AA INTERMEDIATE CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2024

Company registration number: 05148845

Strategic report

Principal activities, review of the business and future developments

The Company is a wholly owned subsidiary of AA Mid Co Limited. The principal activities of the Company is that of a non-trading holding company. The principal activities of the AA Intermediate Co Limited Group ("the Group") are the provision of roadside assistance, the management of the AA's driving instructor franchise operations and the provision of insurance intermediary services authorised and regulated as a General Insurance Intermediary by the Financial Conduct Authority ("FCA"). The Intermediate group is a sub-group of the AA Limited group and excludes The AA's in-house insurance underwriter, which is within the AA Limited group.

Transforming into a new business within three years

We have now delivered our third year of strong financial performance despite another challenging year with prolonged macroeconomic pressures. Our improved business-to-consumer (B2C) and business-to-business (B2B) propositions have seen us sustainably reverse the years of declining membership to grow c.5% in B2C and over 20% for B2B since 2021 including some major new clients.

During this time, we have also completed the first Horizon of our strategy and made good progress on the second, showcasing our ability to balance the running of our business and driving the transformation of our Group. The re-platforming of both our key businesses is now allowing us to deliver propositional improvements and drive commercial flexibility which will continue to have benefits to our revenue and gross margins. Our upgraded digital capabilities and customer journeys have unlocked a 2.2ppt improvement in our conversion in Roadside products since FY22. We've also expanded the ways in which customers can interact with us digitally, with our "Report a breakdown online" functionality accelerating from c.25% to over 45% of breakdowns.

The stability in our business has given us the confidence to judge where M&A and new partnerships can add value, and we completed our first acquisition on 1 February 2024 with Keycare, a previous partner, and have also agreed our first service contract for Customer Operations services with Hyundai.

Our business remains strongly cash generative, allowing us to materially de-risk the balance sheet with the successful refinancing of over £700m of debt since FY21 and the initial buy back of £61m of our debt last year. The higher interest rate environment meant we had to refinance at higher rates than in the past, but we are now in a strong position to improve our debt servicing ratio going forward.

Continuing resilience in Roadside business despite headwinds

FY24 has been yet again challenging for our customers and the business. While supply chain shortages have eased slightly, continued pressure from the inflationary environment has been challenging to manage. Despite this the Group is able to report a third year of growth in B2C membership, that renewal rates have increased (84.7%, +0.3ppts) and our renewal average transaction value improved by 10%.

In B2B, our investment in our proposition has resulted in increased holdings (11.0m, +4%) and increased average income per holding (£24, +4%). We are pleased in the strengthening of our relationships and have retained all our key accounts this year.

Our customers continue to see the value in the service we provide, with our almost 2,800 patrols attending to 3.5m breakdowns last year, an increase of around 10%. Early in FY24 patrol recruitment remained challenging which had resulted in greater use of our garaging partners, increasing our costs slightly. Since then, we have made changes to our employee value proposition and have grown our patrol force to almost 2,800. Despite a generally difficult service environment, customers benefitted from our repair rate remaining high with around 4 in 5 breakdowns fixed at the roadside.

Early pressures on recruiting combined with a lag effect between pricing adjustments and revenue growth have contributed to our profit growth not reaching our revenue growth this year. As a result, Adjusted EBITDA[1] for the Roadside business dropped by 1% to £360m in FY24.

[1] Non-Generally Accepted Accounting Principles (Non-GAAP) measures explained on page 6.

Strategic report (continued)

Insurance growth despite external pressures

One year on from the full implementation of the FCA's GIPP rules, we are seeing the stabilisation of the insurance market. Retention rate dropped as customers shopped around given the higher premiums, but the higher income from commissions as well as growth in our Accident Assist business translated into a 7% increase in revenue.

Insurance Adjusted and Reported EBITDA increased by 5% to £20m, with inflationary cost pressures offsetting some of the revenue growth seen.

The investment in upgrading our core business platforms in Horizon 1 has improved our propositional flexibility and capabilities, facilitating new and improved offerings, which has started to drive volume and average income per paid member and will accelerate in FY25.

Protecting excellent service to customers

This year saw us awarded Which? recommended breakdown service provider for an unprecedented sixth year running. We were commended for the breadth of our coverage, the personal service from our patrols and the support from our contact centre. Across the year we also saw improvements in our internally tracked Net Promoter Score from customers, from 46 to 49 and in our Trustpilot scores reaching 4.3. We have successfully implemented the new Consumer Duty expectations from the Financial Conduct Authority (FCA) and remain committed to providing excellent customer service.

