

*AUTOMOBILE ASSOCIATION
INSURANCE SERVICES
HOLDINGS LIMITED
ANNUAL REPORT AND ACCOUNTS
31 DECEMBER 2003*

Registered number: 2413321



AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

- 1 The directors present their report and audited accounts of Automobile Association Insurance Services Holdings Limited (the "Company") for the year ended 31 December 2003.

2 **PRINCIPAL ACTIVITY**

The principal activity of the Company is that of a holding company. During the year the Company sold some of its interests in subsidiary undertakings to another group company as explained in note 4.

3 **REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS**

The Company did not trade during the year.

4 **DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year (2002: £nil).

5 **DIRECTORS**

The directors of the Company were as follows:

Andrew Briscoe	- resigned 31 December 2003
Nigel Clark	
Roger Wood	
Paul Woolf	- appointed 1 January 2004

6 **DIRECTORS' INTERESTS**

At no time did any director holding office at 31 December 2003, have any interest in the shares of the Company or any other Company in the Centrica plc group except for interests in and options over, the shares and interests of the ultimate parent Company, Centrica plc, as set out below.

Details of the interests of Roger Wood in the shares and options over shares in the ultimate parent Company Centrica plc, are shown in the Centrica plc Annual Report for 2003.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

6 DIRECTORS' INTERESTS (continued)

Centrica Executive Share Option Scheme

	As at 31 December 2003	Exercised during year	Granted During year	As at 31 December 2002
Nigel Clark	100,272	-	100,272	-

Under the terms of the scheme a grant of options was made on 24 March 2003 at an option price of 146.6 pence per share.

Long Term Incentive Scheme

	As at 31 December 2003	Exercised during year	Granted during year	As at 31 December 2002
Nigel Clark	150,856	-	50,864	99,992

Total allocations as at 31 December 2003 shown above include allocations of shares that are subject to performance conditions.

A conditional allocation of shares was made under the terms of the scheme on 1 April 2003 at a base price of 179.4 pence per share.

Details of the above listed schemes can be found in the 2003 Annual Report for Centrica plc, copies of which can be obtained from the Company Secretary at the address given in note 10 to these accounts.

The middle market price of a Centrica plc ordinary share on the last day of trading of 2003 (31 December) was 211 pence. The range during the year was 212.75 pence (high) and 131.5 pence (low).

There were no contracts of significance during or at the end of the financial year to which the Company or any subsidiary and associated undertakings is a party and in which any director is or was materially interested.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

7 DIRECTORS' AND OFFICERS' LIABILITY

Directors' and officers' liability insurance has been purchased by the ultimate parent Company, Centrica plc.

8 AUDITORS

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

BY ORDER OF THE BOARD



PAUL WOOLF
DIRECTOR

27 MAY 2004

Registered Office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES

FOR PREPARING THE FINANCIAL STATEMENTS

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 the financial statements on pages 6 to 11, 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.

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
SOUTHAMPTON, 27 May 2004

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
Income from shares in group undertakings		5,001	-
Amounts written off investment		-	(73)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		5,001	(73)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	3	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		5,001	(73)
RETAINED DEFICIT AT 1 JANUARY		(1,019)	(946)
RETAINED PROFIT/(DEFICIT) AT 31 DECEMBER		<u>3,982</u>	<u>(1,019)</u>

The Company did not trade during the year.

As the financial statements have been drawn up under the historical cost convention, there is no difference between the profit and loss account, reported above, and its historical cost equivalent.

The Company has no recognised gains or losses in 2003 and 2002, other than the results for the financial years reported above and, therefore, no separate statement of total recognised gains or losses is presented.

