AA TOP CO LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2004

Registered Number: 05149111

AA TOP CO LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2004

The directors present their report and audited financial statements of AA Top Co Limited for the period ended 31 December 2004.

DIRECTORS

The directors, who held office in the period, were as follows:

Sir Trevor Chinn	(appointed 25 June 2004)
Derek Elliott	(appointed 1 October 2004)
Robert Lucas	(appointed 29 September 2004)
Donald Mackenzie	(appointed 29 September 2004)
Tim Parker	(appointed 25 June 2004)
Charles Sherwood	(appointed 25 June 2004)
Ian Sellars	(appointed 25 June 2004, resigned 1 October 2004)
Matthew Layton	(appointed 9 June 2004, resigned 25 June 2004)
David Pudge	(appointed 9 June 2004; resigned 25 June 2004)

Details of the shareholdings and remuneration of the directors are included in note 27 to the financial statements.

PRINCIPAL ACTIVITIES

AA Top Co Limited (the "Company") was incorporated on 9 June 2004 as Fizzbay Limited; it changed its name to Beta Top Co Limited on 25 June 2004, and subsequently to AA Top Co Limited on 5 October 2004.

The Group's principal activities are the provision of roadside and financial services in the UK and Ireland.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Group's trading activities commenced on 1 October 2004 following the acquisition of all of the share capital of AA Corporation Limited, as described in note 26. The acquisition and the financing of working capital requirements were funded through the issue of shares (see note 21), the issue of subordinated preference certificates (see note 17) and from bank borrowings (see note 17).

A new management team was appointed and the business was subsequently re-organised including restructuring the head office functions and the closure of several loss-making operations, including Service Centres and tyre-fitting services (see note 5).

The profit and loss account on page 5 shows the trading activity for three months from 1 October 2004 to 31 December 2004. The operating profit of continuing operations before operating exceptional costs for this period was £36.6m and, in addition, the share of the operating profits of continuing joint ventures was £5.1m. After operating exceptional costs of £55.3m, a loss on termination of operations of £100.7m and net interest payable of £49.7m, the loss before tax amounted to £168.1m.

The directors do not recommend the payment of a dividend for the period.

The directors will now focus on increasing the profitability of continuing operations.

POST BALANCE SHEET EVENTS

On 2 February 2005, the Company issued 396,993 'A' ordinary shares and 19,849 'B' ordinary shares.

On 5 April 2005, the Company issued 8,030 'A' ordinary shares and 401 'B' ordinary shares.

Since the year-end, the Group has also disposed of its interest in its joint venture, Motorfile Limited, repaid some of its bank borrowings and subordinated preference certificates.

Further details on these events are contained in note 29.

CREDITOR PAYMENT POLICY

The Group recognises that, as a major company in its business sector, it is important to promote and maintain good payment practices. Accordingly, the Group has the code of practice laid out below.

- Agree payment terms at the outset of an agreement
- Explain payment procedures to suppliers upon engagement
- Pay bills in accordance with any contract agreed with the supplier or as required by law.
- Tell suppliers without delay when an invoice is contested and settle disputes quickly.

EMPLOYMENT POLICIES

It is the policy of the Group to ensure that all disabled people, whether registered or not, should receive full and fair consideration for all appropriate job vacancies, training and development opportunities. Employees, who become disabled during employment, will be retained in employment wherever possible and will be given assistance with any retraining that is required.

The Group is committed to keeping employees and their representatives fully informed on all matters, financial and non-financial, affecting employees. This is achieved through a range of formal and informal briefings, publications and the use of electronic media. An employee share scheme was launched in early 2005 to enable employees to invest in the AA.

CHARITABLE DONATIONS

The Group contributed £0.3m to charities during the period. There were no political donations.

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 the Group and of the profit or loss of the Group 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 confirm that suitable accounting policies have been used. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AA TOP CO LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2004 (continued)

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

BY ORDER OF THE BOARD

SIR TREVOR CHINN
DIRECTOR
22 APRIL 2005

Registered Office:
10 Upper Bank Street
London
E14 5JJ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA TOP CO LIMITED

We have audited the financial statements which comprise the profit and loss account, the Group and Company balance sheets, the cash flow statement 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 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 and if we have not received all the information and explanations we require for our audit.

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 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 Group's and the Company's affairs at 31 December 2004 and of its loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
SOUTHAMPTON, 22 April 2005

AA TOP CO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2004

	Notes	2004 Continuing operations	2004 Continuing operations – exceptional Items *(Note 5)*	2004 Discontinued operations	2004 Total
		£m	£m	£m	£m
Group and share of joint ventures' *turnover*		208.8	-	8.5	217.3
Less share of joint ventures' turnover		(21.4)	-	(1.9)	(23.3)
Group turnover	2	**187.4**	-	**6.6**	**194.0**
Operating costs	3	(150.8)	(55.3)	(10.9)	(217.0)
Operating profit/(loss)		**36.6**	**(55.3)**	**(4.3)**	**(23.0)**
Share of operating profit of joint ventures		5.1	-	0.2	5.3
Loss on termination of operations	5	-	-	(100.7)	(100.7)
Profit/(loss) on ordinary activities before interest and tax	2	**41.7**	**(55.3)**	**(104.8)**	**(118.4)**
Net interest payable	6				(49.7)
Loss on ordinary activities before tax					**(168.1)**
Tax credit on loss on ordinary activities	7				2.2
Loss for the financial period					**(165.9)**

All items relate to acquisitions made on the 30 September 2004

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.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Loss for the financial period		(165.9)
Actuarial gain recognised in the pension schemes	20	11.6
Deferred tax arising on actuarial gain In the pension schemes		(3.6)
Total gains and (losses) recognised for the period		**(157.9)**

The notes on pages 8 to 28 form part of these financial statements.

