INTEREST PAYABLE AND SIMILAR CHARGES**

	1999	1998
	£'000	£'000
Other interest payable	<u>993</u>	<u>1,506</u>

6 **PROFIT/(LOSS) BEFORE TAXATION**

The profit/(loss) before taxation is stated after charging:

	1999	1998
	£'000	£'000
Depreciation of tangible fixed assets	(32)	3,215
Furniture and fittings written off	138	6
Fees payable to the auditors:		
Audit	89	102
Other	24	15
Property operating leases	1,766	1,864

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

7 DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Aggregate emoluments	541	561
Aggregate compensation for loss of office	318	-
	<u>859</u>	<u>561</u>

All of the directors were 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. Accordingly the emoluments shown above relate to those directors paid by the company.

Retirement benefits are accruing to all of the directors under defined benefit schemes.

The emoluments of the highest paid director were £312,000 (1998, £246,000). The accrued annual pension of the highest paid director was £79,000 (1998, £67,000).

8 EMPLOYEES

The average number of persons employed by the company including executive directors, during the year was 1,893 (1998, 1,751).

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

	1999 £'000	1998 £'000
Wages and salaries	23,637	21,721
Social security costs	1,344	1,383
Other pension costs	1,930	1,662
	<u>26,911</u>	<u>24,766</u>

9 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998, 31%)		
Current	1,325	1,704
Over provision in respect of prior years		
Corporation tax	(1,445)	(54)
	<u>(120)</u>	<u>1,650</u>

10 DIVIDENDS

	1999 £'000	1998 £'000
Ordinary:		
Proposed final dividend of £nil per share (1998, 52.632p)	-	10,000
	<u>-</u>	<u>10,000</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

11 TANGIBLE FIXED ASSETS

	Land and Buildings		Equipment and motor vehicles	Total
	Freehold £'000	Short leasehold £'000	£'000	£'000
Cost				
At 1 January 1999	18,953	6,998	6,789	32,740
Additions	-	3,775	360	4,135
Intra-group transfers	-	-	(223)	(223)
Disposals	(31)	(1,596)	(504)	(2,131)
At 31 December 1999	18,922	9,177	6,422	34,521
Depreciation				
At 1 January 1999	4,738	6,992	4,790	16,520
Charge for the year *	(833)	1	800	(32)
Intra-group transfers	-	-	(32)	(32)
Disposals	-	(1,595)	(426)	(2,021)
At 31 December 1999	3,905	5,398	5,132	14,435
Net book value				
At 31 December 1999	15,017	3,779	1,290	20,086
At 31 December 1998	14,215	6	1,999	16,220

* Depreciation charge includes a write-back of additional depreciation charged in 1998.

In the opinion of the directors, the current open market value on an existing use basis of the freehold and leasehold land and buildings was not significantly less than the amount at which they are included in the balance sheet at 31 December 1999. The directors consider that there is no permanent diminution in the value of these assets to the company.

12 FIXED ASSET INVESTMENTS

Shares in group undertakings	1999	1998
Shares at cost	<u>£2</u>	<u>£2</u>

At 31 December 1999, the following company was wholly owned and incorporated in England.

Name	Description of Shares	Principal Business Activity
A.A. Insurance Services Limited	Ordinary £1	Dormant

The company is exempt from the requirement to prepare consolidated accounts by reason of Section 228(1)(a) of the Companies Act 1985, as the company is a wholly owned subsidiary of Centrica plc.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

13 OTHER INVESTMENTS OTHER THAN LOANS

	1999	1998
	£'000	£'000
Cash deposits	452	437
Government securities	-	15
	<u>452</u>	<u>452</u>

14 DEBTORS

Amounts falling due within one year

	1999	1998
	£'000	£'000
Trade debtors	71,427	64,569
Amounts owed by group undertakings	37,294	-
Other debtors	4,173	4,812
Prepayments and accrued income	525	679
	<u>113,419</u>	<u>70,060</u>