During 2023 we also launched a new brand refresh, repositioning the brand with a new visual identity and supported by a marketing campaign to highlight our broader, deeper offer and services to drivers. The campaign was inspired by the "Always ahead" slogan The AA used over a century ago, honouring our heritage whilst injecting new energy and reflecting a modernised company.

Growing momentum in developing businesses

Accident Assist, our in-house claims management proposition launched in FY21, continues to perform strongly in both volume and margin. Following continued active marketing to our B2C member base and engagement with our B2B partners, total volumes were up 5% vs FY23 and within this, member volumes were up 20%. There remains significant headroom in our member base to support organic growth and the continuing digitalisation of notification and claims management benefits both customers, through quicker and more convenient interactions, and the Group through lower cost to serve.

Driving Schools have faced headwinds from repeated strike action by the Driver and Vehicle Standards Agency (DVSA) in 2023, with many learners facing delays planning their tests. Despite this, the number of instructors continues to grow so we can offer courses to pupils, now reaching 3,150 instructors. We continue to consider ways in which we can provide support to this younger, newer driver population and launched the first of our New Driver propositions this year - a Theory Test app which provides learning materials and invaluable practice on videos and mock tests.

Our Service, Maintenance and Repair business has seen some of the strongest cost pressures through garaging labour and parts inflation. The business has benefitted from increased B2C volumes this year, an increase in the network of garages we work with and improvements in B2B margins. We were particularly excited this year to launch our mobile mechanic service offering, leveraging our strength in our patrol expertise and with customers happy to see our yellow vans attend them at home or work. We've also seen benefits internally from the service, reducing the downtime of our own fleet and instructor base.

Our Drivetech business providing driver education and training also remains stable, with all major partners choosing to renew their contracts with us.

Strategic report (continued)

Looking ahead: accelerating growth in Horizon 2 of our strategy

Given this milestone year, we are looking to refresh our strategy to reflect our shift in focus following achievements in last three years. The completion of Horizon 1 will allow us to unlock further growth in our core businesses while our developing businesses allow material business extensions in Horizon 2:

Growth from the core:

- Maintaining B2C member growth from investment in retention and service, accelerating ARPU growth through product development and deepening our B2B relationships.
- Improving operational efficiency – driving patrol productivity and leveraging recent investment in digital functionality.

Expanding into a broader offer:

- Capturing insurance growth in the market, making use of our new platform capabilities
- Accelerating growth in our priority developing businesses.

Our Horizon 3 activity remains focused on monetising data and vehicle connectivity, utilising our proprietary data assets internally to the maximum to enhance our proposition and reduce risk.

We were delighted to launch the first data-based proposition for customers this year. Our connected vehicle health product combines our proprietary data such as historical breakdown data with live connected car data and machine learning models to generate insight. Our customers can track vehicle health factors such as engine and battery life and book seamlessly into a garage through our SMR garage network or using our mobile mechanic service. We are looking to enhance our live SMR use case and develop future customer services in further use cases, utilising our expertise in vehicle data and insight.

Business performance review

The Directors present the consolidated financial statements of AA Intermediate Co Limited ("the Company") and its subsidiary undertakings (together "the Group") for the year ended 31 January 2024. The Company is an Obligor and a parent company of each of the other Obligors that provide security and guarantees under the financing arrangements entered into by the AA on 2 July 2013. The Company's immediate parent is AA Mid Co Limited. There is no material difference in the financial conditions and results of operations between the AA Intermediate Co Limited group and the AA Mid Co Limited group.

Roadside

Roadside includes Business-to-consumer (B2C), Business-to-business (B2B) and Roadside Other. Roadside performance is driven by our personal membership base and supported by our business customer (B2B) base, underpinning the scale of our operations which is critical to our success. Each provide approximately half the jobs for the patrol force. We have two franchised driving schools, the AA and BSM, providing driving lessons for learners each year. Drivetech is the market leader in driver education including Driver Awareness courses which are offered by police forces.

Insurance

Insurance includes Insurance Services, comprising our Insurance Broker and our Financial Services partnership with Bank of Ireland and our AA Cars proposition.

Strategic report (continued)

Business performance review (continued)

Our key performance indicators (KPIs) measure progress against our strategy.

