

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2009

Registered Number: 1674675

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AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2009

The directors present their report and audited financial statements of Automobile Association Underwriting Services Limited (the "Company") for the year ended 31 January 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to transact general insurance business within the UK as regulated by the Financial Services Authority. This business is introduced by various other members of the AA Group on an arms-length basis.

REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS

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

During the year, technical income has decreased from £57,740,000 to £41,307,000. Profit after tax has increased from £16,273,000 to £16,301,000.

During the year, the Directors took the decision to cease to write all personal business lines and to cease to write commercial business lines in line with contract expiry (mostly within two years). This commenced 1 June 2008. The Directors believe that the Company has ample financial resources to pay all the claims as they fall due in an orderly fashion and that no change to the basis of preparation is required. New and renewal business for the Company's products was transferred to a fellow regulated underwriter in the Acromas Group.

During the year under review, the net solvency capital of the Company, represented by net assets less intercompany debtors increased from £22,942,000 to £31,405,000. The Company remains significantly above the requirements set by the Financial Services Authority.

The Directors are pleased with the improvement in the financial position of the Company and expect the level of solvency to remain in excess of the requirements set by the Financial Services Authority.

KEY PERFORMANCE INDICATORS

The Company's Directors' use the following key performance indicators to monitor the development, performance and position of the business:

| | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|--------------------------------------|--------------------------------------|---|
| Gross written premiums | 28,203 | 62,500 |
| Net assets less intercompany debtors | 31,405 | 22,942 |
| Claims ratio | 30% | 26% |
| Profit after tax | 16,301 | 16,273 |

The claims ratio is calculated as claims incurred, net of reinsurance, divided by total technical income.

The increase of the claims ratio in the year is due to a timing difference arising as a result of the cessation of written premiums during the year for most business lines and consequent recognition of deferred income, compared to the persistence of the claims costs underwritten prior to the cessation.

DIVIDENDS

During the year, the directors paid an interim dividend of £33.05 per share, totalling £82,625,000 (2008: £nil).

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2009

DIRECTORS

The directors of the Company were as follows:

| | |
|-----------------|--|
| Stuart Howard | |
| Stephen Hazzard | |
| Andrew Button | (appointed 30 April 2008) |
| Andrew Boland | (appointed 22 December 2008) |
| David Slater | (appointed 17 July 2008) |
| William Treen | (resigned 2 May 2008, appointed 20 November 2008) |
| Dennis Holt | (appointed 2 May 2008, resigned 23 September 2008) |
| Andrew Strong | (resigned 22 April 2008) |

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is part of the Acromas Holdings Limited Group and its financial risks are managed centrally by the Group Treasury team taking into account the Company's position as part of the group with due consideration being given to the impact of transactions with other group entities. The most important components of financial risk impacting the Company are establishing claims provisions, currency risk, credit risk and liquidity risk.

Due to the inherent unpredictable nature of future claims, the formation of provisions for claims incurred but not settled and claims incurred but not yet reported is subject to uncertainty. In calculating provisions for unpaid claims the Company uses various estimation techniques including statistical analysis based on historical experience.

The Company is exposed to currency risk in respect of transactions with overseas entities. The principal currency to which the Company is exposed to is the Euro. The Directors have reviewed the net exposure to foreign exchange risk and have concluded that no hedging is required. This policy is subject to periodic review.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Areas where the Company is exposed to credit risk are –

- **Amounts due from insurance intermediaries.** Premiums are received on behalf of the Company by another group company; cash is held centrally, with amounts due held within the Company as an inter-company balance. The Directors do not consider that non-payment of these balances is a significant risk to the Company.
- **Reinsurer's share of liabilities.** As primary insurer, the Company must discharge its liability even if a reinsurer fails to pay a claim. The Company has one treaty reinsurer, which is another group company and is monitored on a regular basis to ensure its financial stability.
- **Investments.** Cash is invested in short-term financial instruments and only deposited with counterparties meeting a "AAA" credit rating requirement set by the Board.

Liquidity risk is the risk that cash may not be available to pay obligations when due. Company monies on deposit with the rest of the group are available to meet the Company's liquidity requirements. In addition specific investments of £39m are available at seven days notice.

In order to manage these risks, the Company has put in place rigorous procedures and controls designed to prevent these risks occurring or, where this is not possible, to mitigate their effects. These controls are monitored both by the Compliance and Internal Audit functions to ensure they are working effectively.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPOINTMENT OF AUDITORS

In accordance with section 487(2) of the Companies Act 2006, the company has elected to dispense with the obligation to appoint auditors annually, in which case the incumbent auditors, Ernst & Young LLP, are deemed re-appointed.

