

AA CORPORATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

Registered number 3797747



AA CORPORATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and audited financial statements of AA Corporation Limited (the "Company") for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company during the year was that of a holding company. From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the AA Limited Group, which include those of the company, are discussed in the Finance Director's Review of the group's annual report which does not form part of this report.

RESULTS AND DIVIDENDS

The loss for the year, as set out in the profit and loss account on page 4, was £81,000 (2005 Profit £146,000). The directors do not recommend the payment of a dividend for the year (2005 £nil). The loss for the year was transferred to reserves.

DIRECTORS

The directors of the Company were as follows:

Timothy Parker
Paul Woolf (Company Secretary)

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

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

FINANCIAL RISKS

The Company is part of the AA 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, credit 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.

Credit risk is the risk that a counter party will be unable to pay amounts in full when due. The Company has reviewed its counter party exposure and has assessed the risk as acceptable.

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 CORPORATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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


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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

BY ORDER OF THE BOARD


PAUL WOOLF
DIRECTOR
19th April 2007

Registered Office
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA CORPORATION LIMITED

We have audited the financial statements of AA Corporation Limited for the year ended 31 December 2006 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

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

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

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

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
LONDON 19 April 2007

AA CORPORATION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
Operating expenditure		-	42
OPERATING PROFIT		<u>-</u>	<u>42</u>
Interest receivable and similar income	4	471	425
Interest payable and similar charges	5	(586)	(541)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(115)</u>	<u>(74)</u>
TAXATION ON LOSS ON ORDINARY ACTIVITIES	6	34	220
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	11	<u>(81)</u>	<u>146</u>

All items dealt with in arriving at the operating profit for the year relate to discontinued operations

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 notes on pages 6 to 9 form part of these financial statements

AA CORPORATION LIMITED

BALANCE SHEET AT 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
FIXED ASSETS			
Investments in group undertakings	7	1,231,135	1,231,135
CURRENT ASSETS			
Debtors	8	7,046	6,540
CREDITORS (amounts falling due within one year)	9	(135,970)	(135,383)
NET CURRENT LIABILITIES		<u>(128,924)</u>	<u>(128,843)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,102,211	1,102,292
NET ASSETS		<u>1,102,211</u>	<u>1,102,292</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,100,011	1,100,011
Profit and loss account	11	2,200	2,281
EQUITY SHAREHOLDERS' FUNDS	12	<u>1,102,211</u>	<u>1,102,292</u>

The financial statements on pages 4 to 9 were approved by the board of directors on 19th April 2007 and were signed on its behalf by



PAUL WOOLF
DIRECTOR

The notes on pages 6 to 9 form part of these financial statements

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

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

Basis of accounting

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

Investments

Investments are valued individually at the lower of cost or net realisable value. Income from investments is included on an accruals basis.

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 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 AUDIT FEE AND EMPLOYEES

The audit fee is borne by another group company. The Company has no employees (2005: £nil).

3 DIRECTORS' EMOLUMENTS

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

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £'000	2005 £'000
Interest receivable from group undertakings	<u>471</u>	<u>425</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Interest payable to group undertakings	<u>586</u>	<u>541</u>

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax (credit)/charge comprises

	2006 £'000	2005 £'000
UK corporation tax at 30% (2005 30%)		
- current year sale of tax losses	(34)	(22)
- prior year	-	(198)
Total tax on ordinary activities	<u>(34)</u>	<u>(220)</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

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	<u>(115)</u>	<u>(74)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	(34)	(22)
Effects of		
Prior year adjustment	-	(198)
Current tax (credit)/charge for the year	<u>(34)</u>	<u>(220)</u>

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.

7 FIXED ASSET INVESTMENTS

	2006 £'000	2005 £'000
Shares in subsidiary undertakings at cost		
At 1 January and at 31 December 2006	<u>1,231,135</u>	<u>1,231,135</u>

8 DEBTORS

	2006 £'000	2005 £'000
Amounts owed by group undertakings	<u>7,046</u>	<u>6,540</u>

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)

	2006 £'000	2005 £'000
Amounts owed to group undertakings	<u>135,970</u>	<u>135,383</u>

The amounts owed to group undertakings are unsecured and have no repayment terms. £9.6 million bore interest at LIBOR plus a margin (2005 £8.9 million).