	Covenant	**2024**	2023
Roadside			
Paid personal members excluding free memberships (thousands)		**3,263**	3,252
Average income per paid personal member including motor members (£)		**200**	190
Business customers (thousands)		**10,995**	10,618
Average income per business customer (£)		**24**	23
Breakdowns attended (thousands)		**3,480**	3,179
Insurance			
Average income per policy (£)		**51**	43
Insurance policies (thousands)[1]		**1,727**	1,754
Borrowings	Covenant		
Class B leverage ratio[2]		**6.7x**	6.7x
Senior Leverage ratio[3]		**5.7x**	5.8x
Class A Free Cash Flow: Debt Service[4]	>1.35x	**2.7x**	2.9x

[1] During the year we have revised the basis of policies to show policies in force rather than twelve month rolling policies. As a result, 2023 policy numbers have been restated. The new methodology reflects the impact of policies cancelled in the year. Under the old basis Insurance policies would be 1,836k.

[2] Ratio of Net WBS Debt to AA Intermediate Co Limited group debt covenant EBITDA.

[3] Ratio of Net Senior Secured Debt to AA Intermediate Co Limited group debt covenant EBITDA.

[4] Ratio of free cash flow to proforma debt service relating to the Senior Term Facility and Class A Notes.

We have delivered accelerating revenue improvement for the third year running, with growth of 7%, alongside significant operating cash flow, which grew 28% in the year.

B2C membership and Motor Insurance policies remained resilient and B2B membership increased 4% in the year.

The Group's capital structure continued to improve providing a long-term sustainable amount of leverage to support future investment. The Group successfully refinanced £550m of A7 notes in FY24 well ahead of their scheduled repayment and in line with the ongoing maturity management programme. Additionally, due to positive Group performance, we were able to repurchase and subsequently cancel £61m of A2 Notes for cash consideration of £60m, thereby reducing the total debt held.

In December 2023, Stonepeak, a leading alternative investment firm specialising in infrastructure and real assets, entered into an agreement with majority shareholders, TowerBrook Capital Partners and Warburg Pincus, to invest £450m into The AA at an enterprise value of approximately £4bn. For more information see page 16 of the AA Limited Annual Report and Accounts 2024.

In November 2023 we signed an exit agreement relating to our partnership with the Bank of Ireland for the provision of financial services products, following the bank's decision to exit the UK unsecured personal loans market. This did not have a material impact on the Group. We are in the process of appointing a new bank to facilitate the continued provision of financial services.

Building on the positive momentum of the past three years, we have confidence in continued positive cash flow. Underpinned by our improved capital structure, we will continue to make investments in both our core Roadside and Insurance platforms, and the Horizon initiatives to build an AA of the future.

Adoption of IFRS 17

The Group adopted IFRS 17 – Insurance Contracts ("IFRS 17") on 1 February 2023, which replaces IFRS 4 ‐ Insurance Contracts. IFRS 17 was applied retrospectively as at 1 February 2022 and, as a result, comparative information has been restated. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

For more information on accounting policies under IFRS 17 please see Note 1. The impact of the restatements is explained in Note 32.

Strategic report (continued)

Business performance review (continued)

Adoption of IFRS 17 (continued)

The adoption of IFRS 17 has resulted in a change to the numbers presented as part of EBITDA, which is a key business performance measure. Amortisation of acquisition cash flows refers to costs of selling insurance contracts, which are deferred over the life of the insurance customer.

A reconciliation to the restated FY23 EBITDA metrics is presented below:

	Roadside £m	Insurance £m	2023 £m
Reported EBITDA (previously reported)	**309**	**27**	**336**
Impact of IFRS 17 adoption	7	-	7
Reallocation of head office costs from IFRS 17 adoption	4	(4)	-
Revised allocation of head office costs	4	(4)	-
Reported EBITDA (restated)	**324**	**19**	**343**
Amortisation of acquisition cash flows	40	-	40
Adjusted EBITDA[1] (restated)	**364**	**19**	**383**

[1] Adjusted EBITDA presented in the prior year added back amortisation of acquisition costs relating to third party commissions and fees.

Group revenue

	2024 £m	2023 £m
Revenue		
Roadside	**943**	878
Insurance	**124**	116
Revenue	**1,067**	994

Our core Roadside business delivered significant top line growth with revenue up 7% from £878m to £943m driven by increasing income paid per member in both business to-consumer (B2C) and business-to-business (B2B), and continued expansion of our driving school and service maintenance and repair (SMR) businesses.

