

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



AUTOMOBILE ASSOCIATION INSURANCE SERVICES 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 AND FUTURE DEVELOPMENTS**

The profit and loss account for the year is set out on page 6.

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

The UK personal lines insurance remains an intensely competitive market, but despite this, the business built on the growth reported in 1997, continuing to increase the portfolio for both motor and home insurance, and the company was able to record a 5% rise in turnover during 1998. Operating costs also rose, due mainly to an increase in staff levels arising from a commitment to achieve even higher levels of customer service.

Exceptional operating expenditure of £10,878,000 was incurred in relation to property and restructuring provisions resulting from the Group's decision to close our network of high street outlets. This will reduce our costs, while we continue to provide customers with an efficient and accessible telebroking alternative to arranging their insurance over the shop counter.

The directors expect the company to trade profitably in 1999.

3 **DIVIDENDS**

The directors recommend the payment of a dividend of 52.632 pence per share, amounting to £10,000,000 in respect of the year (1997, nil).

4 **DIRECTORS**

The following are directors of the company, all of whom have been directors for the whole of the year.

Kerry Richardson - Chairman
Barry Smith
Don Tangney

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED**REPORT OF THE DIRECTORS****FOR THE YEAR ENDED 31 DECEMBER 1998 - continued****6 EMPLOYMENT POLICIES**

The AA Group policy is to consult and discuss with employees, through unions and at monthly briefings, matters which are likely to affect employee interests. The aim is to increase the effectiveness of the group's operations for the mutual benefit of members, customers and 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.

The AA Group policy is to recruit people with disabilities, registered or not, for those vacancies that they are able to fill. The group's responsibilities under the Disability Discrimination Act 1995 are fulfilled, such that employees with disabilities participate, as appropriate, in training and career development schemes. Where an employee becomes disabled, arrangements are made to enable the employee to perform work identified as appropriate to his or her aptitude and ability.

The AA Group is a member of the Employers' Forum on Disability and holds the Employment Service Double Tick Standard in all businesses.

7 CHARITABLE DONATIONS

During the year, donations to charities amounted to £600 (1997, £nil). No political donations were made.

8 PAYMENT POLICY

The AA Group's policy complies with the CBI's Prompt Payment Code of Good Practice concerning the payment of trade creditors. Under this code we agree terms with our suppliers and pay in accordance with them. Copies of the code can be obtained from the CBI, Centrepont, 103 New Oxford Street, London WC1A 1DU.

9 YEAR 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to enable the company to continue its business operations up to and into the year 2000. The operation of our business depends not only on our computer systems, but also to some degree on those of our suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1998 - continued

9 YEAR 2000 - continued

The company is participating in the AA Group programme designed to address the impact of the year 2000 on all the group's businesses. As part of the group exercise, an analysis of significant risks has been performed to determine the impact of the issue on our activities. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes. The plan also includes a requirement for the testing of all critical systems.

The risk analysis also considers the impact on our business of year 2000 related failures by our significant suppliers and customers

The total estimated cost for the above programme has been quantified at an AA Group level and is disclosed in the AA Group financial statements.

10 AUDITORS

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



BY ORDER OF THE BOARD

MAXINE HARRISON
SECRETARY

21 MAY 1999

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 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 6 to 16, 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 LIMITED**

We have audited the financial statements on pages 6 to 16, which have been prepared in accordance with the accounting policies set out on pages 8 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the financial statements, as described on page 4. 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 loss 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, 21 MAY 1999

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £'000	1997 £'000
TURNOVER	2	103,597	98,138
Operating expenditure		(97,730)	(94,357)
Exceptional operating expenditure	3	<u>(10,878)</u>	<u>-</u>
Total operating expenditure		(108,608)	(94,357)
Operating (loss)/profit		<u>(5,011)</u>	<u>3,781</u>
Other interest receivable and similar income	4	5,108	5,820
Interest payable and similar charges	5	(1,506)	(1,532)
(LOSS)/PROFIT BEFORE TAXATION	6	<u>(1,409)</u>	<u>8,069</u>
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	9	<u>(1,650)</u>	<u>(1,636)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(3,059)	6,433
DIVIDENDS	10	<u>(10,000)</u>	<u>-</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR		(13,059)	6,433
RETAINED PROFIT AT 1 JANUARY 1998		15,776	9,343
RETAINED PROFIT AT 31 DECEMBER 1998		<u><u>2,717</u></u>	<u><u>15,776</u></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.

