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AUTO WINDSCREENS GROUP LIMITED
FINANCIAL STATEMENTS
2007

Auto Windscreens Group Limited

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Auto Windscreens Group Limited

Directors and officer

Directors:

J R Kitson
A D Hewitt
A L Wilford

Officer:

Company Secretary

Aviva Company Secretarial Services Limited

Auditor:

Ernst & Young LLP
Registered Auditor
1 More London Place
London
SE1 2AF

Registered office:

8 Surrey Street
Norwich
Norfolk
NR1 3NG

Registered in England and Wales no 3573271

Auto Windscreens Group Limited ("the Company") is a member of the Aviva plc group of companies ("the Group")

Auto Windscreens Group Limited

Directors' report

For the year ended 31 December 2007

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2007

Directors

The names of the current directors of the Company appear on page 1

J R Kitson served as a director throughout the year

P C Easter resigned as a director on 1 January 2007 and J Hunt was appointed on the same date

S C J Machell resigned as a director on 12 July 2007 and A D Hewitt was appointed on the same date

J Seaton was appointed as an alternate director to J Hunt on 13 August 2007 and resigned on 1 September 2007

J Hunt resigned as a director on 6 June 2008 and A L Wilford was appointed on the 9 June 2008

Principal activity

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

Business Review

Basis of preparation

The business review is addressed to, and written for, the members of the Company with the aim of providing a fair review of the business development, performance and position at the current time, during the financial period and at the end of the financial period In providing this review, the aim is to present a view that is both balanced and comprehensive and is consistent with the size and complexity of the business

Objectives and future developments

High level strategies are determined by Aviva plc and these are shown in its financial statements The directors consider that the Company's principal activity as a holding company will continue into the foreseeable future

Financial key performance indicators

In the light of the principal activity of the Company described above, the directors do not consider it appropriate to provide key performance indicators

Financial position and performance

The financial position of the Company at 31 December 2007 is shown in the balance sheet on page 14, with the trading results for the year shown in the income statement on page 12

A loss before tax of £28,780 thousand was achieved in 2007 (2006 profit £13,921 thousand) The factors responsible for this decrease are detailed below

Directors' report (continued)

Financial position and performance (continued)

Labour costs and other overheads incurred reduced to £nil (2006 £986 thousand) as a result of a reduction in the average head count from 5 staff in 2006 to no staff in 2007

Interest receivable was £90 thousand (2006 £979 thousand) The fall was a result of the repayment of a discounted convertible bond, reducing income by £889 thousand

Revaluation of the Company's investments in subsidiaries has led to a carrying value of £22,900 thousand (2006 £113,000 thousand) The decrease in value of £90,100 thousand has been effected by a movement of £61,230 thousand through the investment revaluation reserve and a charge of £28,870 thousand to the profit and loss account

Risk management

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 15 to the financial statements

Risk factors beyond the Company's control, that could cause actual results to differ materially from those estimated include, but are not limited to

- UK domestic economic business conditions, and
- the impact of competition, inflation and deflation

Major events

On 26th June 2007, RAC Holdings Limited transferred its entire shareholding in the issued share capital of the Company to RAC plc for a consideration equivalent to the fair value of the Company as at 31 December 2006 of £113,000 thousand

Post balance sheet events

On 1 April 2008, the Company increased its authorised share capital to £60,012 thousand by the creation of an additional 4,500,000 thousand ordinary shares of £0 01 each

On 1 April 2008, the Company subscribed for 9,500 thousand ordinary shares of £1 each in the share capital of its wholly owned subsidiary, RAC Auto Windscreens Limited ("RACAW"), for a consideration of £9,500 thousand This was settled through the intercompany account between RACAW and the Company

On 26 June 2008, the Company subscribed for 6,500 thousand ordinary shares of £1 each in the share capital of its wholly owned subsidiary, RAC Auto Windscreens Limited ("RACAW"), for a consideration of £6,500 thousand This was settled through the intercompany account between RACAW and the Company

On 27 June 2008, RAC plc, the sole shareholder of the Company, subscribed for 1,500,000 thousand ordinary shares of £0 01 each in the share capital of the Company for a consideration of £15,000 thousand This was settled through the intercompany account

On 30 June 2008, the Company transferred its entire holding in the issued share capital of RAC Auto Windscreens Limited to RAC plc for a consideration equivalent to the fair value of £38,900 thousand at the date of transfer

Auto Windscreens Group Limited

Directors' report (continued)

Financial instruments

The business of the Company includes use of financial instruments Details of the Company's risk management objectives and policies and exposures to risk relating to financial instruments are set out in note 15 to the financial statements

Dividends

No interim dividends have been paid during the year (2006 £nil) The directors recommend that no final dividend be paid (2006 £nil)