AA TOP CO LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Notes	Group 2004 £m	Company 2004 £m
FIXED ASSETS			
Intangible assets	8	1,807.7	-
Tangible assets	9	82.2	-
Investments:			
Group undertakings	10	-	0.5
Share of gross assets of joint ventures		729.4	-
Share of gross liabilities of joint ventures		(725.9)	-
	11	3.5	-
Investments in associates	11	0.9	-
Other investments	11	1.3	-
		5.7	0.5
		1,895.6	**0.5**
CURRENT ASSETS			
Stocks	12	6.0	-
Debtors	13	231.1	-
Investments – short term deposits	14	105.5	-
Cash at bank and in hand	14	224.4	-
		567.0	-
CREDITORS (amounts falling due within one year)			
Deferred income		(269.3)	-
Other creditors	15	(282.6)	-
		(551.9)	-
NET CURRENT ASSETS		**15.1**	**-**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,910.7**	**0.5**
CREDITORS (amounts falling due after more than one year)	16	(1,795.8)	-
PROVISIONS FOR LIABILITIES AND CHARGES	18	(132.4)	-
NET (LIABILITIES)/ASSETS EXCLUDING PENSION LIABILITIES		**(17.5)**	**0.5**
PENSION LIABILITIES	20	(139.8)	-
NET (LIABILITIES)/ ASSETS INCLUDING PENSION LIABILITIES		**(157.3)**	**0.5**
CAPITAL AND RESERVES			
Called up share capital	21	0.1	0.1
Share premium	22	0.5	0.5
Profit and loss account	22	(157.9)	(0.1)
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS	23	**(157.3)**	**0.5**

The financial statements on pages 5 to 28 were approved by the board of directors on 22 April 2005 and were signed on its behalf by:

SIR TREVOR CHINN
DIRECTOR

The notes on pages 8 to 28 form part of these financial statements

AA TOP CO LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2004

	Notes	2004 £m	2004 £m
NET CASH OUTFLOW FROM OPERATING ACTIVITES AFTER TERMINATION OF OPERATIONS	24		(16.7)
DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES			10.2
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		4.1	
Interest paid		(24.0)	
Issue costs of loans		(33.6)	
Bank charges		(0.1)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE			(53.6)
TAXATION			-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(4.3)	
Sales of tangible fixed assets		0.8	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(3.5)
ACQUISITIONS			
Purchase of subsidiary undertakings		(1,615.6)	
Net cash acquired with subsidiary undertakings	26	144.4	
NET CASH FLOW FROM ACQUISITIONS			(1,471.2)
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			**(1,534.8)**
MANAGEMENT OF LIQUID RESOURCES			
Payment into short term deposits with banks			(45.9)
FINANCING			
Issue of ordinary share capital		0.6	
Increase in borrowings		1,804.5	
NET CASH INFLOW FROM FINANCING			1,805.1
INCREASE IN NET CASH			**224.4**
RECONCILIATION OF CASH TO NET DEBT			
Net cash at incorporation			-
Increase in net cash			224.4
Movement in liquid resources			45.9
Movement in borrowings			(1,770.9)
Other non-cash changes			28.4
NET DEBT AT 31 DECEMBER 2004	25		**(1,472.2)**

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, except as set out under intangible fixed assets below.

The Group has a deficit on net assets as at 31 December 2004. The directors have considered this together with projected cash flows for a period of one year from the date of signing of these accounts and the maturity of debt detailed in note 17 and have concluded that the Group has sufficient funds to continue trading for the foreseeable future. Therefore, the financial statements have been prepared using the going concern assumption.

Basis of preparation

The Group financial statements consolidate the accounts of the Company and its subsidiary undertakings. The results of undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A joint venture is an undertaking in which the Group has a long term interest and shares control with one or more co-venturers. The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

An associate is an undertaking in which the Group has a long-term equity interest and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Under section 230(3) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover represents amounts receivable for goods and services provided, excluding value added tax, insurance premium tax, trade discounts and intra-group transactions.

Roadside membership subscriptions and premiums receivable on other insurance products are apportioned on a time basis over the period where the Group is liable for risk cover. The unrecognised element of subscriptions and premiums receivable, relating to future periods, is held within creditors as deferred income.

Credit is taken for commission receivable on products serviced by third party companies, at the point that the Group has substantially completed its contractual obligations and, therefore, obtained the right to the commission.

Income from credit products is recognised over the period of the loan in proportion to the outstanding loan balance.

For all other revenue, income is recognised at point of delivery of goods or on provision of service. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

1 ACCOUNTING POLICIES (continued)

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Gains and losses arising on the translation of assets and liabilities are taken to the profit and loss account together with other exchange differences.

The results of overseas operations are translated into sterling at average rates of exchange for the period. Exchange differences arising on the retranslation of the opening net assets of overseas operations are taken to reserves and are reported in the statement of total recognised gains and losses.

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of consideration given over the fair value of the identifiable assets and liabilities acquired, is included in the balance sheet at cost, less any provision for amortisation and impairment.