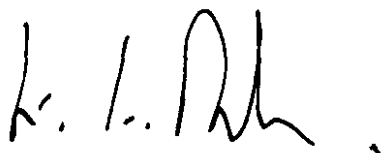
The company has no recognised gains or losses in 1998 and 1997, other than the results for the financial years reported above and, therefore, no separate statement of total recognised gains or losses is presented.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	11	16,220	18,018
Other investments other than loans	13	452	452
		<u>16,672</u>	<u>18,470</u>
CURRENT ASSETS			
Debtors	14	70,090	64,408
Investments	15	53,470	51,200
Cash at bank and in hand		1,811	1
		<u>125,371</u>	<u>115,609</u>
CREDITORS: amounts falling due within one year	16	<u>(100,104)</u>	<u>(85,232)</u>
NET CURRENT ASSETS		<u>25,267</u>	<u>30,377</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		41,939	48,847
CREDITORS: amounts falling due after more than one year	17	(7,303)	(8,905)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(12,919)</u>	<u>(5,166)</u>
NET ASSETS		<u><u>21,717</u></u>	<u><u>34,776</u></u>
CAPITAL AND RESERVES			
Called up share capital	21	19,000	19,000
Profit and loss account		2,717	15,776
EQUITY SHAREHOLDERS' FUNDS	22	<u><u>21,717</u></u>	<u><u>34,776</u></u>

The financial statements on pages 6 to 16 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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998

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, insurance premium tax and other interest receivable and similar income.

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.

The cost of furniture and fittings is written off in the year of purchase, except in the case of major projects, where the costs are capitalised and depreciated, using an annual rate of 20%.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued****1 ACCOUNTING POLICIES - continued****Software**

Software costs are written off as incurred, except for purchases from third parties in respect of major systems. In such cases, the costs are written off over a maximum of five years from the date of implementation.

Operating leases

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

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 payments due but not received before the year end.

Costs incurred by and on behalf of other group companies

The Automobile Association and other group companies allocate to the company costs which they have incurred on the company's behalf; similarly, the company allocates to other group companies costs incurred on their behalf.

Advertising, promotion and mailing campaign costs

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

1 ACCOUNTING POLICIES - continued

Cash flow statement

As a 100% owned subsidiary the company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (revised).

2 TURNOVER

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

3 EXCEPTIONAL OPERATING EXPENDITURE

The exceptional operating expenditure has arisen following the AA Group's decision to close the network of high street outlets. The cost of £10,878,000 comprises property and redundancy costs, as follows:

	1998 £'000
Redundancy costs	2,955
Property lease costs	7,923
	<u>10,878</u>

A taxation credit of £1,089,000 arises from these exceptional costs.

4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £'000	1997 £'000
Bank interest receivable	4,499	4,814
Other interest receivable	103	561
Other income	506	445
	<u>5,108</u>	<u>5,820</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Other interest payable	<u>1,506</u>	<u>1,532</u>

The company's bank balances are pooled with those of The Automobile Association and other group undertakings for AA Group treasury management purposes, in agreement with the company's bankers. The company receives and/or pays interest on its balances from or to other group undertakings at a commercial rate.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

6 PROFIT/(LOSS) BEFORE TAXATION

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

	1998	1997
	£'000	£'000
Depreciation of tangible fixed assets	3,215	1,301
Furniture and fittings written off	6	18
Fees payable to the auditors:		
Audit	102	101
Other	15	19
Operating leases	1,864	2,023

7 DIRECTORS' EMOLUMENTS

	1998	1997
	£'000	£'000
Aggregate emoluments	<u>561</u>	<u>131</u>

Retirement benefits are accruing to all of the directors under the AA Group's defined benefit scheme.

8 EMPLOYEES

The average number of persons employed by the company including executive directors, during the year was 1,751 (1997, 1,653).

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

	1998	1997
	£'000	£'000
Wages and salaries	21,721	17,777
Social security costs	1,383	1,114
Other pension costs	1,662	1,472
	<u>24,766</u>	<u>20,363</u>

9 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998	1997
	£'000	£'000
United Kingdom corporation tax at 31% (1997, 31.5%)		
Current	1,704	1,652
Over provision in respect of prior years		
Corporation tax	(54)	(16)
	<u>1,650</u>	<u>1,636</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

10 DIVIDENDS

	1998	1997
Ordinary:	£'000	£'000
Proposed final dividend of 52.632p per share (1997, nil)	<u>10,000</u>	<u>Nil</u>

11 TANGIBLE FIXED ASSETS

	Land and Buildings		Equipment and motor vehicles	Total
	Freehold	Short leasehold		
	£'000	£'000	£'000	£'000
Cost				
At 1 January 1998	18,953	8,150	6,602	33,705
Additions	-	-	1,146	1,146
Intra-group transfers	-	-	403	403
Disposals	-	(1,152)	(1,362)	(2,514)
At 31 December 1998	<u>18,953</u>	<u>6,998</u>	<u>6,789</u>	<u>32,740</u>
Depreciation				
At 1 January 1998	2,498	8,130	5,059	15,687
Charge for the year	2,240	1	974	3,215
Intra-group transfers	-	10	81	91
Disposals	-	(1,149)	(1,324)	(2,473)
At 31 December 1998	<u>4,738</u>	<u>6,992</u>	<u>4,790</u>	<u>16,520</u>
Net book value				
At 31 December 1998	<u>14,215</u>	<u>6</u>	<u>1,999</u>	<u>16,220</u>
At 31 December 1997	<u>16,455</u>	<u>20</u>	<u>1,543</u>	<u>18,018</u>