Employees

Within the bounds of commercial confidentiality, information was provided to all employees on issues which are of interest and concern to them and may affect the progress of the Company Employees were informed of the performance and objectives of the Company through established management procedures and practices including the monthly newsletter, Hotlines

Directors' interests

The requirement for directors to disclose their share interests in Aviva plc in the directors' report was repealed by the Companies Act 2006 (s 1195 and SI 2007/1093) with effect from 6 April 2007 None of the directors who held office at 31 December 2007 had any interest in the Company's shares

Directors' liabilities

Aviva plc, the ultimate parent undertaking, has granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 This indemnity and the provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of sections 309A to 309C of the Companies Act 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Disclosure of information to the auditor

Each person who was a director of the Company on the date that this report was approved, confirms that so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auto Windscreens Group Limited

Directors' report (continued)

Statement of directors' responsibilities

The directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 1985 and of International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), and which present fairly the financial position, financial performance and cash flows of the Company at the end of the accounting period A fair presentation of the financial statements in accordance with IFRS requires the directors to

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business,

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,

- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and

- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which are intended to disclose with reasonable accuracy, at any time, the financial position of the Company They are also ultimately responsible for the systems of internal control maintained by the Company for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities

By order of the Board

Authorised Signatory
For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

12 SEPTEMBER 2008

Auto Windscreens Group Limited

Independent auditor's report

To the members of Auto Windscreens Group Limited

We have audited the Company's financial statements for the year ended 31 December 2007 which comprise the Accounting Policies, the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Reconciliation of Movements in Shareholder's Equity and the related notes 1 to 18 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 auditor's 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 financial statements in accordance with the applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are as 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 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 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

Auto Windscreens Group Limited

Independent auditor's report (continued)

To the members of Auto Windscreens Group Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2007 and of its loss 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

Ernst & Young LLP
Registered Auditor
London

18 September 2008

Auto Windscreens Group Limited

Accounting policies

The Company is a limited liability company incorporated and domiciled in Great Britain Its principal activity is that of a holding company

The principal accounting policies applied in the preparation of these financial statements are set out below

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as endorsed by the EU, applicable at 31 December 2007

The IASB issued IAS 1, Presentation of Financial Statements A Revised Presentation, and an amendment to IAS 23, Borrowing Costs, during 2007, neither of which has yet been endorsed by the EU These are not applicable for the current accounting period and, on adoption, they will not have any material impact on the Company's financial reporting

IFRIC interpretation 11, IFRS 2 – Group and Treasury Share Transactions, and interpretation 12, Service Concession Agreements, were issued during 2006 but neither of them is applicable for the current accounting period In addition, IFRIC interpretation 13, Customer Loyalty Programmes and IFRIC interpretation 14, IAS 19 – The Limit on a Defined Benefit asset, Minimum Funding Requirements and their Interaction, have been issued during 2007 They have not yet been endorsed by the EU but neither of them is applicable for the current accounting period On adoption, none of these interpretations will have any material impact on the Company's financial reporting

The financial statements are stated in British pounds, which is the Company's functional and presentation currency Unless otherwise noted, the amounts shown in these financial statements are in thousands of British pounds ("£000")

The Company is exempt from preparing group accounts by virtue of Section 228 of the Companies Act 1985, as it is a subsidiary of an EU parent (note 17(d)) The financial statements present information about the Company as an individual undertaking and not about its group

(B) Use of estimates

The preparation of financial statements requires the Company to make estimates and assumptions that affect items reported in the balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, actual results ultimately may differ from those estimates, possibly significantly

Auto Windscreens Group Limited

Accounting policies (continued)

(C) Subsidiaries

Subsidiaries are those entities (including Special Purpose Entities) in which the company, directly or indirectly, has power to exercise control over financial and operating policies in order to gain economic benefits

In the balance sheet, subsidiaries are stated at their fair values, estimated using applicable valuation models underpinned by the Aviva plc's market capitalisation These investments are classified as available for sale ("AFS") financial assets, with changes in their fair value being recorded in a separate investment revaluation reserve within equity Where the cumulative changes recognised in equity represent an unrealised loss, the investments are reviewed to test whether an impairment exists Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the subsidiary or a prolonged decline in their fair value below cost, the unrealised loss recorded in equity is reclassified and charged to the income statement

(D) Revenue recognition

Revenue is recognised as follows

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the investment

Dividend income

Dividend income is recognised when the right to receive payment is established

(E) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value Such investments are normally those with less than three months' maturity from the date of acquisition, and include certificates of deposit For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the balance sheet

(F) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements

The principal timing differences arise from provisions for pensions The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred tax