DISCLOSURE OF INFORMATION TO AUDITORS

Each current Director has made enquiries of their fellow directors and the Company's auditor and taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each Director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

BY ORDER OF THE BOARD

John Davies

JOHN DAVIES
COMPANY SECRETARY
29/ APRIL 2009

REGISTERED OFFICE:
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

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

We have audited the financial statements (the "financial statements") of Automobile Association Underwriting Services Limited for the year ended 31 January 2009 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

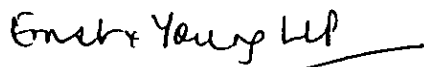
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 January 2009 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
London

28 April 2009

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 JANUARY 2009

| | Notes | Year to 31.1.09 £'000 | 13 months to 31.1.08 £'000 |
|---|-------|-----------------------------|----------------------------------|
| EARNED PREMIUMS, NET OF REINSURANCE | | | |
| Gross premiums written | 2 | 28,203 | 62,500 |
| Outward reinsurance premiums | | <u>(1,468)</u> | <u>(5,016)</u> |
| Net premiums written | | 26,735 | 57,484 |
| Change in the gross provision for unearned premiums | | 16,562 | 230 |
| Change in the provision for unearned premiums, reinsurer's share | | <u>(1,990)</u> | <u>26</u> |
| Change in the net provision for unearned premiums | | 14,572 | 256 |
| TOTAL TECHNICAL INCOME | | <u>41,307</u> | <u>57,740</u> |
| CLAIMS INCURRED, NET OF REINSURANCE | | | |
| Gross claims paid | | 13,973 | 14,896 |
| Reinsurer's share | | <u>(336)</u> | <u>(436)</u> |
| Net claims paid | | 13,637 | 14,460 |
| Change in the gross provision for claims | | (1,462) | 479 |
| Change in the provision for claims, reinsurer's share | | <u>94</u> | <u>(59)</u> |
| Change in the net provision for claims | | (1,368) | 420 |
| CLAIMS INCURRED, NET OF REINSURANCE | | 12,269 | 14,880 |
| Net operating expenses | 4 | 15,078 | 28,914 |
| TOTAL TECHNICAL CHARGES | | <u>27,347</u> | <u>43,794</u> |
| BALANCE ON THE TECHNICAL ACCOUNT - GENERAL BUSINESS | 2 | <u>13,960</u> | <u>13,946</u> |

The notes on pages 8 to 15 form part of these financial statements.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT (continued)

NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2009

| | Notes | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|---|--------------|--------------------------------------|---|
| Balance on the technical account – general business | | 13,960 | 13,946 |
| Investment income | 5 | 8,783 | 9,490 |
| Intercompany interest payable | | - | (331) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 22,743 | 23,105 |
| Taxation on profit on ordinary activities | 7 | (6,442) | (6,832) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR / PERIOD | | 16,301 | 16,273 |

Profit on ordinary activities before taxation for the year ended 31 January 2009 and period ended 31 January 2008 relates to continuing operations.

The Company has no recognised gains or losses in the year ended 31 January 2009 and period ended 31 January 2008, other than the profit for the financial year / period, reported on pages 5 and 6, and, therefore, no separate statement of total recognised gains or losses is presented.

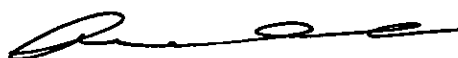
The notes on pages 8 to 15 form part of these financial statements.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

BALANCE SHEET AT 31 JANUARY 2009

| | Notes | 31.1.09 £'000 | 31.1.08 £'000 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| INVESTMENTS | | | |
| Deposits with credit institutions | | 39,000 | 39,000 |
| REINSURER'S SHARE OF TECHNICAL PROVISIONS | | | |
| Provision for unearned premiums | | 240 | 2,230 |
| Claims outstanding | | 700 | 794 |
| | | <u>940</u> | <u>3,024</u> |
| DEBTORS | | | |
| Debtors arising out of direct insurance operations | 10 | 323 | 693 |
| Other debtors | 11 | 14,422 | 89,134 |
| | | <u>14,745</u> | <u>89,827</u> |
| OTHER ASSETS | | | |
| Cash at bank and in hand | | - | 112 |
| | | <u>-</u> | <u>112</u> |
| PREPAYMENTS AND ACCRUED INCOME | | | |
| Accrued interest and rent | | 94 | 194 |
| Deferred acquisition costs | | 1,034 | 9,098 |
| | | <u>1,128</u> | <u>9,292</u> |
| TOTAL ASSETS | | <u>55,813</u> | <u>141,255</u> |
| LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 2,500 | 2,500 |
| Profit and loss account | 13 | 43,163 | 109,487 |
| EQUITY SHAREHOLDERS' FUNDS | 14 | <u>45,663</u> | <u>111,987</u> |
| TECHNICAL PROVISIONS | | | |
| Provision for unearned premiums | | 6,823 | 23,385 |
| Claims outstanding | | 3,005 | 4,467 |
| | | <u>9,828</u> | <u>27,852</u> |
| CREDITORS | | | |
| Other creditors including taxation and social security | 15 | 100 | 1,180 |
| ACCRUALS AND DEFERRED INCOME | | 222 | 236 |
| TOTAL LIABILITIES | | <u>55,813</u> | <u>141,255</u> |