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 1998. 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	1998	1997
Shares at cost	<u>£2</u>	<u>£2</u>

At 31 December 1998, 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

As Automobile Association Insurance Services Limited is a wholly owned subsidiary of Automobile Association Insurance Services Holdings Limited, consolidated accounts have not been presented in accordance with the Companies Act 1985.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

13 OTHER INVESTMENTS OTHER THAN LOANS

	1998	1997
	£'000	£'000
Cash deposits	437	437
Government securities	15	15
	<u>452</u>	<u>452</u>

14 DEBTORS

Amounts falling due within one year

	1998	1997
	£'000	£'000
Trade debtors	64,569	59,303
Other debtors	4,812	4,442
Prepayments and accrued income	679	625
	<u>70,060</u>	<u>64,370</u>

Amounts falling due after more than one year

	1998	1997
	£'000	£'000
Other debtors	30	38
	<u>70,090</u>	<u>64,408</u>

15 INVESTMENTS

	1998	1997
	£'000	£'000
Short-term deposits	<u>53,470</u>	<u>51,200</u>

16 CREDITORS

Amounts falling due within one year

	1998	1997
	£'000	£'000
Bank loans and overdrafts	19,303	16,517
Insurance creditors	37,851	36,207
Amounts owed to group undertakings	18,673	20,241
Corporation tax	3,503	2,451
Advance corporation tax	-	997
Other taxes and social security	586	486
Other creditors	5,815	4,307
Accruals and deferred income	4,373	4,026
Dividends payable to group undertakings	10,000	-
	<u>100,104</u>	<u>85,232</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

17 CREDITORS

Amounts falling due after more than one year

	1998	1997
	£'000	£'000
Amounts owed to group undertakings	<u>7,303</u>	<u>8,905</u>

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Property Provisions	Restruct- uring provisions	Total
	£'000	£'000	£'000
At 1 January 1998	5,166	-	5,166
Charge for the year	7,923	2,955	10,878
Utilised in the year	(2,007)	(1,118)	(3,125)
At 31 December 1998	<u>11,082</u>	<u>1,837</u>	<u>12,919</u>

19 PENSIONS AND SIMILAR OBLIGATIONS

Pension schemes for the AA Group's employees are of the defined benefit, final salary type, the assets of which are held in trust funds separate from the AA Group's finances. The schemes are self-administered and funded to cover future pension liabilities (including expected future earnings and pension increases) 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 group's consulting actuary certifies the rates of the employer's contributions which, together with the specified contributions payable by the employees and proceeds from the schemes' assets, are 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 The Automobile Association. Provisions for pensions and similar obligations are held centrally by The Automobile Association on behalf of all group undertakings.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

20 DEFERRED TAXATION

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

	1998 Full potential liability/ (asset) £'000	1998 Provision made £'000	1997 Full potential liability/ (asset) £'000	1997 Provision made £'000
Timing differences on				
Fixed assets	3,473	3,473	3,453	3,453
Provisions for pensions and similar obligations	(3,223)	(3,016)	(3,872)	(2,444)
Other items	(457)	(457)	(1,009)	(1,009)
Capital gains rolled over	3	-	3	-
	<u>(204)</u>	<u>-</u>	<u>(1,425)</u>	<u>-</u>

21 CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'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

	1998 £'000	1997 £'000
(Loss)/profit for the financial year	(3,059)	6,433
Dividends	<u>(10,000)</u>	<u>-</u>
Net (reduction in)/addition to shareholders' funds	(13,059)	6,433
Shareholders' funds at 1 January 1998	34,776	28,343
Shareholders' funds at 31 December 1998	<u>21,717</u>	<u>34,776</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 1998, the company's exposure under this guarantee was £164,881,428 (1997, £nil).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 - continued

23 COMMITMENTS - continued

Capital	1998 £'000	1997 £'000
Expenditure contracted for	<u>55</u>	<u>420</u>

Operating leases

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

	Land and buildings	
	1998 £'000	1997 £'000
Next year	58	124
Second to fifth year from balance sheet date	741	479
Thereafter	<u>2,273</u>	<u>2,816</u>
	<u>3,072</u>	<u>3,419</u>

The commitments for land and buildings include £3 million (1997, £1.5 million) for which a provision has been established within the property provisions in Note 18.

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. Transactions with other related parties are disclosed in the AA Group accounts which are publicly available except for: up to 4 August 1998, 25 per cent of the share capital of Automobile Association Insurance Services Limited was held by the Eagle Star Group. In 1998, commission income of £5.3 million was receivable from the Eagle Star Group.

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 principle ultimate ownership of Automobile Association Insurance Services Holdings Limited is vested in The Automobile Association. Their principal places of business are both situated at Norfolk House, Priestley Road, Basingstoke, Hampshire, RG24 9NY.