Auto Windscreens Group Limited

Accounting policies (continued)

(F) Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred tax is not provided on revaluations of investments in subsidiaries as, under current tax legislation, no tax will arise on their disposal

(G) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the income statement

(H) Pension obligations

The Company operates a defined benefit pension plan (Auto Windscreens Group Limited Pension Scheme), the assets of which are held in separate trustee-administered funds The pension plan is funded by payments from the Company's subsidiaries and employees, and by the Company taking account of the recommendations of qualified actuaries

For the defined benefit plan, the pension costs are assessed using the projected unit credit method Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees, in accordance with the advice of qualified actuaries The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high quality corporate bonds The resulting pension scheme surplus or deficit appears as an asset or obligation in the balance sheet

The Company is also one of a number of UK companies in the RAC plc group being charged for its employees participating in the RAC (2003) Pension Scheme, and its contributions are affected by the financial position of the scheme There is no contractual agreement or policy for charging the net defined benefit cost of this scheme across the participating Group entities but, instead, this cost is recognised in the financial statements of the main employing company The Company therefore recognised a pension expense equal to its contributions payable in the year Full disclosure on the Group's pension schemes is given in the financial statements of RAC plc

The Company recognises the cost of making contributions to stakeholder pension schemes as an expense in the income statement

Auto Windscreens Group Limited

Accounting policies (continued)

(l) Share capital and dividends

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities Accordingly, a financial instrument is treated as equity if

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable, and

(ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid Final dividends on these shares are recognised when they have been approved by shareholders

Auto Windscreens Group Limited

Income statement

For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Operating income			
Interest receivable	2	90	979
Dividend income	1	-	12,971
Other income	1	-	957
Operating expenses			
Administrative and other expenses	1 & 3	(28,870)	(986)
(Loss)/profit before tax		(28,780)	13,921
Tax credit/(expense)	6	580	(285)
(Loss)/profit for the year		(28,200)	13,636

The accounting policies on pages 8 to 11 and notes on pages 16 to 31 are an integral part of these financial statements

Auto Windscreens Group Limited

Statement of recognised income and expense

For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Actuarial gain on pension schemes	13(c) (iii)	1,740	702
Aggregate tax effect of actuarial gains	6	(1,568)	(211)
Fair value (losses)/gains on revaluation of subsidiaries	7(b)	(61,230)	60,230
(Loss)/profit for the year		(28,200)	13,636
Total recognised income and expense for the year		(89,258)	74,357

The accounting policies on pages 8 to 11 and notes on pages 16 to 31 are an integral part of these financial statements

Auto Windscreens Group Limited

Balance sheet

As at 31 December 2007

	Note	2007	2006
		£000	£000
ASSETS			
Non-current assets			
Investments in subsidiaries	7	22,900	113,000
Deferred tax assets	8(b)	372	1,568
Asset for current tax	8(a)	208	-
		23,480	114,568
Current assets			
Cash and cash equivalents	14(b)	19	319
Trade and other receivables	9	-	41,128
LIABILITIES			
Current liabilities			
Trade and other payables	10	(33,877)	(72,997)
Net current liabilities		(33,858)	(31,550)
Non-current liabilities			
Retirement benefit obligations	13	(1,374)	(5,226)
Liability for current tax		-	(286)
Net assets		(11,752)	77,506
EQUITY			
Ordinary share capital	11	15,006	15,006
Share premium		568	568
Other reserves	12	602	61,832
Retained earnings		(27,928)	100
Total equity		(11,752)	77,506

The accounting policies on pages 8 to 11 and notes on pages 16 to 31 are an integral part of these financial statements

Approved by the Board on 12 SEPTEMBER 2008

Director

Auto Windscreens Group Limited

Reconciliation of movements in shareholders' equity

For year ended 31 December 2007

	Note	Ordinary share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2006		6	568	1,602	(14,027)	(11,851)
Total recognised income and expense for the year		-	-	60,230	14,127	74,357
Issue of share capital		15,000	-	-	-	15,000
Total movements in the year		15,000	-	60,230	14,127	89,357
Balance at 31 December 2006		**15,006**	**568**	**61,832**	**100**	**77,506**
Total recognised income and expense for the year		-	-	(61,230)	(28,028)	(89,258)
Total movements in the year		-	-	(61,230)	(28,028)	(89,258)
Balance at 31 December 2007		**15,006**	**568**	**602**	**(27,928)**	**(11,752)**

The accounting policies on pages 8 to 11 and notes on pages 16 to 31 are an integral part of these financial statements

Auto Windscreens Group Limited

Notes to the financial statements

1 (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax

	2007	2006
	£000	£000
Management charge	-	957
Dividend income	-	12,971
Revaluation of subsidiaries	(28,870)	-
	(28,870)	13,928