Amounts falling due after more than one year

	1999	1998
	£'000	£'000
Other debtors	-	30
	<u>113,419</u>	<u>70,090</u>

15 INVESTMENTS

	1999	1998
	£'000	£'000
Short-term deposits	<u>40,000</u>	<u>53,470</u>

16 CREDITORS

Amounts falling due within one year

	1999	1998
	£'000	£'000
Bank loans and overdrafts	49,471	19,303
Insurance creditors	42,933	37,851
Amounts owed to group undertakings	16,876	18,673
Taxation and social security	2,993	4,089
Other creditors	10,475	5,815
Accruals and deferred income	6,651	4,373
Dividends payable to group undertakings	-	10,000
	<u>129,399</u>	<u>100,104</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

17 CREDITORS

Amounts falling due after more than one year

	1999 £'000	1998 £'000
Amounts owed to group undertakings	<u>5,678</u>	<u>7,303</u>

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Property provisions £'000	Restruct- uring provisions £'000	Other £'000	Total £'000
At 1 January 1999	11,082	1,837	-	12,919
Charge for the year	121	-	1,885	2,006
Utilised in the year	(1,407)	(1,837)	-	(3,244)
Released in the year	(1,225)	-	-	(1,225)
At 31 December 1999	<u>8,571</u>	<u>-</u>	<u>1,885</u>	<u>10,456</u>

The property provisions represent costs relating to properties surplus to the company's requirements following the closure of the network of high street outlets. The majority of these sums are expected to be spent during 2000 and 2001.

The other provision is for costs associated with the company's new property in Cardiff and is expected to be utilised during 2000.

19 PENSIONS AND SIMILAR OBLIGATIONS

Substantially all of the company's employees were members of either the AA management pension scheme or the AA staff pension scheme. These defined benefit schemes are funded to cover future pension liabilities 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 qualified actuary certifies the rate of employer's contributions which, together with the specified contributions payable by the employees and proceeds from the schemes' assets, are expected to be 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 Centrica plc. Provisions for pensions and similar obligations are held centrally by The Automobile Association Limited.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

20 DEFERRED TAXATION

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

	1999 Full potential liability/ (asset) £'000	1999 Provision made £'000	1998 Full potential liability/ (asset) £'000	1998 Provision made £'000
Timing differences on				
Fixed assets	3,425	3,425	3,473	3,473
Provisions for pensions and similar obligations	(2,996)	(2,880)	(3,223)	(3,016)
Other items	(545)	(545)	(457)	(457)
Capital gains rolled over	2	-	3	-
	<u>(114)</u>	<u>-</u>	<u>(204)</u>	<u>-</u>

21 CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Ordinary shares of £1 each		
Authorised	<u>20,000</u>	<u>20,000</u>
Issued, called up and fully paid	<u>19,000</u>	<u>19,000</u>

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Profit/(loss) for the financial year	19,663	(3,059)
Dividends	<u>-</u>	<u>(10,000)</u>
Net addition to/(reduction in) shareholders' funds	19,663	(13,059)
Shareholders' funds at 1 January 1999	21,717	34,776
Shareholders' funds at 31 December 1999	<u>41,380</u>	<u>21,717</u>

23 COMMITMENTS

Guarantees

The company is part of a group cross guarantee arrangement whereby it has guaranteed the overdrafts of certain other group undertakings and other group undertakings have guaranteed the company's overdraft. At 31 December 1999, the company's exposure under this guarantee was £99,014,313 (1998, £164,881,428).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999 - continued

23 COMMITMENTS - continued

Capital	1999	1998
	£'000	£'000
Expenditure contracted for	<u>37</u>	<u>55</u>
Operating leases		

The company is committed to make payments next year, analysed by year of expiry, as follows:

	Land and buildings	
	1999	1998
	£'000	£'000
Next year	28	58
Second to fifth year from balance sheet date	427	741
Thereafter	<u>1,933</u>	<u>2,273</u>
	<u>2,388</u>	<u>3,072</u>

24 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.

25 ULTIMATE OWNERSHIP

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

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