The financial statements on pages 5 to 15 were approved by the board of directors on 28 April 2009 and were signed on its behalf by:



ANDREW BOLAND
DIRECTOR

The notes on pages 8 to 15 form part of these financial statements.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements are prepared on the basis of the accounting policies set out below and comply with the special provisions relating to insurance companies in section 255 of, and Schedule 9A to, the Companies Act 1985. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006 (the "SORP") have been adopted.

The financial statements have also been prepared in accordance with applicable UK generally accepted accounting policies, under the historical cost convention and on the going concern basis.

A summary of the principal accounting policies is set out below.

Premiums written

All premiums written relate to business inception in the financial 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 incurred

Claims incurred comprise claims and related expenses paid in the financial year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

Claims outstanding provisions

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until some time after the event, giving rise to the claims, has happened. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Claims outstanding provisions (continued)

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported and information on the cost of settling claims with similar characteristics in previous periods.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Reinsurance written

Reinsurance premiums are brought into the underwriting account on an accruals basis. The proportion of any premium relating to future periods is carried forward on the balance sheet.

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 would be 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 and amortised over the period in which the related premiums are earned.

Investments

Investment income is the amount receivable for the period. Investments are included in the balance sheet at current market value. Realised and unrealised investment gains are included in the non-technical account in the period in which they arise.

Cash flow statement

The Company's ultimate parent is Acromas Holdings Limited, whose consolidated financial statements are publicly available. The Company is a wholly owned subsidiary and is therefore exempt from the requirement to prepare a cash flow statement.

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 that are different from those in which they are recognised in the financial statements.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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 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.

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 period 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 reserves. Other exchange differences are taken to the technical account – general business.

2. SEGMENTAL INFORMATION

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

Segmental analysis showing the analysis of gross premiums written and earned, gross claims incurred, gross operating expenses and the reinsurance balance is not included since, in the opinion of the Directors, such an analysis would be seriously prejudicial to the business.

3. MOVEMENTS IN PRIOR YEARS' PROVISION FOR CLAIMS OUTSTANDING

A favourable run-off deviation of £805,000 (2008: £404,000) was experienced during the year.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. NET OPERATING EXPENSES

| | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|---|-----------------------------|----------------------------------|
| Policy acquisition costs | 6,489 | 25,312 |
| Change in deferred acquisition costs | 8,064 | 1,126 |
| Gross commission | <u>14,553</u> | <u>26,438</u> |
| Reinsurance commission and profit participation | (45) | 49 |
| Loss on disposal of fixed assets | - | (2) |
| Other administration costs | 570 | 2,429 |
| | <u>15,078</u> | <u>28,914</u> |
| | £'000 | £'000 |
| Included within 'other administrative costs' above: | | |
| Audit of the financial statements | 21 | 20 |
| Other services pursuant to legislation, including the audit of the regulatory return | 21 | 20 |
| | <u>42</u> | <u>40</u> |

The Company has no employees. The Company's policies are sold through intermediaries and it out-sources all its claims management, claims handling and administration to other group companies.

5. INVESTMENT INCOME

| | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|---|-----------------------------|----------------------------------|
| Income from other financial investments | 2,033 | 2,377 |
| Income from loans to group companies | 6,750 | 7,113 |
| | <u>8,783</u> | <u>9,490</u> |

6. DIRECTORS EMOLUMENTS

Stuart Howard, Andrew Strong, Stephen Hazzard, Andrew Boland and David Slater are remunerated by Saga Group Limited, a fellow subsidiary of the ultimate holding company, Acromas Holdings Limited. Andrew Button, William Treen and Dennis Holt are remunerated by Saga Services Limited, also a fellow subsidiary of the ultimate holding company. The emoluments of these Directors are not recharged to the Company and none of these Directors received any emoluments during the year in respect of their services as a Director of the Company (2008: £nil).

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. DIRECTORS EMOLUMENTS (continued)

Among the Directors remunerated by the company, the amounts paid in respect of the highest paid Director were as follows:-

| | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|--|-----------------------------|----------------------------------|
| Aggregate emoluments and emoluments of highest paid director | - | 15 |

The emoluments shown relate only to William Treen, whose remuneration was partly in respect of services to the Company.