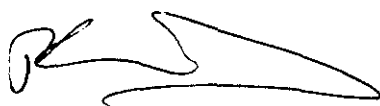
The notes on pages 8 to 11 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Investments in group undertakings	4	577	126,181
CURRENT ASSETS			
Debtors	5	131,401	796
NET ASSETS		<u>131,978</u>	<u>126,977</u>
CAPITAL AND RESERVES			
Called up share capital	6	21,549	21,549
Share premium account	7	1,447	1,447
Capital reserve	7	105,000	105,000
Profit and loss account		3,982	(1,019)
EQUITY SHAREHOLDERS' FUNDS	8	<u>131,978</u>	<u>126,977</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 27 MAY 2004 and were signed on its behalf by:



PAUL WOOLF
DIRECTOR

The notes on pages 8 to 11 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention and the Companies Act 1985.

A summary of accounting policies is set out below.

Basis of accounting

The Company is exempt from the requirement to prepare consolidated accounts under Section 228 of the Companies Act 1985, as it and its subsidiary undertakings are included by full consolidation in the accounts of its ultimate parent, Centrica plc.

Cash flow statement

The Company is a wholly owned subsidiary of Centrica plc, whose consolidated financial statements are publicly available. The Company is, therefore, exempt from the requirement to prepare a cash flow statement under FRS 1 (Revised).

Investments

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

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods that are different from those in which they are recognised in the financial statements.

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

2. DIRECTORS' EMOLUMENTS

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. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2003	2002
	£'000	£'000
Total tax on ordinary activities	<u>-</u>	<u>-</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2003	2002
	£'000	£'000
Profit/(loss) on ordinary activities before tax	<u>5,001</u>	<u>(73)</u>
Tax on profit/(loss) on ordinary activities at standard UK Corporation tax rate of 30% (2002: 30%)	<u>1,500</u>	<u>(22)</u>
Effects of expenses not deductible for tax purposes	-	22
Income not taxable	<u>(1,500)</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

4 FIXED ASSET INVESTMENTS

£'000

Shares in group undertakings

Cost

At 1 January 2003

127,841

Disposal

(125,604)

At 31 December 2003

2,237

Provision

At 1 January 2003

(1,660)

Increase in year

-

At 31 December 2003

(1,660)

Net book value

At 31 December 2003

577

At 31 December 2002

126,181

On 31 December 2003, as part of a group reorganisation, the Company sold its interests in Automobile Association Insurance Services Limited and Automobile Association Protection and Investment Planning Limited to another group company.

The following companies, incorporated in England, are wholly owned by the Company.

Name

Principal Business Activity

AA Financial Services Limited

Non-Trading

Centrica 22 Limited (formerly Goldfish Financial Services Limited)

Non-Trading

All shares held are ordinary £1 shares.

5 DEBTORS (amounts falling due within one year)

	2003	2002
	£'000	£'000
Amounts owed by group undertakings	<u>131,401</u>	<u>796</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

6 CALLED UP SHARE CAPITAL

	2003	2002
	£'000	£'000
Ordinary shares of £1 each		
Authorised	<u>30,000</u>	<u>30,000</u>
Issued, called up and fully paid	<u>21,549</u>	<u>21,549</u>

7 NON-DISTRIBUTABLE RESERVES

	Share Premium Account	Capital Reserve
	£'000	£'000
At 1 January 2003 and 31 December 2003	<u>1,447</u>	<u>105,000</u>

8 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2003	2002
	£'000	£'000
Profit/(loss) for the financial year	5,001	(73)
Shareholders' funds at 1 January	<u>126,977</u>	<u>127,050</u>
Shareholders' funds at 31 December	<u>131,978</u>	<u>126,977</u>

9 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 FRS 8 which cancel on consolidation. There are no other related party transactions that require disclosure.

10 ULTIMATE OWNERSHIP

The Company is a wholly owned subsidiary of Automobile Association Developments Limited.

The ultimate parent undertaking is Centrica plc, whose principal place of business is situated at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD. Copies of the Annual Report and Accounts of Centrica plc are available from the Company Secretary at this address. Centrica plc is the smallest and largest group to consolidate these financial statements.