

**AUTOMOBILE ASSOCIATION
INSURANCE SERVICES
HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

Registered number 2413321



AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and audited financial statements of Automobile Association Insurance Services Holdings Limited (the "Company") for the year ended 31 December 2006

PRINCIPAL ACTIVITY AND REVIEW OF ACTIVITIES

The principal activity of the Company is that of a holding company. The Company did not trade during the year.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year (2005 £nil)

DIRECTORS

The directors of the Company were as follows

Timothy Parker
Paul Woolf

At no time did any director, holding office at 31 December 2006, have any interest in the shares of the Company, or any other company within the AA Limited group, except for interests in the shares of the ultimate parent company, AA Limited (formerly AA Top Co Limited)

Details of the interests of those directors in the shares in the ultimate parent company, AA Limited, are shown in that company's financial statements for 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that, in preparing these financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KEY PERFORMANCE INDICATORS

Given the non-trading nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors at the time when the report is approved

- So far as the director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- The director has taken all the steps that they ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

BY ORDER OF THE BOARD



18th DIRECTOR
April 2007
Fanum House
Basing View
Basingstoke
Hampshire
RG21 2EA

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

We have audited the financial statements of Automobile Association Insurance Services Holdings Limited for the year ended 31 December 2006 which comprise the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion 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

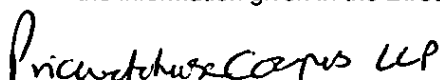
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006
- 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



PricewaterhouseCoopers LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
LONDON, 18 April 2007

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
FIXED ASSETS			
Investments in group undertakings	3	577	577
CURRENT ASSETS			
DEBTORS			
Amounts owed by group undertakings		131,401	131,401
NET ASSETS		<u>131,978</u>	<u>131,978</u>
CAPITAL AND RESERVES			
Called up share capital	4	21,549	21,549
Share premium account	5	1,447	1,447
Capital reserve	5	105,000	105,000
Profit and loss account		3,982	3,982
EQUITY SHAREHOLDERS' FUNDS	6	<u>131,978</u>	<u>131,978</u>

The financial statements on pages 4 to 6 were approved by the board of directors on 18 April 2007 and were signed on its behalf by



DIRECTOR

The notes on pages 5 to 6 form part of these financial statements

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention and the Companies Act 1985. A summary of the accounting policies, which have been applied on a consistent basis with the prior year, is set out below.

Basis of accounting

The Company is exempt from the requirement to prepare consolidated accounts as it is a wholly owned subsidiary of AA Limited, whose consolidated accounts are publicly available. The Company is also exempt from the requirement to prepare a cash flow statement under FRS 1 (Revised).

Profit and loss account

The profit and loss account has not been prepared as the Company is a non-trading holding company.

Investments

Investments are stated at cost, less accumulated provisions for any impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2 AUDIT FEES AND DIRECTORS' EMOLUMENTS

The audit fee has been borne by another group company.

The emoluments of the directors are paid by other group companies. Their services to this Company are of a non-executive nature and their emoluments are deemed to be wholly in respect of their services to those companies.

3 FIXED ASSET INVESTMENTS

	£'000
Shares in group undertakings	
Cost	
At 1 January and 31 December 2006	<u>2,237</u>
Provision	
At 1 January and 31 December 2006	<u>(1,660)</u>
Net book value	
At 31 December 2006	<u>577</u>
At 31 December 2005	<u>577</u>

The Company owns 100% of the share capital of AA Financial Services Limited, a dormant company incorporated in England and Wales.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'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>

5 NON-DISTRIBUTABLE RESERVES

	Share Premium Account £'000	Capital Reserve £'000
At 1 January 2006 and 31 December 2006	<u>1,447</u>	<u>105,000</u>

6 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Profit for the financial year	-	-
Shareholders' funds at 1 January	<u>131,978</u>	<u>131,978</u>
Shareholders' funds at 31 December	<u>131,978</u>	<u>131,978</u>

7 GUARANTEES

The Company's assets have been provided as security for bank loans provided to three of the Company's parent companies, AA Junior Mezzanine Co Limited, AA Acquisition Co Limited and AA Senior Co Limited

8 RELATED PARTY TRANSACTIONS

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

9 ULTIMATE OWNERSHIP

The Company is a wholly owned subsidiary of Automobile Association Developments Limited, a company registered in England and Wales. The ultimate parent undertaking, which is also the parent of the smallest and largest group to consolidate these financial statements, is AA Limited (formerly AA Top Co Limited), whose registered office is at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA. Copies of the financial statements of AA Limited are available from the Company Secretary at this address.