In Insurance, our strong brand and expansion of our Accident Assist business, coupled with increasing customer premiums and market stabilisation following the implementation of the FCAs new General Insurance Pricing Practices (GIPP) rules on 1 January 2022, resulted in revenue increasing by 7% to £124m (2023: £116m).

Group Adjusted EBITDA

	2024 £m	2023 (restated)[1] £m
Roadside	**360**	364
Insurance	**20**	19
Adjusted EBITDA	**380**	383
Adjusted EBITDA Margin	**35.6%**	38.5%

[1] Prior year comparatives have been restated on the adoption of IFRS 17.

Strategic report (continued)

Business performance review (continued)

Group Reported EBITDA

	2024 £m	2023 (restated)[1] £m
Roadside	**321**	324
Insurance	**20**	19
Reported EBITDA	**341**	343
Reported EBITDA Margin	**32.0%**	34.5%

[1] Prior year comparatives have been restated on the adoption of IFRS 17.

Adjusted EBITDA is defined as profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation of intangible assets, amortisation of insurance acquisition cash flows, adjusting operating items, share-based payments, pension service charge adjustments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense.

Reported EBITDA is defined as Adjusted EBITDA excluding the adjustment for amortisation of insurance acquisition cash flows.

Group Adjusted and Reported EBITDA margins were down from 38.5% to 35.6% and 34.5% to 32.0% respectively, with Insurance Adjusted and Reported EBITDA growth offset by the expected reduction in Roadside trading margins due to inflationary cost pressures. During the year we have adjusted our pricing in light of these inflationary pressures. The annual renewal profile of our membership means that these pricing adjustments have not been fully recognised in year.

Reconciliation of Adjusted and Reported EBITDA to Operating profit

	2024 £m	2023 (restated)[1] £m
Adjusted EBITDA	**380**	383
Amortisation of insurance acquisition cash flows	**(39)**	(40)
Reported EBITDA	**341**	343
Fulfilment finance costs (included within operating profit)	**(1)**	-
Share-based payments	**(4)**	(2)
Pension service charge adjustment	**(6)**	(5)
Amortisation and depreciation	**(109)**	(102)
Impairment of held for sale	**-**	(1)
Impairment of goodwill	**-**	(6)
Adjusting operating items	**(33)**	(30)
Operating profit	**188**	197

[1] Prior year comparatives have been restated on the adoption of IFRS 17.

In the current year, adjusting operating items were £33m. This primarily includes £15m of transaction fees relating to the agreement with Stonepeak, and £13m of strategic review costs, which relate to transformation and organisational design.

The remaining £5m encompasses £1m closure costs of the CARE section of the AAUK pension scheme and the transitional agreement made with employees in that scheme, £1m of impairment of investments in joint ventures, £2m cost-of-living payments, £2m of proactive wage correction relating to previous years backdated to February 2018 and £2m one-off property move costs, partly offset by £2m profit of sale on fixed assets and £1m of legal costs recovered from third parties for cases that were resolved in our favour.

Strategic report (continued)

Business performance review (continued)

Operating profit

	2024			2023 (restated)[1]		
	Roadside £m	**Insurance £m**	**Group £m**	Roadside £m	Insurance £m	Group £m
Adjusted EBITDA	**360**	**20**	**380**	364	19	383
Amortisation of acquisition costs	**(39)**	**-**	**(39)**	(40)	-	(40)
Reported EBITDA	**321**	**20**	**341**	324	19	343
Fulfilment finance costs (included within operating profit)	**(1)**	**-**	**(1)**	-	-	-
Share-based payments	**(4)**	**-**	**(4)**	(2)	-	(2)
Pension service charge adjustment	**(5)**	**(1)**	**(6)**	(4)	(1)	(5)
Amortisation and depreciation	**(87)**	**(22)**	**(109)**	(84)	(18)	(102)
Impairment of held for sale	**-**	**-**	**-**	-	(1)	(1)
Impairment of goodwill	**-**	**-**	**-**	(6)	-	(6)
Operating profit before adjusting items	**224**	**(3)**	**221**	228	(1)	227
Adjusting operating items			**(33)**			(30)
Operating profit			**188**			197

[1] Prior year comparatives have been restated on the adoption of IFRS 17.

Operating profit decreased by £9m to £188m. This is predominantly driven by higher depreciation and amortisation reflecting ongoing investment in the business.