2 Interest receivable

	2007	2006
	£000	£000
Interest receivable	90	979

3 Employee information

The average number of persons employed by the Company during the year was

	2007	2006
	Number	Number
Management	-	5

Total staff costs were	2007	2006
	£000	£000
Wages and salaries	-	857
Social security costs	-	100
Pension schemes (note 13 (b))	-	29
	-	986
These costs were charged within		
Administrative expenses	-	986

4 Directors

All directors of the Company are remunerated as employees by Aviva Employment Services Limited, a fellow Group undertaking This remuneration is recharged to all operating divisions of the Aviva Group under management service agreements However, no cost is borne by the Company for the services of the directors in their capacity as directors

5 Auditor's remuneration

The total remuneration payable by the Company, excluding VAT, to its auditor, Ernst & Young LLP, in respect of the audit of these financial statements, is shown below The Company is exempt from disclosing other fees payable, to its auditor, in respect of other work, by virtue of regulation 4(1)(b) of The Companies (Disclosure of Auditor Remuneration) Regulations 2005, as it is disclosed within the consolidated Annual Report and Accounts of Aviva plc, the Company's ultimate controlling entity (see note 17 (d))

Auditor's remuneration has been borne by Norwich Union Central Services Limited, a fellow Group undertaking

	2007	2006
	£000	£000
Audit services		
Statutory audit of the Company's financial statements	8	7

6 Tax

(a) Tax (credited)/charged to the income statement

(i) The total tax (credit)/charge comprises

	2007	2006
	£000	£000
Current tax:		
For this year	(208)	286
Total current tax	(208)	286
Deferred tax:		
Origination and reversal of temporary differences	(399)	(1)
Prior year adjustment	27	-
Total deferred tax	(372)	(1)
Total tax (credited)/charged to income statement	(580)	285

(ii) Deferred tax credited to the income statement represents movements on the following items

	2007	2006
	£000	£000
Pensions and other post retirement benefits	(372)	(1)
Total deferred tax credited to income statement	(372)	(1)

(b) Tax charged to equity

The total tax charged comprises	2007	2006
	£000	£000
Current tax	-	-
Deferred tax	1,568	211
Total tax charged to equity	1,568	211

These amounts have been recognised in the statement of recognised income and expense

Notes to the financial statements (continued)

6 Tax (continued)

(c) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows

	2007 £000	2006 £000
Net (loss)/profit before tax	(28,780)	13,921
Tax calculated at standard UK corporation tax rate of 30% (2006 30%)	(8,634)	4,176
Non-assessable dividends	-	(3,891)
Disallowable expenses	8,661	-
Deferred tax assets not recognised	(634)	-
Other	27	-
Total tax (credited)/charged for the period (note 6(a))	(580)	285

7 Investments in subsidiaries

(a) The investment in shares of subsidiaries includes the following material company registered in England and Wales

Company	Type of business	Class of share	Proportion held
RAC Auto Windscreens Limited	Manufacture, distribution and installation of car windows	Ordinary	100%

(b) Movement in the Company's investments in its subsidiaries was as follows

	2007 £000	2006 £000
Fair value		
At 1 January	113,000	52,770
Revaluation	(90,100)	60,230
At 31 December	22,900	113,000

Auto Windscreens Group Limited

Notes to the financial statements (continued)

8 Tax assets and liabilities

(a) General

Assets and liabilities for current tax of £208 thousand and £nil respectively (2006 £nil and £286 thousand liability) are receivable/payable in more than one year

(b) Deferred taxes

(i) The net deferred tax asset comprises

	2007	2006
	£000	**£000**
Pensions and other post-retirement obligations	372	1,568
Net deferred tax asset	372	1,568

(ii) The movement in the net deferred tax asset was as follows

	2007	2006
Net asset at 1 January	1,568	1,778
Amounts credited to profit	372	1
Amount charged to equity	(1,568)	(211)
Net asset at 31 December	372	1,568

The Company has unrecognised temporary differences of £1,374 thousand (2006 £nil) to carry forward indefinitely against future taxable income

9 Trade and other receivables

	2007	2006
	£000	**£000**
Receivables due from related parties (note 17)	-	41,128
	-	41,128
Expected to be settled within one year	-	41,128
	-	41,128

10 Trade and other payables

	2007 £000	2006 £000
Amounts due to related parties (note 17)	33,877	72,638
Other liabilities	-	359
	33,877	72,997
Expected to be settled within one year	33,877	72,997