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised		
2,000,000,000 Ordinary shares of £1	2,000,000	2,000,000
200,000,000,000 Redeemable shares of 1p	<u>2,000,000</u>	<u>2,000,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>
 Allotted called up and fully paid		
Ordinary shares		
1,100,010,982 shares of £1	<u>1,100,011</u>	<u>1,100,011</u>

11 PROFIT AND LOSS ACCOUNT

	2006 £'000	2005 £'000
At 1 January	2,281	2,135
(Loss)/Profit for the financial year	<u>(81)</u>	<u>146</u>
At 31 December	<u>2,200</u>	<u>2,281</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
At 1 January	1,102,292	1,102,146
(Loss)/profit for the financial year	<u>(81)</u>	<u>146</u>
Shareholders' funds at 31 December	<u>1,102,211</u>	<u>1,102,292</u>

13 GUARANTEES

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

The Company has guaranteed certain amounts owed by one of its subsidiary undertakings, Automobile Association Insurance Services Limited

14 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the Company is exempt under FRS 8 from the requirement to disclose related party transactions with other group undertakings

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PRINCIPAL UNDERTAKINGS

<u>Subsidiary undertakings</u>	<u>Country of incorporation</u>	<u>% holdings in ordinary shares</u>	<u>Principal activity</u>
The Automobile Association Limited (1)	Jersey	100	Roadside services
AA The Driving School Agency Limited	England	100	Franchise operation
A A Reinsurance Company (Guernsey) Limited	Guernsey	100	Insurance services
AA Underwriting Limited	England	100	Ceased trading
Automobile Association Developments Limited (1)	England	100	Roadside services
AA Road Services Limited	England	100	Roadside services (ceased trading)
Automobile Association Holdings Limited (3)	England	100	Holding company
Automobile Association Insurance Services Holdings Limited	England	100	Holding company
Automobile Association Insurance Services Limited (1)	England	100	Roadside and financial services
Automobile Association Protection and Investment Planning Limited	England	100	Financial services (ceased trading)
Automobile Association Underwriting Services Limited	England	100	Roadside and financial services
AA Ireland Limited (1)	Ireland	100	Roadside and financial services
Volkswagen Assistance Limited	England	100	Roadside Services
Tourist Accommodation Management Services Limited	Ireland	100	Accommodation registration
Taylor Price Insurance Services Limited	England	100	Insurance services
Premium Funding Limited	England	100	Insurance services
<u>Joint Ventures</u>			
AA Financial Services	England	(2)	Financial services
Automobile Association Personal Finance Limited	England	50	Financial services
<u>Associates</u>			
A C T A SA	France	20	Roadside services
A C T A Assistance SA	France	20	Roadside services
Europe Net SA	Luxembourg	20	Roadside services
ARC Transistance SA	Belgium	20	Roadside services

(1) These principal undertakings are directly held by the Company, the remaining principal undertakings are indirectly held

(2) AA Financial Services is an unincorporated entity in which there is a 50% interest. Its principal place of business is Capital House, Queen's Park Road, Handbridge, Chester, CH88 3AN

(3) The holding in Automobile Association Holdings Limited also includes 100% of the company's special shares

(4) The percentage voting rights are the same as the percentage holdings in ordinary shares

16 PARENT UNDERTAKING

The Company is a wholly owned subsidiary of AA Acquisition Co Limited, a Company registered in England and Wales

The ultimate parent undertaking, which is also the parent of the smallest and largest group to consolidate these financial statements, is AA Limited (formerly AA Top Co Limited) whose registered office is at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA

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

As the Company has net current liabilities at the 31 December 2006, a group undertaking has committed to provide continued support to enable the Company to continue to meet its current liabilities as they fall due