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

| | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|--|-----------------------------|----------------------------------|
| UK Corporation tax at 28.33% (2008: 30%) – charge for group relief: | | |
| -Current year / period | 6,505 | 6,942 |
| -Prior year | (27) | (119) |
| Total current tax | 6,478 | 6,823 |
| Deferred Tax: | | |
| - Current year / period | (62) | (2) |
| - Prior year | 26 | 11 |
| Total deferred tax (note 9) | (36) | 9 |
| Total tax charge on ordinary activities | 6,442 | 6,832 |

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 are as follows:

| | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|---|-----------------------------|----------------------------------|
| Profit on ordinary activities before tax | 22,743 | 23,105 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 28.33% (2008:30%) | 6,443 | 6,932 |
| Effects of: | | |
| Permanent differences | - | 1 |
| Deferred capital allowances and other short-term timing differences | 62 | 9 |
| Adjustment to prior years | (27) | (119) |
| Current tax charge for the year / period | 6,478 | 6,823 |

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. DIVIDENDS

| | Year to 31.1.09 £'000 | 13 Months to 31.1.08 £'000 |
|---|-----------------------------|----------------------------------|
| Equity – Ordinary | | |
| Interim dividends paid £33.05 (2008: £nil) per £1 share | 82,625 | - |
| | <u>82,625</u> | <u>-</u> |

The Directors have not proposed a final dividend for the year ended 31 January 2009 (2008: £nil).

9. DEFERRED TAXATION

Deferred tax assets comprise:

| | Amounts recognised 2009 £'000 | 2008 £'000 |
|---|-------------------------------------|---------------|
| Timing differences on: | | |
| Deferred capital allowances | 18 | 13 |
| Other short term timing differences | 107 | 76 |
| | <u>125</u> | <u>89</u> |
| | 2009 £'000 | 2008 £'000 |
| Deferred tax provided at 1 January 2008 | 89 | 98 |
| Credit / (Debit) to the profit and loss account | 36 | (9) |
| Deferred tax provided at 31 January 2009 | <u>125</u> | <u>89</u> |

10. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

| | 31.1.09 £'000 | 31.1.08 £'000 |
|------------------------------------|------------------|------------------|
| Policyholders | 292 | 657 |
| Salvage and subrogation recoveries | 31 | 36 |
| | <u>323</u> | <u>693</u> |

11. OTHER DEBTORS

| | 31.1.09 £'000 | 31.1.08 £'000 |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | 14,258 | 89,045 |
| Deferred tax asset | 125 | 89 |
| Taxation and Social Security | 39 | - |
| | <u>14,422</u> | <u>89,134</u> |

The amounts owed by group undertakings are unsecured, have no repayment terms and bear interest at LIBOR plus a margin.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. CALLED UP SHARED CAPITAL

| | 31.1.09 £'000 | 31.1.08 £'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> |

13. PROFIT AND LOSS ACCOUNT

| | 31.1.09 £'000 | 31.1.08 £'000 |
|--|--------------------------|--------------------------|
| At 1 February 2008 | 109,487 | 93,214 |
| Profit for the financial year / period | 16,301 | 16,273 |
| Interim dividends paid | (82,625) | - |
| At 31 January 2009 | <u>43,163</u> | <u>109,487</u> |

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 31.1.09 £'000 | 31.1.08 £'000 |
|---|--------------------------|--------------------------|
| Shareholders' funds at 1 February 2008 | 111,987 | 95,714 |
| Retained profit for the financial year / period | 16,301 | 16,273 |
| Interim dividends paid | (82,625) | - |
| Shareholders' funds at 31 January 2009 | <u>45,663</u> | <u>111,987</u> |

15. OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

| | 31.1.09 £'000 | 31.1.08 £'000 |
|------------------------------------|--------------------------|--------------------------|
| Bank overdrafts | 58 | 172 |
| Other creditors | - | 278 |
| Amounts owed to group undertakings | 42 | - |
| Other taxation and social security | - | 730 |
| | <u>100</u> | <u>1,180</u> |

The amounts owed to group undertakings are unsecured, have no repayment terms and bear no interest.

AUTOMOBILE ASSOCIATION UNDERWRITING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the Company is exempt from the requirement to disclose related party transactions with other Acromas Group undertakings under FRS 8.

During the year the Company paid £99,547 (2008: £108,765) in respect of registration fees relating to European breakdown services provided by ARC Transistance S.A., a European associate of a sister company in the Acromas Group. The balance at the period end due to ARC Transistance S.A. was £20,266 (2008: £53,414).

17. ULTIMATE PARENT UNDERTAKING

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 financial statements, is Acromas Holdings Limited whose registered office is at The Saga Building, Enbrook Park, Folkestone, Kent, CT20 3SE. Copies of the financial statements of Acromas Holdings Limited are available from the Company Secretary at this address.