11 Ordinary share capital

Details of the Company's ordinary share capital are as follows

	2007 £000	2006 £000
Authorised		
1,500,200,000 (2006 1,500,200,000) Ordinary shares of 1 pence each	15,002	15,002
1,000,000 (2006 1,000,000) 'A' Ordinary shares of 1 pence each	10	10
	15,012	15,012
Allotted, called up and fully paid		
1,500,200,000 (2006 1,500,200,000) Ordinary shares of 1 pence each	15,002	15,002
374,130 (2006 374,130) 'A' Ordinary shares of 1 pence each	4	4
	15,006	15,006

Ordinary shares are issued pari passu All the ordinary shares in issue carry the same right to receive dividends and other distributions declared, made or paid by the Company

On return of assets, whether in a winding up or reduction of capital, the assets and retained profits of the Company shall be distributed to members by firstly paying holders of the 'A' ordinary shares followed by the holders of ordinary shares The balance shall be paid to both types of shareholders pari passu as if one class of share

None of the following acts shall be carried out without consent of the holders of not less than 75% of the 'A' ordinary shares variation of the authorised or issued share capital, alteration of memorandum and articles, reduction of the companies share capital, Company dissolution, or any material change in the nature of the business

Auto Windscreens Group Limited

Notes to the financial statements (continued)

12 Other reserves

	Investment revaluation reserve	Capital redemption reserve	Total
	£000	£000	£000
Balance at 1 January 2006	1,000	602	1,602
Arising in the year			
Fair value gain on revaluation of subsidiaries	60,230	-	60,230
Balance at 31 December 2006	61,230	602	61,832
Arising in the year			
Fair value loss on revaluation of subsidiaries	(61,230)	-	(61,230)
Balance at 31 December 2007	-	602	602

The capital redemption reserve arose in 2001 when the Company redeemed 602,341 'A' ordinary 1p shares for a consideration of £602,341

13 Retirement benefit obligations

(a) Introduction

In the UK, the Company operates one main pension scheme for its subsidiaries, The Auto Windscreens Group Limited Pension Scheme ("the Scheme"), whose members receive benefits on a defined benefit basis (generally related to final salary) This is a funded scheme which provides defined benefits for certain members, based on length of service and final remuneration, and defined contribution benefits for other members The assets of the Scheme are held in a separate trustee-administered fund The Company's employees are members of this scheme

An actuarial report has been submitted for the Scheme as at an effective date of 5 April 2006 For funding purposes, the Scheme was valued on a market value basis using the Projected Unit Credit Method

Pension costs for The Auto Windscreens Group Limited Pension Scheme are initially borne by the Company and are then recharged to the operating divisions of the Auto Windscreens group of companies as part of an overall charge for payroll-related items The recharge is calculated dependent on the employees working in each division

Currently the employer contributes at a rate of 20% of Contribution Salaries for members of the Auto Windscreens Group Limited final salary section (Additional contributions are made for life insurance premiums paid from the Scheme, administrative expenses and Pension Protection Fund levies) During the year additional deficit funding payments were made of £458 thousand

In the absence of any contractual arrangements to allocate the net defined benefit cost for the Scheme, measured in accordance with IAS 19, to individual businesses, it is the policy to allocate this cost fully to Auto Windscreens Group Limited As required by paragraph 34B of the amendment to IAS 19 issued in December 2004, disclosures for the Scheme are provided in the following pages

13 Retirement benefit obligations (continued)

(a) Introduction (continued)

The Company is also one of a number of UK companies in the Group being charged for its employees participating in the RAC (2003) Pension Scheme, and its contributions are affected by the financial position of the Scheme There is no contractual agreement or policy for charging the net defined benefit cost of this scheme across the participating Group entities but, instead, this cost is recognised in the financial statements of the main employing company The Company therefore recognised a pension expense equal to its contributions payable in the year Full disclosure on the Group's pension schemes is given in the financial statements of RAC plc

(b) Charges to the income statement

	2007 £000	2006 £000
Contributions to RAC (2003) Pension Scheme and one stakeholder pension scheme	-	21
Service cost net of finance income to Auto Windscreens Group Limited Pension Scheme	444	515
Less amount recharged to fellow subsidiary	(534)	(507)
(Interest income)/Pension cost	(90)	29

(c) IAS 19 Disclosures

(i) Assumptions on Scheme liabilities

The inherent uncertainties affecting the measurement of Scheme liabilities require these to be measured on an actuarial basis This involves discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method This is an accrued benefits valuation method which calculates the past service liability to members and makes allowance for their projected future earnings It is based on a number of actuarial assumptions, which vary according to economic conditions, and changes in these assumptions can materially affect the measurement of the pension obligations

The valuation used for accounting under IAS 19 has been based on the most recent full actuarial valuation, updated to take account of that standard's requirements in order to assess the liabilities of the Scheme at 31 December 2007 This update was made by the Scheme actuary Scheme assets are stated at their fair values at 31 December 2007