Goodwill relating to the acquisition of AA Corporation Limited has been capitalised. The directors consider that this goodwill has an indefinite life due to the durability of the business as demonstrated over nearly 100 years and accordingly is not amortised but is subject to an annual review for impairment. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit or loss for the period and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. If the goodwill had been amortised over a period of 20 years, the impact on the profit and loss account for the three-month period to 31 December 2004 would be an increase in operating costs of £22.6m.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at original purchase cost, plus associated costs incurred to bring the assets to their present location, less accumulated depreciation and any provisions for impairment.

Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives. The annual depreciation rates used for this purpose are as follows:

Freehold properties	2%
Long leasehold properties	2%
Equipment and motor vehicles	16% - 33.33%

Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred. However, in relation to unoccupied properties, where a decision has been made prior to the year end to vacate the property, provision is made for future rent costs net of rent income expected to be received up to the estimated date of final disposal. Provision is made on a discounted basis.

Investments

Other fixed asset investments are included in the balance sheet at cost, less any permanent provisions for impairment.

Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost or estimated net realisable value.

1 ACCOUNTING POLICIES (continued)

Insurance intermediary assets and liabilities

A group company acts as an agent in the insurance of clients' risks and is not generally liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the company's legal relationship with clients and underwriters and the fact that in practice premiums and claims monies are usually accounted for by insurance intermediaries, the Group has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the Group itself.

Financial instruments

a) Debt instruments

Debt is recognised in the balance sheet as the cash proceeds received less finance costs incurred directly in connection with the issue of the instrument. Finance costs in respect of the instruments, including discounts on issue, are charged to the profit and loss account over the term of the instrument to achieve a constant rate.

b) Derivative financial instruments

The Group uses an interest rate swap to hedge exposure to financial risk arising from interest rates. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to the net interest charge over the term of the contracts.

Pensions and other post retirement benefits

Pensions and other post retirement benefits are accounted for in accordance with FRS 17, Retirement Benefits.

For defined benefit schemes, the amounts charged to operating profit are the current costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount within net interest payable. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with assets of the schemes held separately from those of the Group, in separate trustee administered funds. Pension schemes assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes, the amounts charged to the profit and loss account are the contributions payable in the year.

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 Group'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 different from those in which they are recognised in the financial statements.

A 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 substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

2 SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

In the directors' opinion, the Group's activities were managed in one geographical segment in the period, being the UK and the Republic of Ireland, and there were no significant differences between operating location and destination of sale or service. Segmental analysis of the Group's activities by class of business is given below.

	2004 Continuing Operations	2004 Continuing Operations – Exceptional Items	2004 Discontinued Operations	2004 Total
	£m	£m	£m	£m
Group Turnover				
Roadside Services	133.1		2.0	135.1
Financial Services	37.7		0.8	38.5
Other	16.6		3.8	20.4
Group turnover	187.4		6.6	194.0
Share of joint ventures' turnover	21.4		1.9	23.3
	208.8		**8.5**	**217.3**
Profit/(loss) before taxation				
Roadside Services	33.3	(35.5)	(0.3)	(2.5)
Financial Services	2.3	(15.5)	(0.4)	(13.6)
Other	1.0	(4.3)	(3.6)	(6.9)
	36.6	**(55.3)**	**(4.3)**	**(23.0)**
Share of operating profit of joint ventures	5.1	-	0.2	5.3
Loss on termination of operations	-	-	(100.7)	(100.7)
	41.7	**(55.3)**	**(104.8)**	**(118.4)**
Net interest payable				(49.7)
Loss before taxation per profit and loss account				**(168.1)**
Net assets/ (liabilities)				
Roadside Services	(241.3)		1.3	(240.0)
Financial Services	145.9		(1.1)	144.8
Other	(14.1)		(76.2)	(90.3)
	(109.5)		**(76.0)**	**(185.5)**
Unallocated net assets				
Cash and current asset investments available for group purposes				191.8
Goodwill				1,807.7
Debt				(1,802.1)
Net accrued acquisition costs				(29.4)
Pension liabilities				(139.8)
				(157.3)

Roadside Services includes the provision of breakdown assistance and other related services. Financial Services mainly comprises intermediary insurance activities. The results of the joint ventures all relate to Financial Services activities.

During the period, the decision was taken to close a number of loss-making operations. Discontinued operations are Service Centres, tyre-fitting services, vehicle inspections and external training facilities. The discontinued joint venture is Motorfile Limited.

Gross sales where the Group acts as agent on behalf of insurance underwriters were £104m.

3 OPERATING COSTS

	2004 £m
Employment costs (see note 4)	71.7
Depreciation of tangible fixed assets (see note 9)	3.8
Operating lease rentals	
- Plant and machinery	5.6
- Other	2.2
Other external charges	67.2
Raw materials and consumables	11.6
Other operating income	(1.1)
Auditors' remuneration	
- Audit work	0.4
- Non audit work	0.3
Exceptional items (see note 5)	55.3
	217.0

The audit fee relating to the Company is £0.1 million. Non-audit fees of £0.3 million relate to on-going work on the re-organisation of business activities. In addition, £3.2m was paid to the auditors for due diligence work relating to the acquisition of AA Corporation Limited, which has been capitalised as part of the cost of investment.

4 EMPLOYEES

The average number of persons employed by the Group, including executive directors, during the period was as follows:

	2004 number
Road Services	6,188
Financial Services	1,965
Other	1,116
	9,269

Staff costs during the period amounted to:

	2004 £m
Wages and salaries	58.1
Social security costs	5.2
Other pension costs	8.4
	71.7

5 EXCEPTIONAL ITEMS

	2004 Continuing *operations* £m	2004 Discontinued *operations* £m	2004 Total £m
Operating exceptional items			
Restructuring costs	**55.3**	-	**55.3**
Non-operating exceptional items:			
Loss on termination of operations			
Closure of Service Centres	-	85.5	85.5
Impairment of fixed assets	-	1.9	1.9
Other closure costs	-	13.3	13.3
	-	**100.7**	**100.7**

Restructuring costs of £55.3m relate primarily to redundancy costs, professional fees and the re-organising of group operations.