Share schemes

Basing TopCo Limited, an indirect parent company of AA Intermediate Co Limited operates a management equity plan which grants senior management awards with vesting conditions linked to their continued employment. This plan has been accounted for as an equity settled share-based payment, and where the participants directly benefit the AA Intermediate Co Limited Group, the share-based payment charge has been accounted for within the Group (see Note 30).

The Group also operates a Long-Term Incentive Plan, granting benefits to key members of senior management. These benefits vest based on certain performance conditions. This scheme is accounted for as a share-based payment scheme (see Note 30).

A £4m charge has been recognised in the income statement in relation to these schemes for the year ended 31 January 2024.

Strategic report (continued)

Business performance review (continued)

Net finance costs

	2024 £m	2023 £m
Interest on external borrowings	**145**	123
Finance charges payable on lease liabilities	**2**	2
Interest income on bank deposits	**(6)**	(2)
Total ongoing cash finance costs	**141**	123
Ongoing amortisation of debt issue fees	**6**	5
Net finance expense/(income) on defined benefit pension schemes	**7**	(3)
Total ongoing non-cash finance costs	**13**	2
Total adjusting finance (income)/costs[1]	**(4)**	2
Fulfilment interest costs (included in operating profit)	**1**	-
Total net finance costs	**151**	127

Net finance costs increased by £24m to £151m in the year. This was primarily due to higher interest costs, due to market conditions, on new debt used to refinance £550m of Class A7 notes in the first half of the year. Net finance expense on the Group's defined benefit pension schemes also increased by £10m, as the net surplus on the UK scheme in FY22 moved to a net deficit in FY23.

These reductions were partly offset by £6m of interest income on bank deposits, benefitting from higher market interest rates.

Adjusting finance income costs include a £7m gain following below par redemption of the Class A7 and A2 Notes in the year, partly offset by £2m write-off of unamortised issue fees associated with the A7 Notes and £1m of early repayment penalties and debt management fees.

[1] Adjusting items relate to refinancing activities.

Profit before tax

Due to the reduced operating profit and increased net finance costs, the FY24 result decreased to a profit before tax of £38m (2023: £70m restated).

Taxation

The tax charge for the year increased by £7m to £14m (2023: £7m). The FY23 charge included a credit in respect of FY22. The current year charge includes the impact of disallowable transaction fees and increased Corporate Interest Restriction disallowance arising on the IFRS17 restatement (see Note 8). The tax charge consists of a current tax charge of £23m (2023: credit of £3m) and a deferred tax credit of £9m (2023: charge of £10m). The effective tax rate was 36.8% (2023: 10.0%)

Profit after tax

The Group made a profit after tax of £24m (2023: £63m). Strong trading has been more than offset by higher finance costs and transaction costs associated with the Stonepeak agreement, as well as a higher tax charge described above.

Pension liabilities

The pension deficit has reduced by £10m at 31 January 2024 to £159m (2023: £169m) driven primarily by movements in the UK scheme, mainly due to an increase in long-term interest rates and changes to the latest mortality assumptions, partially offset by falls in hedging assets designed to move in line with movements in liabilities. See Note 24.

Cash flow and liquidity

The cash flow from operating activities is stated net of cash outflows relating to operating adjusting items of £19m (2023: £36m). These items comprised £13m (2023: £17m) relating to strategic initiatives, £3m of transaction costs arising from the Stonepeak investment, £1m (2023: £4m) related to the closure of the CARE section of the AAUK pension scheme and transitional agreement made with employees in that scheme and £2m (2023: £2m) cost of living payments.

Strategic report (continued)

Business performance review (continued)

Cash flow and liquidity (continued)

The prior year also included £10m related to research into our connected car proposition, £2m acquisition transaction fees and £1m legal costs.

Net cash flows from operating activities in the year were an inflow of £312m, an improvement of £69m over the prior year, reflecting strong trading performance and cash management in the year. The working capital and provisions in flow of £53m is primarily driven by increased activity in Insurance and price rises in Roadside coming through from customer advance payments. There is a further benefit from timing of payments, in particular payments in relation to the transaction with Stonepeak, which largely become due on completion of the deal.

Capital expenditure was broadly in-line with prior year at £78m (2023: £79m) ensuring we continue to be well invested as we deliver on Horizon 1 and Horizon 2, generating significant benefits.