The details for the defined benefit section of the Scheme are shown below Although this scheme provides both defined benefit and defined contribution pensions, the assets and liabilities shown exclude those relating to defined contribution pensions

The main financial assumptions used to calculate the Scheme's liabilities under IAS 19 are

	2007 %	2006 %
Inflation rate	3 4	3 1
General salary increases	5 2	4 9
Pension increases and deferred pension increases	3 4	3 1
Discount rate	5 8	5 1

Auto Windscreens Group Limited

Notes to the financial statements (continued)

13 Retirement benefit obligations (continued)

(c) IAS 19 Disclosures (continued)

(i) Assumptions on Scheme liabilities (continued)

Allowance has also been included for discretionary increases at a rate of two-thirds of price inflation on pensions in excess of the Guaranteed Minimum Pension which do not attract statutory increases

The discount rate and inflation rate are the two assumptions that have the largest impact on the value of the liabilities, with the difference between them being known as the net discount rate The discount rate is based on current average yields of high quality debt instruments (AA-rated corporate bonds), taking account of the maturities of the defined benefit obligations A 1% increase in this rate (and therefore the net discount rate) would reduce the liabilities by £3,982 thousand

Mortality assumptions are significant in measuring the Group's obligations under the defined benefit section of the Scheme, particularly given the maturity of these obligations in this scheme The mortality tables and average life expectancy used at 31 December 2007 for Scheme members are as follows

Mortality table	Normal retirement age (NRA)	Life expectancy (pension duration) at NRA of a male		Life expectancy (pension duration) at NRA of a female	
		Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
PA92U08MC with a one year age rating deduction and an allowance for future improvements	60	87 8 (27 8)	88 9 (28 9)	90 7 (30 7)	91 7 (31 7)

The above table used to measure post-retirement mortality is considered appropriate based on the mortality experience of the Scheme However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption The assumptions above include an allowance for future mortality improvement, based on the actuarial profession's medium cohort projection table The effect on the Scheme of assuming all members were one year younger would increase the Scheme's liabilities by £514 thousand

The scheme liabilities have an average duration of 26 years

(ii) Assumptions on Scheme assets

The expected rates of return on the Scheme's assets are

	2008	2007
	%	%
Equities	7 60	8 00
Gilts	5 30	4 75
Property	6 60	6 00
Other	6 50	5 30

The overall rates of return are based on the expected returns within each asset category and on current asset allocations The expected returns are developed in conjunction with external advisers and take into account both current market expectations of future returns, where available, and historical returns

Auto Windscreens Group Limited

Notes to the financial statements (continued)

13 Retirement benefit obligations (continued)

(c) IAS 19 Disclosures (continued)

(iii) Pension expense

The pension expense for this Scheme comprised	2007 £000	2006 £000
Current service charge	534	554
Charge to net operating expenses	534	554
Expected return on Scheme assets	(1,066)	(879)
Interest charge on Scheme liabilities	976	840
Charge to investment income	(90)	(39)
Total charge to income statement before recharges	444	515
Expected return on Scheme assets	1,066	879
Actual return on these assets	884	1,837
Actuarial (losses)/gains on Scheme assets	(182)	958
Experience gains/(losses) arising on Scheme liabilities	1,922	(256)
Actuarial gains recognised in the statement of recognised income and expense	1,740	702

The cumulative amount of actuarial losses recognised in the statement of recognised income and expenses was £166 thousand (2006 £1,906 thousand) at 31 December 2007

(iv) Experience gains and losses

The following disclosures of experience gains and losses will be built up over time to give a five year history

	2007 £000	2006 £000	2005 £000	2004 £000
Fair value of Scheme assets at the end of the year	16,979	13,680	11,357	8,658
Present value of Scheme liabilities at the end of the year	(18,353)	(18,906)	(17,283)	(12,171)
Net pension deficit	(1,374)	(5,226)	(5,926)	(3,513)

Auto Windscreens Group Limited

Notes to the financial statements (continued)

13 Retirement benefit obligations (continued)

(iv) Experience gains and losses (continued)

	2007		2006		2005		2004	
	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on Scheme assets								
Amount	(182)		958		1,389		541	
Percentage of the Scheme assets at the end of the year		(1 1)		7 0		12 2		6 2
Experience gains/(losses) on Scheme liabilities								
Amount	1,922		(256)		(3,924)		614	
Percentage of the Scheme liabilities at the end of the year		10 5		(1 4)		(22 7)		5 0

(v) Estimated employer contributions in the financial year ending 31 December 2008 are £854 thousand

(vi) Scheme deficit

The assets and liabilities of the Scheme, attributable to defined benefit members, at 31 December 2007 were