Service Centre closure costs arise from the transfer of a number of sites to a third party and the closure of the remaining sites and include redundancy costs, professional fees, vacant property and other property costs. Provision for property costs has been made on a pre-tax discounted basis.

The impairment of fixed assets arose from the closure of external training facilities.

Other closure costs relate to the termination of tyre-fitting services and vehicle inspections and principally comprise redundancy costs.

There is no overall tax credit recognised in these financial statements from exceptional items.

6 NET INTEREST PAYABLE

	2004 £m
Interest receivable and similar income	
Bank interest receivable	(4.2)
Other finance income in respect of pensions (see note 20)	(1.6)
	(5.8)
Interest payable and similar charges	
Interest on bank loans and overdraft	30.9
Discount on subordinated preference certificates	23.1
Amortisation of issue costs of bank loans	1.2
Bank charges	0.3
	55.5
Net interest payable	**49.7**

7 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2004
The taxation charge/(credit) is made up as follows:	£m
- Group - UK Corporation tax at 30%	(1.3)
- Overseas tax	0.1
	(1.2)
- Share of incorporated joint ventures	1.3
	0.1
Deferred tax	
- current period: pension	0.4
- current period: other	(2.7)
	(2.3)
Total tax credit for the period	**(2.2)**

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

	2004
	£m
Loss on ordinary activities before tax	(168.1)
Less share of operating profit of incorporated joint ventures	(5.3)
Loss excluding incorporated joint ventures	**(173.4)**
Tax on loss excluding incorporated joint ventures at standard UK Corporation tax rate of 30%	(52.0)
Effects of:	
Expenses not deductible for tax purposes	6.9
Capital allowances in excess of depreciation	(1.0)
Other short-term timing differences	2.8
Lower rate of overseas tax	(0.1)
Tax losses offset against 2004 pre-acquisition profits	13.0
Unutilised losses	29.2
Group current tax credit for the period	**(1.2)**

8 INTANGIBLE FIXED ASSETS – GOODWILL

	Group
Cost	£m
Acquisition (see note 26)	1,807.7
At 31 December 2004	**1,807.7**

9 TANGIBLE FIXED ASSETS

Group	Land and buildings		Equipment	Total
	Freehold	Long Leasehold	and motor vehicles	
Cost	£m	£m	£m	£m
Acquisitions (see note 26)	31.8	8.1	44.5	84.4
Additions	-	-	4.3	4.3
Disposals	-	-	(0.8)	(0.8)
At 31 December 2004	**31.8**	**8.1**	**48.0**	**87.9**
Depreciation				
Charge for the period	0.2	0.1	3.5	3.8
Impairment (see note 5)	-	-	1.9	1.9
At 31 December 2004	**0.2**	**0.1**	**5.4**	**5.7**
Net book value				
At 31 December 2004	**31.6**	**8.0**	**42.6**	**82.2**

The Company has no tangible fixed assets.

10 INVESTMENTS IN GROUP UNDERTAKINGS

	Company *2004* £m
Cost	
Additions	0.5
At 31 December 2004	**0.5**

The addition during the period relates to the Company's investment in AA SPC Co Limited.

The principal subsidiary undertakings at 31 December 2004 were as follows:

Company	Country of incorporation	% holdings in ordinary shares	Principal activity
AA SPC Co Limited	England	100	Holding company
AA Junior Mezzanine Co Limited	England	100	Holding company
AA Acquisition Co Limited	England	100	Holding company
AA Corporation Limited	England	100	Holding company
The Automobile Association Limited	Jersey	100	Roadside services
Automobile Association Developments Limited	England	100	Roadside and financial services
Automobile Association Underwriting Services Limited	England	100	Roadside and financial services
Volkswagen Assistance Limited	England	100	Roadside services
AA Ireland Limited	Ireland	100	Roadside and financial services
AA Road Services Limited	England	100	Roadside services
Automobile Association Insurance Services Limited	England	100	Financial services
A.A. Reinsurance Company (Guernsey) Limited	Guernsey	100	Financial services
AA The Driving School Agency Limited	England	100	Franchise operation
Fanum Guernsey Limited	Guernsey	100	Financial services

All principal undertakings are indirectly held by the Company, except for AA SPC Co Limited, which is a direct subsidiary undertaking. The percentage voting rights are the same as the percentage holdings in ordinary shares.

11 FIXED ASSET INVESTMENTS

Group	Joint ventures and associates £m	Other investments £m	Total £m
Acquisitions (*see note 26*)	14.8	1.3	16.1
Share of profits after taxation for the period	4.0	-	4.0
Dividends receivable	(14.4)	-	(14.4)
At 31 December 2004	**4.4**	**1.3**	**5.7**

11 *FIXED ASSET INVESTMENTS (continued)*

Joint ventures and associates
The investments in joint ventures and associates comprise shares in the following undertakings:

	Country of incorporation	% holdings in ordinary shares	Principal activity
Joint Ventures			
Automobile Association Personal Finance Limited (a)	England	50	Financial Services
AA Financial Services	England	(c)	Financial Services
Motorfile Limited (b)	England	50	Used car data checking

(a) *Formerly Centrica Personal Finance Limited*

(b) Motorfile Limited has a financial year end of 31 March. This has been treated as a discontinued operation.

