

AA ROAD SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



Registered Number: 04447909

AA ROAD SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and audited financial statements of AA Road Services Limited (the "Company") for the year ended 31 December 2005.

ACTIVITIES OF THE COMPANY

The principal activity of the Company was the provision of tyre fitting services through its own resources as well as acting as an intermediary between large fleet companies, independent tyre fitters and dealers. The Company ceased trading on 7 October 2004. These financial statements have been prepared on a break-up basis.

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

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2004: £nil).

DIRECTORS

The directors of the Company were as follows:

Timothy Parker	
Sir Trevor Chinn	(resigned 18 January 2005)
Paul Woolf	(appointed 18 January 2005)

At no time did any director, holding office at 31 December 2005, have any interest in the shares of the Company, or any other company within the AA Top Co Limited group, except for interests in the shares of the ultimate parent company, AA Top Co Limited.

Details of the interests of those directors in the shares in the ultimate parent company, AA Top Co Limited, are shown in that company's financial statements for 2005.

FINANCIAL RISKS

The Company is part of the AA Top Co Limited Group and its financial risks are managed centrally by the Group Treasury team taking into account the Company's position as part of the group with due consideration being given to the impact of transactions with other group entities. The most important components of financial risk impacting the Company are interest rate risk and liquidity risk.

Interest rate risk arises from intercompany balances which bear interest at LIBOR plus a margin. The directors have reviewed the Company's exposure to interest rates and have concluded that the risk is appropriate in relation to financial results of the Company. No action has therefore been taken to mitigate the Company's exposure to movements in interest rates.

Liquidity risk is the risk that cash may not be available to pay obligations when due. This risk is managed centrally by the Treasury team, within parameters set by the Group. The directors are satisfied that the Company is not subject to significant liquidity risk.

AA ROAD SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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 accounting standards have been followed. The financial statements have been prepared on a break up basis.

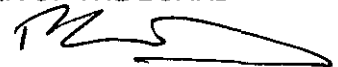
The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company at any time and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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.

AUDITORS

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

BY ORDER OF THE BOARD



PAUL WOOLF
DIRECTOR

6 April 2006

Registered Office:
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA ROAD SERVICES LIMITED

We have audited the financial statements of AA Road Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, 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

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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

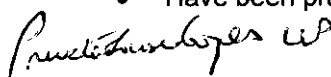
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

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 2005 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
London, 6 April 2006

AA ROAD SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
TURNOVER		-	8,410
Cost of sales		-	(10,934)
GROSS LOSS		-	(2,524)
Distribution costs		-	(161)
Administrative expenses		-	(5,994)
TOTAL OPERATING EXPENDITURE		-	(6,155)
OPERATING LOSS		-	(8,679)
Profit/(loss) on termination of operations	2	819	(5,556)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	3	819	(14,235)
Interest receivable and similar income	5	1,538	-
Interest payable and similar charges	6	(1,775)	(429)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		582	(14,664)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	7	1,206	3,031
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	12	1,788	(11,633)

All items dealt with in arriving at the results before taxation relate to discontinued operations.

These financial statements have been prepared on a break-up basis.

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

The notes on pages 6 to 11 form part of these financial statements.

AA ROAD SERVICES LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
CURRENT ASSETS			
Debtors	8	25,237	26,801
Cash at bank and in hand		-	2,060
		<u>25,237</u>	<u>28,861</u>
CREDITORS (amounts falling due within one year)	9	<u>(25,925)</u>	<u>(30,216)</u>
NET CURRENT LIABILITIES		(688)	(1,355)
PROVISIONS FOR LIABILITIES AND CHARGES			
	10	<u>(1,045)</u>	<u>(2,166)</u>
NET LIABILITIES		<u>(1,733)</u>	<u>(3,521)</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Share premium	12	16,500	16,500
Profit and loss account	12	<u>(19,233)</u>	<u>(21,021)</u>
TOTAL SHAREHOLDERS' DEFICIT	13	<u>(1,733)</u>	<u>(3,521)</u>

The financial statements on pages 4 to 11 were approved by the board of directors on 6 April 2006 and were signed on its behalf by:



PAUL WOOLF
DIRECTOR

The notes on pages 6 to 11 form part of these financial statements.