	2007	2006
	£000	£000
Equities	12,398	11,276
Bonds	2,819	645
Property	1,571	1,657
Other	191	102
Total fair value of assets	16,979	13,680
Present value of Scheme liabilities	(18,353)	(18,906)
Net pension deficit	(1,374)	(5,226)

(vii) Movements in the Scheme's deficit:

Movements in the pension Scheme's deficit comprise

	Scheme assets 2007	Scheme liabilities 2007	Net pension deficit 2007
	£000	£000	£000
As at 1 January	13,680	(18,906)	(5,226)
Employer contributions	2,556	-	2,556
Employee contributions	131	(131)	-
Benefits paid	(272)	272	-
Charge to net operating expenses	-	(534)	(534)
Credit/ (charge) to investment income	1,066	(976)	90
Actuarial gains/(losses)	(182)	1,922	1,740
As at 31 December	16,979	(18,353)	(1,374)

Auto Windscreens Group Limited

Notes to the financial statements (continued)

13 Retirement benefit obligations (continued)

(vii) Movements in the Scheme's deficit (continued)

Movements in the pension Scheme's deficit comprise

	Scheme assets 2006 £000	Scheme liabilities 2006 £000	Net pension deficit 2006 £000
Deficit in the Scheme at 1 January	11,357	(17,283)	(5,926)
Employer contributions	513	-	513
Employee contributions	147	(147)	-
Benefits paid	(174)	174	-
Charge to net operating expenses	-	(554)	(554)
Credit/ (charge) to investment income	879	(840)	39
Actuarial gains/(losses)	958	(256)	702
Deficit in the Scheme at 31 December	13,680	(18,906)	(5,226)

14 Cash flow statement

The Company has not had any cash transactions other than those shown below during the current or prior periods and therefore no cash flow statement is presented

	2007 £000	2006 £000
(a) The reconciliation of profit before tax to the net cash inflow from operating activities is:		
Profit before tax	(28,780)	13,921
Impairment of investments in subsidiaries	28,870	-
Retirement benefit expenses	-	515
Dividends received	-	(12,971)
Interest received	(90)	(979)
Changes in		
(Increase)/ decrease in receivables and other financial assets	-	1,627
Increase/ (decrease) in payables and other financial liabilities	(300)	(1,415)
Contributions to the retirement benefit scheme	-	(513)
Net cash inflow from continuing operations, excluding exceptional items	(300)	185
(b) Cash and cash equivalents in the cash flow statement at 31 December comprised		
Cash at bank and in hand	19	319

15 Risk management policies

The Company has established a risk management framework with the primary objective of protecting the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities This framework is operated by a group of companies, "the NUI Group" (including the UK general insurance business carried out within Aviva Insurance Limited and Aviva International Insurance Limited), within the Aviva plc group ("the Group"), that are engaged in writing general insurance business and in various non-insurance activities in the UK Risk is categorised as follows

- market
- credit
- liquidity
- operational

The NUI Group recognises the critical importance of having efficient and effective risk management systems in place To this end, the NUI Group has an established governance framework, which has three key elements

- defined terms of reference for the legal entity Boards and the associated executive management and other committees within the NUI Group,
- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees, and senior management, and
- adoption of the Group policy framework that sets out risk appetite, risk management, control and business conduct standards for the Group's worldwide operations Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the NUI Group

The NUI Group monitors risk on an ongoing basis and prepares quarterly reports identifying all material risks, along with information on likelihood, severity and mitigating actions taken or planned The NUI Group has also developed a framework, using Individual Capital Assessment ("ICA") principles, for quantifying the impact of risks on economic capital The ICA combines the results of financial and operating stress tests

(i) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates Market risk arises due to credit spreads widening, and fluctuations in both the value of liabilities and the value of investments held

The NUI Group manages market risk locally within its market risk framework, within local regulatory constraints and in line with established Group policy, including minimum principles for matching liabilities with appropriate assets

The Company predominantly operates within the UK so has no material exposure to foreign exchange rates

The Company's investments in equity securities consists of investments in subsidiary undertakings The fair value of investments in subsidiary undertakings is £22,900 thousand A valuation was established by an independent third party at acquisition by the Aviva group The valuation was carried out using a combination of sales and profit multiples The same valuation has been reperformed at 31 December 2005, 31 December 2006 and 31 December 2007 to give valuations at those dates

Auto Windscreens Group Limited

Notes to the financial statements (continued)

15 Risk management policies (continued)

(ii) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations

The NUI Group's management of credit risk is carried out in accordance with the Group credit risk policy, which includes setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's Exposure levels are reported to and reviewed by the NUI Investment Committee

