

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



Registered number: 2413321

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS 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**

The profit and loss account for the year is set out on page 5.

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

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

3 **DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year (1998, £16,500,000).

4 **DIRECTORS**

The directors of the company were as follows:

Mark Clare	- appointed 23 September 1999
Doug Richards	- appointed 23 September 1999
Kerry Richardson	
John H Maxwell	- Chairman, resigned 23 September 1999
George Lowe	- resigned 23 September 1999
Barry Smith	- resigned 31 August 1999

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:

	As at 31 December 1999		As at 31 Dec 1998	As at 23 Sept 1999
Number of shares	Kerry Richardson	Doug Richards	Kerry Richardson	Doug Richards
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>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1999 - continued

5 DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS - continued

- (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).

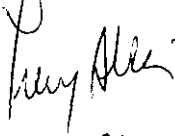
There were no contracts of significance subsisting during or at the end of the financial period to which the company or any of its subsidiary undertakings is a party and in which any director is or was materially interested.

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

6 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 THE ORDER OF THE BOARD

 TRACY ALLEN
SECRETARY

26 October 2000

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 5 to 10, 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 HOLDINGS LIMITED**

We have audited the financial statements on pages 5 to 10, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual report. As described on page 3, 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 HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 £'000	1998 £'000
Income from shares in group undertakings	2	-	15,146
Other interest receivable and similar income	3	182	470
PROFIT BEFORE TAXATION		182	15,616
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	-	(372)
PROFIT FOR THE FINANCIAL YEAR		182	15,244
DIVIDENDS	6	-	(16,500)
RETAINED PROFIT/(LOSS) FOR THE YEAR		182	(1,256)
RETAINED PROFIT AT 1 JANUARY 1999		459	1,715
RETAINED PROFIT AT 31 DECEMBER 1999		641	459

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 7 to 10 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

BALANCE SHEET – 31 DECEMBER 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Investments in group undertakings	7	<u>126,411</u>	<u>126,411</u>
CURRENT ASSETS			
Debtors	8	-	14,028
Cash at bank and in hand		<u>2,228</u>	<u>4,664</u>
		<u>2,228</u>	<u>18,692</u>
CREDITORS: amounts falling due within one year	9	<u>(2)</u>	<u>(16,648)</u>
NET CURRENT ASSETS		<u>2,226</u>	<u>2,044</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>128,637</u>	<u>128,455</u>
NET ASSETS		<u><u>128,637</u></u>	<u><u>128,455</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	21,549	21,549
Share premium account	11	1,447	1,447
Capital reserve	11	105,000	105,000
Profit and loss account		<u>641</u>	<u>459</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u><u>128,637</u></u>	<u><u>128,455</u></u>

The financial statements on pages 5 to 10 were approved by the Board of directors on 26 October 2000 and were signed on its behalf by:



DIRECTOR

The notes on pages 7 to 10 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 1999

1 ACCOUNTING POLICIES

The financial statements have been prepared 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.

Basis of accounting

The company is exempt from the requirement to prepare consolidated accounts by reason of Section 228(1)(a) of the Companies Act 1985. It 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).

Investments

Investments are stated at cost, less accumulated provisions for any impairment. Credit is taken for all interest due but not received before the year end.

2 INCOME FROM SHARES IN GROUP UNDERTAKINGS

Income from group undertakings comprises dividends receivable as follows:

	1999 £'000	1998 £'000
Automobile Association Protection and Investment Planning Limited	-	5,146
Automobile Association Insurance Services Limited	-	10,000
	<u>-</u>	<u>15,146</u>

3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £'000	1998 £'000
Other interest receivable	<u>182</u>	<u>470</u>

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998, 31%)		
Current	-	146
Tax on dividends received	-	229
Over provision in respect of prior years		
Corporation tax	-	(3)
	<u>-</u>	<u>372</u>

The corporation tax charge for the year has been reduced to nil by estimates of group relief to be surrendered by other group companies for no consideration.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 - continued

5 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 attributable to those companies.

6 DIVIDENDS

	1999 £'000	1998 £'000
Ordinary:		
Proposed final dividend of £nil per share (1998, 76.6p per share)	-	16,500

7 FIXED ASSET INVESTMENTS

	1999 £'000	1998 £'000
Shares in group undertakings		
Shares at cost	126,411	126,411

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 (formerly AA Commercial Insurance Services Limited)	Dormant
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.

8 DEBTORS

Amounts falling due within one year

	1999 £'000	1998 £'000
Amounts owed by group undertakings	-	28
Dividends receivable from group undertakings	-	14,000
	-	14,028

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 - continued

9 CREDITORS

Amounts falling due within one year

	1999 £'000	1998 £'000
Amounts owed to group undertakings	2	-
Corporation tax	-	146
Accruals and deferred income	-	2
Dividends payable to group undertakings	-	16,500
	<u>2</u>	<u>16,648</u>

10 CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'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>

11 UNDISTRIBUTABLE RESERVES

	Share premium account £'000	Capital reserve £'000
At 1 January 1999 and 31 December 1999	<u>1,447</u>	<u>105,000</u>

12 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Profit for the financial year	182	15,244
Dividends payable	-	(16,500)
Net addition to/(reduction in) shareholders' funds	<u>182</u>	<u>(1,256)</u>
Shareholders' funds at 1 January 1999	128,455	129,711
Shareholders' funds at 31 December 1999	<u>128,637</u>	<u>128,455</u>

13 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 1999, the company's exposure under this guarantee was £137,592,712 (1998, £184,218,173).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 - continued****14 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.

15 ULTIMATE OWNERSHIP

The company is a subsidiary of Automobile Association Developments 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.