(c) AA Financial Services is an unincorporated entity in which the Group has a 50% interest. Its principal place of business is Capital House, Queen's Park Road, Hardbridge, Chester, CU88 3AN.

(d) The percentage voting rights are the same as the percentage holding in ordinary shares

Associates

ARC Transistance S.A.	Belgium	20	Roadside Services
A.C.T.A. Assistance S.A.	France	20	Roadside Services
EuropeNet S.A.	Belgium	20	Roadside Services

The Group's share of net assets of joint ventures and associates comprise:

	Automobile Association Personal Finance Limited	Other joint ventures	Total
	£m	£m	£m
Fixed assets	-	0.8	0.8
Current assets	683.6	45.0	728.6
Liabilities due within one year	(252.1)	(43.4)	(295.5)
Liabilities due after one year or more	(430.4)	-	(430.4)
Share of net assets of joint ventures	1.1	2.4	3.5
Share of net assets of associates			0.9
			4.4

The results of Automobile Association Personal Finance Limited, included in these financial statements for the 3 month period ended 31 December 2004, are:

	£m
Turnover	19.2
Profit before tax	4.0
Taxation	(1.2)
Profit after tax	2.8

12 STOCKS

	Group 2004 £m	Company 2004 £m
Finished goods	**6.0**	-

13 DEBTORS

	Group 2004 £m	Company 2004 £m
Amounts receivable within one year		
Trade debtors	163.3	-
Other debtors	46.3	-
Prepayments and accrued income	19.8	-
Listed investment held for sale	1.7	-
	231.1	-

The listed investment had a market value of £2.1m at 31 December 2004.

14 CURRENT ASSET INVESTMENTS AND CASH

Current asset investments included £53.1m and cash included £85.0m which were both held by the Group's insurance subsidiary undertakings. These sums are not readily available to be used for other purposes within the Group.

15 **OTHER CREDITORS** *(amounts falling due in within one year)*

	Group 2004 £m	Company 2004 £m
Bank loans (see note 17)	6.3	-
Trade creditors	69.2	-
Other taxes and social security	17.9	-
Other creditors	40.2	-
Accruals	149.0	-
	282.6	-

16 CREDITORS (amounts falling due after more than one year)

	Group 2004 £m	Company 2004 £m
Bank and other borrowings (see note 17)	**1,795.8**	-

17 BANK AND OTHER BORROWINGS

	2004 £m
Due within one year	
Secured bank loans	6.3
Due after more than one year	
Secured bank loans	1,218.3
Debenture loans: Subordinated preference certificates	577.5
	1,795.8
Total bank and other borrowings	**1,802.1**
Maturity of debt:	
In one year or less, or on demand	6.3
In more than one year, but not more than two years	27.6
In more than two years, but not more than five years	186.5
In more than five years	1,581.7
	1,802.1

Secured bank loans are stated net of unamortised issue costs of £32.4m. The Group incurred total issue costs of £33.6m in respect of the arrangements for a senior facility, a mezzanine facility and a junior mezzanine facility under which amounts were drawn down to fund the acquisition of AA Corporation Limited. These costs are charged to the profit and loss account on a constant rate over the terms of the facilities.

The facilities were entered into in June 2004 for £900.0m for the senior facility, £325.0m for the mezzanine facility and £75.0m for the junior mezzanine facility. The senior facility was increased to £950.0m in October 2004.

The terms of these facilities are as follows:

Senior Facility

£800.0m was drawn down under this facility on 30 September 2004, with a further £50.0m drawn down on 15 November 2004. A further £100.0m under this facility for revolving credit purposes remains unutilised, for which a commitment fee of 0.75% per annum is payable.

Interest is payable at LIBOR plus variable rates between 2.25% and 3.25%. LIBOR has been fixed, under swap agreement, at 5.49% for £742.5m of this loan until 31 December 2007.

£425.0m is repayable in variable instalments every six months from 30 September 2005 to 31 March 2011, with the final instalment due on 31 December 2011. Of the remaining £425.0m, £106.25m is repayable on both 30 June and 31 December 2012 and £212.5m is repayable on 31 December 2013.

17 BANK AND OTHER BORROWINGS (continued)

Mezzanine facility

The full amount of the facility, £325.0m, was drawn down on 30 September 2004.

Interest is payable at LIBOR plus 4%. In addition, interest is compounded annually at 3.5% on £162.5m and at 6.5% on £162.5m, which is payable on redemption. The loan is repayable in full on 31 December 2014.

Junior Mezzanine facility

The full amount of this facility, £75.0m, was drawn down on 30 September 2004.

Interest accrues at LIBOR plus 5%. In addition, interest is compounded annually at 5% and is payable on redemption. The loan is repayable in full on 31 January 2015.

All the bank loans are secured by a fixed and floating charge over UK properties and shares and a floating charge over all other assets of the Company and certain principal subsidiary companies, except over current asset investments in the UK held for insurance regulatory purposes.

Subordinated preference certificates

The subordinated preference certificates were issued on 30 September 2004 at a subscription price of £554.5m with a nominal value of £3,283.3m, redeemable at par on 30 September 2014. They are included in the balance sheet at the value of their proceeds plus amortised discount to the balance sheet date. The discount, amortised on a compound basis, is charged to net interest payable and similar charges in the profit and loss account over the term of the instrument.