(iii) Liquidity risk

The Company's liquidity position is supported by membership of the NUI Group

(iv) Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events This definition is intended to include the majority of risks the Company is exposed to, other than the financial risks described above and strategic and Company risks considered elsewhere Only financial instrument risk requires quantification under IFRS and consequently no quantification of this risk is provided Operational risks include information technology, information security, human resources, project management, outsourcing, tax, legal, financial crime and compliance risks In accordance with Group policies, business unit management has primary responsibility for the effective identification, management, monitoring and reporting of risks to the business unit executive management team and to Group

The NUI Group risk management and governance function is responsible for implementing the Group risk management methodologies and frameworks to assist line management in this work They also provide support and independent challenge on the completeness, accuracy and consistency of risk assessments, and adequacy of mitigating action plans As a result, the business unit executive management team satisfies itself that material risks are being mitigated and reported to an acceptable level

Operational risks are assessed according to the potential impact and probability of the event concerned These impact assessments are made against financial, operational and reputational criteria

Notes to the financial statements (continued)

16 Capital structure

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's overall risk profile and market requirements of the business This note describes the way the Company manages capital and shows where this is employed

(a) General

IFRS underpins the Company's capital structure and accordingly, the capital structure is analysed on this basis

(b) Capital management

In managing its capital, the Company seeks to

(i) match the profile of its assets and liabilities, taking account of the risks inherent in each business,
(ii) maintain financial strength to support new business growth,
(iii) retain financial flexibility by maintaining strong liquidity, and
(iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate

The Company considers not only the traditional sources of capital funding, but alternative sources when assessing its deployment and usage of capital

(c) Measure of capital

The Company is required to report its results on an IFRS basis

(d) Capital structure

	IFRS net liabilities 2007	IFRS net assets 2006
	£m	£m
Principal business	(11,752)	77,506
Total capital employed	(11,752)	77,506
Financed by	(11,752)	77,506
Equity shareholders' funds	(11,752)	77,506

Auto Windscreens Group Limited

Notes to the financial statements (continued)

17 Related party transactions

(a) The Company receives interest and management fees from subsidiaries

(i) Services provided to related parties

	2007		2006	
	Income earned in year	**Receivable at year end**	**Income earned in year**	**Receivable at year end**
	£000	**£000**	**£000**	**£000**
Subsidiaries	534	-	14,907	-
Fellow Group subsidiary	-	-	-	41,128
Total	534	-	14,907	41,128

Income earned in the year of £534 thousand represents the recharge of pension costs to RACAW

The related parties' receivables were not secured and no guarantees were received in respect thereof The receivables will be settled in accordance with normal credit terms

(ii) Services provided by related parties

	2007		2006	
	Expense incurred in year	**Payable at year end**	**Expense incurred in year**	**Payable at year end**
	£000	**£000**	**£000**	**£000**
Subsidiaries	-	13,107	(986)	11,026
Parent	-	20,770	-	61,612
Total	-	33,877	(986)	72,638

(b) Compensation to those employees classified as key management

The directors and key management of the Company are deemed to be the same as for RAC plc Information on key management compensation may be found in the Related Party Transactions note of the RAC plc financial statements

(c) Immediate parent undertaking

The Company's immediate parent undertaking is RAC plc, registered in England and Wales

On 26th June 2007, RAC Holdings Limited transferred its entire shareholding in the issued share capital of the Company to RAC plc for a consideration equivalent to the fair value of the Company as at 31 December 2006 of £113,000 thousand

(d) Ultimate controlling entity

The ultimate controlling entity is Aviva plc Its Group accounts are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ

18 Post balance sheet events

On 1 April 2008, the Company increased its authorised share capital to £60,012 thousand by the creation of an additional 4,500,000 thousand ordinary shares of £0 01 each

On 1 April 2008, the Company subscribed for 9,500 thousand ordinary shares of £1 each in the share capital of its wholly owned subsidiary, RAC Auto Windscreens Limited ("RACAW"), for a consideration of £9,500 thousand This was settled through the intercompany account between RACAW and the Company

On 26 June 2008, the Company subscribed for 6,500 thousand ordinary shares of £1 each in the share capital of its wholly owned subsidiary, RAC Auto Windscreens Limited ("RACAW"), for a consideration of £6,500 thousand This was settled through the intercompany account between RACAW and the Company

On 27 June 2008, RAC plc, the sole shareholder of the Company, subscribed for 1,500,000 thousand ordinary shares of £0 01 each in the share capital of the Company for a consideration of £15,000 thousand This was settled through the intercompany account

On 30 June 2008, the Company transferred its entire holding in the issued share capital of RAC Auto Windscreens Limited to RAC plc for a consideration equivalent to the fair value of £38,900 thousand at the date of transfer