Refinancing outflows of £72m reflect the redemption of the £550m Class A7 Notes and partial redemption of £61m Class A2 Notes, partly offset by the issue of £400m Class A11 Notes, £135m class A10 Notes and draw down of the £15m Senior Term Facility. A gain of £6m was realised on the redemption of the A7 Notes and £1m on the redemption of the A2 Notes, however the A10 Notes were issued at a discount of £13m reflecting higher market yields. Issue costs relating to the A11 Notes and A10 Notes were £4m and £1m respectively.

Interest paid of £147m was £23m higher than the prior year primarily linked to higher interest costs on new debt used to refinance £550m of Class A7 notes.

We end the year with a strong cash position, remain well within our financial covenants, have good levels of liquidity and continue to generate positive operating cash flow.

Capital management and net debt

As at 31 January 2024, net debt was £2.2bn, a reduction of £36m compared to the prior year.

The Group aims to reduce both the amount of net debt and the cost of servicing it over time through a proactive approach to managing our debt. We continue to have significant headroom in respect of our covenants and in addition to the Senior Term Facility the Group has a Working Capital Facility of £56m, of which £46m is available for cash drawings and remained undrawn at 31 January 2024.

On 23 June 2023, S&P Global Ratings reaffirmed the credit rating of the Group's Class A Notes at BBB- and the Class B3 Notes at B+.

The Group continues to proactively manage its capital structure subject to market conditions.

The weighted average interest rate for all borrowings of 6.22% (2023: 5.45%) has been calculated using the interest rate and carrying values as at 31 January 2024.

It remains a key assumption of the Directors that the Group continues to have ready access to public debt markets to enable these borrowings to be refinanced at affordable rates (see Note 20 for further details). Our going concern assessment in Note 1 highlights our cash generative nature, our ability to service the interest obligations on our debt and the risks associated with refinancing. The Group remains committed to the proactive management of its capital structure and will continue to assess all options as we go through FY25.

The cash within the ring-fenced group headed by AA Mid Co Limited (the parent company of AA Intermediate Co Limited) is part of the whole business securitisation ("WBS"). A dividend cannot be paid from the ring-fenced group until a number of criteria have been met and therefore the Group's policy is to pay dividends from the AA Mid Co Limited group in accordance with the terms of the debt covenants as outlined below.

The Class B3 Notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. Thus, cash held by the AA Intermediate group is ring-fenced within the WBS. Dividends can only be paid to AA Limited when certain debt to debt covenant EBITDA and cash flow criteria are met.

Strategic report (continued)

Business performance review (continued)

Capital management and net debt (continued)

The Class A Notes only permit the release of cash providing the senior leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The Class B3 Note restrictions generally only permit the release of cash providing the fixed charge cover ratio after payment is more than 2:1 and providing that the aggregate payments do not exceed 50% of the accumulated consolidated net income.

The Class A and Class B3 Notes therefore place restrictions on the Group's ability to upstream cash from the key trading companies to pay external dividends and undertake those other finance activities which are not restricted.

Key cash release metrics

	2024	2023
Senior Leverage ratio[1]	**5.7x**	5.8x
Excess cash flow[2]	**£278m**	£278m
Fixed Charge Coverage ratio[3]	**2.3x**	2.6x
Consolidated net income[4]	**£488m**	£452m

[1] Ratio of Net Senior Secured Debt to AA Intermediate Co Limited group debt covenant EBITDA.

[2] Cumulative free cash flow since 1 February 2013, reduced by dividends paid by the AA Intermediate Co Limited group and adjusted for items required by the financing documents.

[3] Ratio of fixed finance charges to debt covenant EBITDA of AA Intermediate Co Limited group for the last 12 months.

[4] Cumulative profit after tax, since 1 May 2013, adjusted for items required by the financing documents and reduced by dividends paid by the AA Intermediate Co Limited group.

Events after the reporting period

In February 2024, the Group renewed its £200m liquidity facility which remains undrawn.

On 1 February 2024 the Group acquired a 100% share in Key Care Ltd ("Keycare") for total consideration of £10m cash. Keycare is an insurance business offering insurance policies for lost and stolen keys operating in the UK and the Republic of Ireland. The acquisition enables the Group to expand its product base and increase its offerings for both business and consumer customers, enhancing its position in the market.

On 22 May 2024 the Group issued £435m of A12 Notes with a maturity date of 31 July 2031. A portion of the A12 proceeds were used to settle a tender offer of the A2 Notes on 23 May 2024, and the remaining balance is held in a mandatory prepayment account to be used to repay the outstanding A2 Notes.