AA ROAD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and the Companies Act 1985. The principal accounting policies, which have been applied on a consistent basis with the prior period, are set out below.

Basis of accounting – break up

The financial statements have been prepared on a break up basis as the Company ceased trading in 2004.

Turnover

Turnover, which excludes value added tax, represents sales of goods and services. Revenue is recognised for all work completed by the end of the year, for both intermediary and direct business, including work which has not yet been invoiced, provided it is considered to be fully recoverable.

Cash flow statement

The Company is a wholly owned subsidiary of AA Top Co Limited, 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).

Retirement benefits

Retirement benefits are accounted for in accordance with FRS 17, Retirement benefits.

Certain of the Company's employees were members of either the AA Pension Scheme, the Centrica Pension Scheme or the Centrica Management Scheme, all of which are defined benefit schemes. The Company is unable to identify its share of the underlying assets and liabilities in these schemes on a consistent and reasonable basis and has therefore accounted for pension costs as if these schemes were defined contribution schemes. Accordingly, the amounts charged to the profit and loss account are the contributions payable in the year.

Operating leases

Rental charges incurred under operating leases are charged to the profit and loss account. Where a decision has been made prior to the year-end to vacate property, provision is made for future rental costs net of rental income expected to be received up to the estimated date of final disposal.

AA ROAD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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.

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 PROFIT/(LOSS) ON TERMINATION OF OPERATION

The profit in 2005 relates to the release of part of the provision at 31 December 2004 which is no longer required. The loss in 2004 relates to the directors' decision to cease trading and comprises redundancy, termination of vehicle leases, property and other closure costs. There is an associated tax credit of £246,000 (2004: tax credit of £1,667,000).

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

The loss on ordinary activities before interest and taxation is stated after charging:

	2005 £'000	2004 £'000
Depreciation of tangible fixed assets	-	154
Impairment of tangible fixed assets	-	888
Fees payable to the auditors:		
Audit	-	25
Property operating lease rentals	-	109
Other operating lease rentals	-	870

The audit fee for 2005 has been borne by another group company.

AA ROAD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 EMPLOYEES AND DIRECTORS' EMOLUMENTS

The average number of employees during the year was nil (2004: 217). Employee costs during the year amounted to:

	2005 £'000	2004 £'000
Wages and salaries	-	4,992
Social security costs	-	474
Other pension costs	-	120
	<u>-</u>	<u>5,586</u>

Timothy Parker, Sir Trevor Chinn and Paul Woolf are directors of the Company's ultimate parent company, AA Top Co Limited, and of other subsidiaries within the group. Their total emoluments are disclosed in the financial statements of AA Top Co Limited. As it is not possible to make an accurate apportionment of their emoluments, no additional disclosure is made within these financial statements.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Interest receivable on inter company loan (see note 8)	<u>1,538</u>	<u>-</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Interest payable on inter company loan (see note 9)	<u>1,775</u>	<u>429</u>

7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2005 £'000	2004 £'000
The tax (credit)/charge comprises:		
Corporation tax		
- Current year	196	(3,031)
- Prior year	<u>(1,402)</u>	<u>-</u>
Total tax credit on loss on ordinary activities	<u>(1,206)</u>	<u>(3,031)</u>

AA ROAD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

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:

	2005 £'000	2004 £'000
Profit/(loss) on ordinary activities before tax	582	(14,664)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	175	(4,399)
Effects of:		
Permanent timing differences	21	1
Capital allowances in excess of depreciation	-	6
Other timing differences	-	(178)
Unrelieved tax losses	-	1,539
Adjustments in respect of the prior year	(1,402)	-
Current tax credit for the period	(1,206)	(3,031)

Any corporation tax liabilities of the Company as at 30 September 2004 are covered by an indemnity from the previous ultimate parent undertaking. They would be payable by the Company and recoverable by AA Acquisition Co Limited, an intermediate parent undertaking.

