

***AUTOMOBILE ASSOCIATION
INSURANCE SERVICES
HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2004***



Registered number: 2413321

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and audited financial statements of Automobile Association Insurance Services Holdings Limited (the "Company") for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

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

REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS

The Company did not trade during the year.

On 30 September 2004, the AA Group, in which the Company was a subsidiary, was acquired by AA Top Co Limited.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year (2003: £nil).

DIRECTORS

The directors of the Company were as follows:

Tim Parker	(appointed 30 September 2004)
Sir Trevor Chinn	(appointed 30 September 2004; resigned 18 January 2005)
Nigel Clark	(resigned 30 September 2004)
Roger Wood	(resigned 30 September 2004)
Paul Woolf	(appointed 1 January 2004; resigned 30 September 2004; reappointed 18 January 2005)

At no time did any director, holding office at 31 December 2004, have any interest in the shares of the Company, or any other Company within the AA Top Co Limited group, except for interests in the shares of the ultimate parent Company, AA Top Co Limited.

Details of the interests of those directors in the shares in the ultimate parent company, AA Top Co Limited, are shown in that company's financial statements for 2004.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 these financial statements, 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.

AUDITORS

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

BY ORDER OF THE BOARD



PAUL WOOLF
DIRECTOR

27 APRIL 2005

Registered Office:
Southwood East
Apollo Rise
Farnborough
Hampshire
GU14 0JW

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. The other information comprises only the Directors' Report.

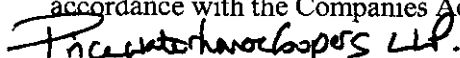
BASIS OF AUDIT OPINION

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 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
SOUTHAMPTON, 27 APRIL 2005

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Income from shares in group undertakings		-	5,001
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	5,001
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	-	-
PROFIT FOR THE FINANCIAL YEAR		-	5,001
RETAINED PROFIT/(DEFICIT) AT 1 JANUARY		3,982	(1,019)
RETAINED PROFIT AT 31 DECEMBER		<u>3,982</u>	<u>3,982</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 2004 and 2003, 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 6 to 9 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Investments in group undertakings	5	577	577
CURRENT ASSETS			
Debtors	6	131,401	131,401
NET ASSETS		<u>131,978</u>	<u>131,978</u>
CAPITAL AND RESERVES			
Called up share capital	7	21,549	21,549
Share premium account	8	1,447	1,447
Capital reserve	8	105,000	105,000
Profit and loss account		<u>3,982</u>	<u>3,982</u>
EQUITY SHAREHOLDERS' FUNDS	9	<u>131,978</u>	<u>131,978</u>

The financial statements on pages 4 to 9 were approved by the board of directors on ~~27~~ April 2005 and were signed on its behalf by:



PAUL WOOLF
DIRECTOR

The notes on pages 6 to 9 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

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.

A summary of accounting policies is set out below.

Basis of accounting

The Company is exempt from the requirement to prepare consolidated accounts as it is a wholly owned subsidiary of AA Top Co Limited, whose consolidated accounts are publicly available. The Company is also 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 that are different from those in which they are recognised in the financial statements.

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (continued)

Cash flow statement

The Company is a wholly owned subsidiary of AA Top Co Limited, 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).

2 DIRECTORS' EMOLUMENTS

Tim Parker and Sir Trevor Chinn are directors of the Company's ultimate parent company, AA Top Co Limited, and of other subsidiaries within the group. Their total emoluments are disclosed in the financial statements of AA Top Co Limited; as it is not possible to make an accurate apportionment of their emoluments, no additional disclosure is made within these financial statements.

None of the other directors during the year received emoluments in respect of their services to the Company.

3 AUDIT FEES

The audit fee has been borne by another group company.

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2004	2003
	£'000	£'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:

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	<u>-</u>	<u>5,001</u>
Tax on profit on ordinary activities at standard UK Corporation tax rate of 30% (2003: 30%)	<u>-</u>	<u>1,500</u>
Income not taxable	<u>-</u>	<u>(1,500)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

5 FIXED ASSET INVESTMENTS

£'000

Shares in group undertakings

Cost

At 1 January and 31 December 2004

2,237

Provision

At 1 January and 31 December 2004

(1,660)

Net book value

At 31 December 2004

577

At 31 December 2003

577

On 30 September 2004, as part of a group reorganisation, the Company sold its interests in Centrica 22 Limited at cost for £2.

The following company, incorporated in England, is wholly owned by the Company.

Name

AA Financial Services Limited

Principal Business Activity

Dormant

All shares held are ordinary £1 shares.

6 DEBTORS (amounts falling due within one year)

2004

2003

£'000

£'000

Amounts owed by group undertakings

131,401

131,401

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

7 CALLED UP SHARE CAPITAL

	2004	2003
	£'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>

8 NON-DISTRIBUTABLE RESERVES

	Share Premium Account £'000	Capital Reserve £'000
At 1 January 2004 and 31 December 2004	<u>1,447</u>	<u>105,000</u>

9 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2004	2003
	£'000	£'000
Profit for the financial year	-	5,001
Shareholders' funds at 1 January	<u>131,978</u>	<u>126,977</u>
Shareholders' funds at 31 December	<u>131,978</u>	<u>131,978</u>

10 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of AA Top Co Limited, the Company is exempt from the requirement to disclose related party transactions with other group undertakings under FRS 8 which cancel on consolidation. There are no other related party transactions that require disclosure.

11 ULTIMATE OWNERSHIP

The Company is a wholly owned subsidiary of Automobile Association Developments Limited, a Company registered in England and Wales.

The ultimate parent undertaking, which is also the parent of the smallest and largest group to consolidate these financial statements, is AA Top Co Limited whose registered office is at 10 Upper Bank Street, London E14 5JJ.

Copies of the financial statements of AA Top Co Limited are available from the Company Secretary at this address.