

**AUTOMOBILE ASSOCIATION
INSURANCE SERVICES
HOLDINGS LIMITED
ACCOUNTS - 31 DECEMBER 1998**



AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**REPORT OF THE DIRECTORS****FOR THE YEAR ENDED 31 DECEMBER 1998**

1 The directors present the audited financial statements for the year ended 31 December 1998.

2 **REVIEW OF ACTIVITIES**

The profit and loss account for the year is set out on page 4.

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

3 **DIVIDENDS**

The directors recommend a final dividend of 76.6p per share (1997, 17p) amounting to £16,500,000 (1997, £3,663,412).

4 **DIRECTORS**

The directors of the company are as follows, all of whom have been directors for the whole of the year, except where indicated.

John H Maxwell	- Chairman
George Lowe	
Kerry Richardson	
Barry Smith	

Ian Owen was a director until his resignation on 4 August 1998. Patrick O'Sullivan and Robert Torrance were appointed directors on 2 January 1998 and resigned on 4 August 1998.

5 **DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND CONTRACTS**

None of the directors had any beneficial interest in the shares of any group undertaking during the year and in any contract of significance to which the company was a party during the year.

6 **YEAR 2000**

The directors do not consider that the effect of the date change as a result of the millennium will have any significant impact on the company.

7 **AUDITORS**

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the Committee appointed the new firm PricewaterhouseCoopers as auditors.



BY THE ORDER OF THE BOARD

MAXINE HARRISON
SECRETARY

21 MAY 1999

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 financial 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 results of the company for the financial year.

The directors consider that, in preparing the financial statements on pages 4 to 9, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that 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. In addition, 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. The directors confirm that they have complied with these requirements.

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

We have audited the financial statements on pages 4 to 9, which have been prepared in accordance with the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the financial statements, as described on page 2. Our responsibilities, as independent auditors, are established 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 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 directors' report and the directors' statement of responsibility 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
SOUTHAMPTON, 21 MAY 1999

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £'000	1997 £'000 (See Note below)
Income from shares in group undertakings	2	15,146	1,099
Other interest receivable and similar income	3	470	431
PROFIT BEFORE TAXATION		<u>15,616</u>	<u>1,530</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	(372)	(136)
PROFIT FOR THE FINANCIAL YEAR		<u>15,244</u>	<u>1,394</u>
DIVIDENDS	5	(16,500)	(3,663)
RETAINED DEFICIT FOR THE YEAR		<u>(1,256)</u>	<u>(2,269)</u>
RETAINED PROFIT AT 1 JANUARY 1998		<u>1,715</u>	<u>3,984</u>
RETAINED PROFIT AT 31 DECEMBER 1998		<u>459</u>	<u>1,715</u>

All items dealt with in arriving at the results before taxation for both 1998 and 1997 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 1998 and 1997, other than the results for the financial years reported above and, therefore, no separate statement of total recognised gains or losses is presented.

NOTE

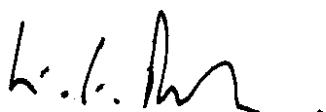
During 1998, the company became a wholly owned subsidiary of Automobile Association Developments Limited, and consequently, became exempt from the requirement to prepare consolidated accounts (see Note 1). The 1997 accounts were prepared on a consolidated basis and have been restated, as the accounts are for the company only.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

BALANCE SHEET - 31 DECEMBER 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Investments in group undertakings	6	<u>126,411</u>	<u>126,411</u>
CURRENT ASSETS			
Debtors	7	14,028	84
Cash at bank and in hand		<u>4,664</u>	<u>7,021</u>
		18,692	7,105
CREDITORS: amounts falling due within one year	8	<u>(16,648)</u>	<u>(3,805)</u>
NET CURRENT ASSETS		<u>2,044</u>	<u>3,300</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		128,455	129,711
NET ASSETS		<u>128,455</u>	<u>129,711</u>
CAPITAL AND RESERVES			
Called up share capital	9	21,549	21,549
Share premium account	10	1,447	1,447
Capital reserve	10	105,000	105,000
Profit and loss account		<u>459</u>	<u>1,715</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>128,455</u>	<u>129,711</u>

The financial statements on pages 4 to 9 were approved by the Board of directors on 21 May 1999 and were signed on its behalf by:



KERRY RICHARDSON
DIRECTOR

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998

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 and from the requirement to present a cash flow statement as the company is a wholly owned subsidiary undertaking of Automobile Association Developments Limited which is itself a wholly owned subsidiary undertaking of The Automobile Association, an unincorporated association having its head office at Norfolk House, Priestley Road, Basingstoke, Hampshire, RG24 9NY.

Investments

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

2 INCOME FROM SHARES IN GROUP UNDERTAKINGS

Income from group undertakings comprises dividends receivable as follows:

	1998 £'000	1997 £'000
AA Commercial Insurance Services Limited	-	1,099
Automobile Association Protection and Investment Planning Limited	5,146	-
Automobile Association Insurance Services Limited	10,000	-
	<u>15,146</u>	<u>1,099</u>

3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £'000	1997 £'000
Other interest receivable	<u>470</u>	<u>431</u>

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997, 31.5%)		
Current	146	136
Tax on dividends received	229	-
Over provision in respect of prior years		
Corporation tax	(3)	-
	<u>372</u>	<u>136</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

5 DIVIDENDS

	1998 £'000	1997 £'000
Ordinary:		
Proposed final dividend of 76.6p per share (1997, 17p per share)	<u>16,500</u>	<u>3,663</u>

6 FIXED ASSET INVESTMENTS

	1998 £'000	1997 £'000
Shares in group undertakings		
Shares at cost	<u>126,411</u>	<u>126,411</u>

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 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.

7 DEBTORS

Amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed by group undertakings	28	84
Dividends receivable from group undertakings	<u>14,000</u>	<u>-</u>
	<u>14,028</u>	<u>84</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

8 CREDITORS

Amounts falling due within one year

	1998	1997
	£'000	£'000
Corporation tax	146	136
Other creditors	-	6
Accruals and deferred income	2	-
Dividends payable to group undertakings	16,500	3,663
	<u>16,648</u>	<u>3,805</u>

9 CALLED UP SHARE CAPITAL

	1998	1997
	£'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>

10 UNDISTRIBUTABLE RESERVES

	Share premium account	Capital reserve
	£'000	£'000
At 1 January 1998 and 31 December 1998	<u>1,447</u>	<u>105,000</u>

11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1998	1997
	£'000	£'000
Profit for the financial year	15,244	1,394
Dividends payable	(16,500)	(3,663)
Net addition to/(reduction in) shareholders' funds	<u>(1,256)</u>	<u>(2,269)</u>
Shareholders' funds at 1 January 1998	129,711	131,980
Shareholders' funds at 31 December 1998	<u>128,455</u>	<u>129,711</u>

12 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. Transactions with other related parties are disclosed in the AA Group accounts which are publicly available.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued****13 ULTIMATE OWNERSHIP**

The company is a subsidiary of Automobile Association Developments Limited, a company registered in England and Wales. The ultimate ownership of Automobile Association Developments Limited is vested in The Automobile Association. Their principal places of business are both situated at Norfolk House, Priestley Road, Basingstoke, Hampshire, RG24 9NY.