The Senior facility has priority of repayment, followed by the Mezzanine facility and Junior Mezzanine facility. The rights of the holders of the Subordinated preference certificates are subordinated to the rights of all creditors of the Group, including the borrowings referred to above.

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring	Property	Other	Deferred Taxation	Total
	£m	£m	£m	£m	£m
Acquisitions (see note 26)	0.3	7.4	1.7	2.7	12.1
Charge for the period	70.2	76.5	-	-	146.7
Utilised in the period	(23.0)	(0.7)	-	(2.7)	(26.4)
At 31 December 2004	**47.5**	**83.2**	**1.7**	**-**	**132.4**

The increase in the restructuring provision relates to redundancy and other related costs following restructuring within the Group. It is anticipated that the balance at 31 December 2004 will be utilised in 2005.

The property provision relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub-letting income. A significant element of the charge for property relates to Service Centres sites not transferred to a third party. These sums are expected to be paid out over the next 15 years. The provision has been calculated on a pre-tax discounted basis.

19 DEFERRED TAXATION

Deferred tax (liabilities)/assets comprise:

	Amounts provided 2004	Amounts unrecognised 2004
Timing differences on:	£m	£m
Accelerated capital allowances	(1.4)	12.1
Unutilised losses	3.0	26.2
Other short term timing differences	-	11.5
Capital gains	(1.6)	(3.1)
	-	46.7

The deferred tax asset related to the Group's pension liabilities is disclosed in note 20.

20 PENSION LIABILITIES

Substantially all of the group's employees at 31 December 2004 were members of one of the following schemes: the AA pension scheme or the AA Ireland pension scheme which are both defined benefit schemes; or the Centrica management pension scheme or the Centrica pension scheme, which are defined benefit schemes, however, both these schemes have been treated as defined contribution schemes in these financial statements as the liability of the Group is restricted to the contributions payable.

The AA pension scheme and the AA Ireland pension scheme are subject to independent valuations at least every three years, on the basis of which the qualified actuary recommends the rate of employers' contributions which, together with the specified contributions payable by the employees and proceeds from the schemes' assets are expected to be sufficient to fund the benefits payable under the schemes. The triennial valuations were carried out at 31 March 2004.

Certain employees were also members of a post retirement private medical insurance scheme, which is a defined benefit scheme. This scheme had a triennial independent actuarial valuation undertaken at 31 December 2004.

The actuarial valuations have been updated by a qualified independent actuary to 30 September 2004 for fair value purposes and to 31 December 2004. Note that comparative information has been given at the date of the acquisition of the pension schemes.

	31 December 2004	30 September 2004
	%	%
The major assumptions used for the actuarial valuation were:		
Rate of increase in employee earnings	3.9	4.0
Rate of increase in pensions in payment and deferred pensions	2.6	2.7
Discount rate	5.4	5.6
Inflation	2.6	2.7

20 PENSION LIABILITIES (continued)

The market value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at the balance sheet date were:

	Expected rate of return per annum 31 Dec 2004 %	Valuation 31 Dec 2004 £m	Expected rate of return per annum 30 Sep 2004 %	Valuation 30 Sep 2004 £m
Equities	8.2	635.4	8.6	590.8
Bonds	4.9	136.3	5.2	133.5
Other assets	6.7	40.2	7.0	36.5
Total fair value of assets		811.9		760.8
Present value of schemes' liabilities		(993.4)		(954.6)
Deficit in the schemes		(181.5)		(193.8)
Related deferred tax asset		41.7		45.7
Net pension liabilities		**(139.8)**		(148.1)

	£m
Analysis of amount charged to operating costs	
Current service costs	6.5
Analysis of amount charged/(credited) to net interest payable	
Interest on pension schemes' liabilities	13.5
Expected return on assets in pension schemes	(15.1)
	(1.6)
Net charge to profit and loss account	**4.9**

	£m
Analysis of amounts recognised in the statement of total recognised gains and losses (see page 5)	
Actual return less expected return on pension schemes' assets	35.3
Experience losses arising on the schemes' liabilities	(1.4)
Changes in assumptions underlying the present value of the schemes' liabilities	(22.3)
Actuarial gain recognised in STRGL	**11.6**

	£m
Movement of deficit in schemes for the period	
At acquisition (30 September 2004)	(193.8)
Movement in period:	
Current service cost	(6.5)
Contributions paid	5.6
Other finance income	1.6
Actuarial gain	11.6
Deficit in schemes at 31 December 2004	**(181.5)**

20 PENSION LIABILITIES (continued)

History of experience gains and losses

Actual return less expected return on schemes' assets:	
Amount (£m)	35.3
Percentage of schemes' assets	4.3%
Experience losses on schemes' liabilities:	
Amount (£m)	(1.4)
Percentage of the present value of schemes' liabilities	(0.1)%
Total actuarial gain recognised in the statement of total recognised gains and losses:	
Amount (£m)	11.6
Percentage of the present value of schemes' liabilities	1.2%

Contributions for defined contribution schemes in the period were £2.1m.

21 CALLED UP SHARE CAPITAL

Authorised	£
1,000,000 'A' ordinary shares of £0.10 each	100,000
1,047,120 'B' ordinary shares of £0.10 each	104,712
	204,712
Allotted, called up and fully paid	
500,000 'A' ordinary shares of £0.10 each	50,000
975,000 'B' ordinary shares of £0.10 each	97,500
	147,500

On 9 June 2004, the Company was formed with two initial subscribers subscribing for one £1 share each, issued at par.