8 DEBTORS (amounts falling due within one year)	2005 £'000	2004 £'000
Trade debtors	-	836
Amounts owed by group undertakings	25,237	22,114
Other debtors	-	3,595
Prepayments and accrued income	-	256
	25,237	26,801

The amounts owed by group undertakings are unsecured, have no repayment terms and bear interest at LIBOR plus a margin.

9 CREDITORS (amounts falling due within one year)	2005 £'000	2004 £'000
Trade creditors	-	3
Amounts owed to group undertakings	25,878	29,081
Other taxes and social security	47	67
Accruals and deferred income	-	1,065
	25,925	30,216

The amounts owed to group undertakings are unsecured, have no repayment terms and bear interest at LIBOR plus a margin.

AA ROAD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
At 1 January 2005	2,166
Released unutilised	(819)
Utilised in year	(302)
At 31 December 2005	<u>1,045</u>

The provision relates to the decision of the Company to cease trade during 2004 (see note 2). It is anticipated that the balance at 31 December 2005 will be utilised in 2006.

11 CALLED UP SHARE CAPITAL

	2005 £	2004 £
Ordinary shares of £1 each		
Authorised	<u>£5,000,000</u>	<u>£5,000,000</u>
Issued, called up and fully paid	<u>£1,000,002</u>	<u>£1,000,002</u>

12 RESERVES

	Share Premium £'000	Profit and loss £'000	Total £'000
At 1 January 2005	16,500	(21,021)	(4,521)
Profit for the year	-	1,788	1,788
At 31 December 2005	<u>16,500</u>	<u>(19,233)</u>	<u>(2,733)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2005 £'000	2004 £'000
Profit/(loss) for the year	1,788	(11,633)
Issue of shares during the year	-	17,500
Net movement in shareholders' deficit	1,788	5,867
Shareholders' deficit at 1 January	<u>(3,521)</u>	<u>(9,388)</u>
Shareholders' deficit at 31 December	<u>(1,733)</u>	<u>(3,521)</u>

14 PENSIONS AND SIMILAR OBLIGATIONS

The Company participated in a number of defined benefit pension schemes in 2004: the AA pension scheme, the Centrica pension scheme and the Centrica management pension scheme. The provision for pension obligations under FRS 17 for the AA pension scheme is disclosed in the consolidated financial statements of AA Top Co Limited, and, for the Centrica pension scheme and the Centrica management pension scheme, in the consolidated financial statements of Centrica plc. The schemes have been treated as defined contribution schemes in these financial statements as the Company is unable to apportion accurately the underlying assets and liabilities in the scheme on a consistent and reasonable basis between companies in the group.

Amounts payable to defined contribution schemes during the year were £nil (2004: £120,000).

AA ROAD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 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. There is no other related party transactions that require disclosure.

16 GUARANTEES AND COMMITMENTS

Guarantees

The Company was part of a group cross guarantee arrangement whereby it guaranteed the overdrafts of certain other group undertakings. At 31 December 2005, the Company's exposure under this guarantee was £nil (2004: £2.1 million).

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

17 COMMITMENTS

Operating leases

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

	Vehicles		Land and buildings	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Next year	-	36	-	-
Second to fifth year	-	1,008	-	-
After five years	-	-	64	64
	<u>-</u>	<u>1,044</u>	<u>64</u>	<u>64</u>

18 ULTIMATE OWNERSHIP

The Company is a 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 accounts, is AA Top Co Limited who registered office is at Fanum House, Basing View, Basingstoke, Hampshire RG21 4EA.

Copies of the financial statements of AA Top Co Limited are available from the Company Secretary at this address.

As the Company has net liabilities at the 31 December 2005, a group undertaking has committed to provide continued support to enable the Company to continue to meet its current liabilities as they fall due.