On 30 September 2004, the authorised share capital of 100 ordinary shares of £1 was sub-divided in 980 'A' ordinary shares of £0.10 and 20 'B ordinary shares of £0.10, and on the same day, the authorised share capital was increased to 1,000,000 'A' ordinary shares of £0.10 and 1,047,120 'B' ordinary shares of £0.10.

On 30 September 2004, 500,000 'A' ordinary shares were issued for cash consideration of £497,500, giving rise to share premium of £447,500, and 974,980 'B' ordinary shares were issued at par for cash consideration of £97,498.

The 'A' ordinary shares are entitled to a distribution of profits in advance of the 'B' ordinary shares; the 'A' ordinary shares carry no right to vote in any respect with regard to general meetings of the Company.

On 30 September 2004, the Company issued 45,000 warrants to subscribe in cash for par of £0.10 for 'B' ordinary shares. Each warrant entitles the holder to subscribe for such sum of ordinary share capital as represented by 0.0001% of the 'B' ordinary shares of the fully diluted share capital. The warrants are exercisable on the occurrence of a specific future event and lapse if not exercised at that time.

22 RESERVES

Group

	Share premium £m	Profit and Loss £m	Total £m
Loss for the financial period	-	(165.9)	(165.9)
Actuarial gain on pension schemes net of deferred tax	-	8.0	8.0
Premium on "A" ordinary shares	0.5	-	0.5
At 31 December 2004	**0.5**	**(157.9)**	**(157.4)**

Company

	Share premium £m	Profit and Loss £m	Total £m
Loss for the financial period	-	(0.1)	(0.1)
Premium on "A" ordinary shares	0.5	-	0.5
At 31 December 2004	***0.5***	***(0.1)***	***0.4***

23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' (DEFICIT)/FUNDS

	Group *2004* £m	Company *2004* £m
Loss for the financial period	(165.9)	(0.1)
Actuarial gain on pension schemes net of deferred tax	8.0	-
Issue of ordinary share capital	0.6	0.6
Issue of warrants	-	-
Net decrease in shareholders' funds	(157.3)	0.5
Shareholders' funds at incorporation	-	-
Shareholders' deficit at 31 December 2004	**(157.3)**	**0.5**

24 CASH FLOW FROM OPERATING ACTIVITIES

	2004 £m
Reconciliation of operating loss to net cash outflow from operating activities	
Operating loss	(23.0)
Depreciation charge (net of loss on disposal)	3.8
Decrease in stocks	1.2
Increase in debtors	(11.5)
Decrease in creditors	(12.7)
Increase in pension liabilities	0.9
Increase in provisions	43.8
Net cash inflow from operating activities before termination of operations	**2.5**
Cash outflow from termination of operations	(19.2)
Net cash outflow from operating activities after termination of operations	**(16.7)**
Represented by:	
Continuing activities	9.7
Discontinued activities	(26.4)
	(16.7)

The operating cashflows for continuing activities include a cash outflow of £9.9m relating to exceptional items.

25 RECONCILIATION OF MOVEMENT IN NET DEBT

	At incorporation £m	Cash Flow £m	Non cash changes £m	31 December 2004 £m
Cash in hand and at bank	-	224.4	-	**224.4**
Liquid resources	-	45.9	59.6	**105.5**
Debt due within 1 year	-	(6.3)	-	**(6.3)**
Debt due after 1 year	-	(1,210.1)	(8.2)	**(1,218.3)**
Subordinated preference certificates	-	(554.5)	(23.0)	**(577.5)**
	-	(1,500.6)	28.4	**(1,472.2)**

Non cash changes on liquid resources of £59.6m represent the balance acquired with the AA Group (see note 26)

Other non cash changes relate to £1.2m for the amortisation of issue costs, £23m for the discount on the subordinated preference certificates and £7.0m for interest accrued on the mezzanine debts that is payable on redemption.

26 ACQUISITIONS

The Group purchased AA Corporation Limited and its subsidiary undertakings ("AA Group") on 30 September 2004 for a total provisional consideration of £2,100.6m.

The acquisition method of accounting has been adopted for this acquisition. The analysis of assets and liabilities acquired, together with their fair values, are shown below:

	Book value £m	Revaluations £m	Accounting policy adjustments £m	Other £m	Fair Value £m
Intangible fixed assets	725.7	-	-	(725.7)	-
Tangible fixed assets	74.7	9.7	-	-	84.4
Fixed asset investments	16.1	-	-	-	16.1
Stock	7.1	-	-	-	7.1
Debtors	200.0	1.2	-	-	201.2
Investments					
- short term deposits	59.6	-	-	-	59.6
Cash	144.4	-	-	-	144.4
Creditors (amounts falling due within one year)	(509.3)	-	(6.4)	-	(515.7)
Net inter-company receivables	431.0	-	-	25.0	456.0
Provisions:					
Pension	23.5	-	(171.6)	-	(148.1)
Other	(9.0)	-	-	(3.1)	(12.1)
Net assets acquired	1,163.8	10.9	(178.0)	(703.8)	292.9
Goodwill					1,807.7
Consideration					**2,100.6**

Consideration satisfied by:	
Cash (including fees of £46.3m)	1,644.6
Assumption of inter-company debt	456.0
	2,100.6

26 ACQUISITIONS *(continued)*

The fair value of the consideration has been determined on a provisional basis and remains conditional on the outcome of a valuation of the AA pension scheme as at 30 September 2004 and determination of tax liabilities. The conditional consideration cannot be quantified at this time. All tax liabilities as at 30 September 2004 are covered by an indemnity from the previous parent undertaking. The fair values of assets and liabilities are determined on a provisional basis and may be subject to revision in the 2005 financial statements.

Revaluations

The adjustment to tangible fixed assets consists of the revaluation of freehold and leasehold properties and the write-down of other assets to their fair value. The adjustment to debtors reflects the revaluation of a listed investment held for resale to its market value.

Accounting policy adjustments

The adjustment to creditors is as a result of the directors' assessment of existing accounting policies to reflect a more appropriate method for recognising revenue. The pension adjustment represents the adoption of FRS 17 in accounting for pensions.

Other

The adjustment to intangible assets writes off the existing goodwill in AA Corporation Limited. The *provision represents a property lease where the rental paid is in excess of the current market rate.* The adjustment to inter-company receivables relates to changes in tax assumptions.

In its last financial year to 31 December 2003, the AA Group made a profit after tax of £50.7m. For the period from 1 January to 30 September 2004, the AA Group proforma accounts show:

	£m
Turnover	633.8
Operating profit (stated after deducting goodwill amortisation of £36.3m and impairment of fixed assets of £19.6m)	9.8
Share of operating profit of joint ventures and associates	13.3
Profit from sale of fixed assets	2.1
Profit before taxation	32.2
Taxation	(27.6)
Profit attributable to shareholders	4.6

In the twelve months prior to acquisition, the AA Group incurred restructuring costs of £8.1m.

27 DIRECTORS' SHAREHOLDING AND REMUNERATION

The beneficial interests of the directors in the shares of the Company at 31 December 2004 were:

	"A" ordinary shares	"B" ordinary shares
Sir Trevor Chinn	100,000	6,960
Derek Elliot	-	-
Robert Lucas	-	-
Donald MacKenzie	-	-
Tim Parker	400,000	27,870
Charles Sherwood	-	-

The directors held no shares at the time of their appointment.

27 DIRECTORS' SHAREHOLDING AND REMUNERATION (*continued*)

Information on directors' remuneration is as follows:

	2004
	£m
Total directors' emoluments	0.3
Remuneration of the highest paid director	0.3

None of the directors are members of a pension scheme to which the Group makes a contribution.

The services of Derek Elliott and Charles Sherwood are provided by Permira Advisers Limited and the services of Robert Lucas and Donald Mackenzie are provided by CVC Capital Partners Limited. No part of their remuneration is specifically attributed to services to the group. Derek Elliott and Charles Sherwood have an indirect economic interest in the B ordinary shares and the subordinated preference certificates held by Permira funds. The Permira funds hold 40.9% of the B ordinary shares and 43.5 % of the subordinated preference certificates. Robert Lucas and Donald Mackenzie have an indirect economic interest in the B ordinary shares and the subordinated preference certificates held by the CVC funds. The CVC funds hold 40.9% of the B ordinary shares and 43.5% of the subordinated preference certificates.

28 COMMITMENTS

Operating leases

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

	Land and buildings	Vehicles
	£m	£m
Next year	0.5	2.4
Second to fifth year from balance sheet date	0.7	14.8
After five years	12.4	0.6
	13.6	**17.8**

At 31 December 2004, the Group had capital commitments of £1.1m.

29 POST BALANCE SHEET EVENTS

On 2 February 2005, the Company issued 396,993 'A' ordinary shares at a premium of £0.895 per share above their nominal value of £0.10 and 19,849 'B' ordinary shares at their nominal value of £0.10. The total cash consideration received was £396,993.

On 2 March 2005, the Group disposed of its interest in its joint venture, Motorfile Limited, for £21.3m. These proceeds were used to repay £21.3m of the Senior Facility.

On 23 March 2005, the Group repaid £46.3m of subordinated preference certificates issued on 30 September 2004, together with amortised discount up to the date of repayment of £3.7m.

On 5 April 2005, the Company issued a further 8,030 'A' ordinary shares at a premium of £0.895 per share above their nominal value of £0.10 and a further 401 'B' ordinary shares at their nominal value of £0.10. The total cash consideration received was £8,030.

On 18 April 2005, the Group repaid a further £13.0m of the Senior Facility.

30 RELATED PARTY TRANSACTIONS

The Group is exempt from the requirement to disclose related party transactions with other group undertakings under FRS 8 which cancel on consolidation. Other transactions with related parties during the year comprised:

Joint Ventures and Associates	**Type of Transaction**	**2004 £m**
A.C.T.A. SA	Call handling fees	0.4
	Amounts payable at 31 December	0.1
Automobile Association Personal Finance Limited	Intermediary services provided	0.4
	Amounts receivable at 31 December	5.4
AA Financial Services	Amounts receivable at 31 December	1.1
Motorfile Limited	Marketing costs recovered	0.2
	Amounts receivable at 31 December	0.2

Other related party transactions

Included within acquisition fees is £18.8m payable to CVC Capital Partners Investment Underwriting SARL and £6.2m payable to Permira Partners LLP. Both amounts were outstanding at 31 December 2004.

Activity with the former parent of AA Corporation Limited, Centrica plc, during the period included £16.6m *of costs charged by Centrica plc and £0.6m of costs charged to Centrica plc for administrative services.* At 31 December 2004, the balance owing to Centrica plc was £9.8m and the balance due from Centrica plc was £13.3m.

A number of directors of the Company are also directors of Kwik-Fit Group Limited. During the period, transactions with Kwik-Fit Group Limited were £0.1m and the balance owing at 31 December 2004 was £0.1m.