Risk management

Effective risk management remains key to the delivery of the AA's strategic objectives.

AA risk management framework

Overall responsibility

The Board of AA Limited is responsible for determining the level of risk that the AA is prepared to take, or that it is willing to accept, in order to achieve its strategic objectives. The levels of risk are articulated through a series of risk appetite statements, and we monitor ourselves closely against the statements through our risk governance and our risk management framework. Further information about the corporate governance arrangements for the AA is set out in the Director's Report on pages 41-46 of the AA Limited Annual Report and Accounts 2024.

Strategic report (continued)

Risk management (continued)

Risk governance

The AA operates a three lines of defence model to ensure that its risks and opportunities are identified, assessed, monitored and managed in line with its stated risk appetite. The three lines of defence model can be summarised as follows:

- First line of defence: the business units that run the business, they are accountable for the day-to-day management of the AA, which includes identifying and managing their risks;
- Second line of defence: the AA's Group Risk and Compliance function, they are accountable for providing oversight, challenge and advice to the first line; and
- Third line of defence: the AA's Internal Audit function, they are accountable for providing assurance to the business by performing independent reviews of the first and second lines of defence.

Risk management framework

The AA's risk management framework aims to ensure that:

- risks are made visible;
- risks are discussed and understood;
- risks are owned and managed;
- appropriate action is taken;
- risks are used for opportunities; and
- we learn from our experiences.

The risk management framework is comprised of the five pillars set out below.

Risk culture and governance	The processes and structures to demonstrate to The AA Limited Board that effective risk management, oversight and assurance is being undertaken for all key risks faced by The AA.
Strategy and objectives	The process to ensure that risk is considered as part of strategy and objectives, including the direction it sets for taking, avoiding and considering opportunity from risk.
Risk identification and prioritisation	A set of key risk categories to identify where the AA has, or is likely to have, material risk exposures and the activities we perform to prioritise our actions.
Risk management and controls	A set of processes to review and assess the risk and control environment. Risks are assessed on an inherent (no controls), residual (with controls) and target basis to help senior management understand and manage their risk exposures.
Risk reporting and communication	The information and reporting in place to support senior management in discharging their risk management accountabilities effectively and to help them make informed, risk-based decisions.

Principal risk and opportunities

Principal risks and opportunities are defined as the risks and opportunities that are likely to have a material impact on the AA's business strategy.

The principal risks faced by the AA over the last year are summarised in the table below. We monitor and assess these risks very closely to ensure they are managed appropriately and effectively.

Risk trend key:

▲ Risk exposure has increased
▼ Risk exposure has reduced
▶ Risk exposure has remained the same

Strategic report (continued)

Risk management (continued)

Principal risk and opportunities (continued)

Customer risk The risk that we fail to constantly monitor, manage and develop the interaction between our colleagues, agents and our customers to ensure fair treatment and good outcomes **Risk trend** ▶	*Potential impact* Products and services continually evolve in the market and as customer needs change, there is a risk that products do not perform as customers expect or that they no longer deliver good customer outcomes. *Mitigation* We continually review and adapt our products and services to ensure we deliver good outcomes. We have also been closely monitoring the rising cost of living crisis – we run a financial difficulty forum to identify how we can support our customers. Meeting the July 2023 deadline, the FCA's Consumer Duty requirements have been implemented within our business, and this is now the cornerstone of our business where the customer voice is ever present – this includes embedding these principles in (but not limited to) product development, training for our staff, vulnerable customer treatment and new consumer duty management information for Executive governance reviewing both customer and product outcomes.
People risk The risk that we are unable to attract and retain the critical skills, knowledge and experience we need to deliver our services **Risk trend** ▼	*Potential impact* COVID-19 and Brexit have driven changes to the labour force as well as ways of working expectations from employees. As a result, being able to attract and retain talent across the UK becomes more challenging. *Mitigation* Our people play a critical role in the success of our business and in our future growth. We invest in our learning and development programmes to retain and build talent within the organisation, and we have made some significant enhancements to our Employee Value Proposition in 2023 and continue to ensure we adapt and respond to a changing environment.
Health and Safety risk The risk we are unable to maintain the safety of our workforce and customers **Risk trend** ▶	*Potential impact* Vehicles breaking down at the roadside is inherently dangerous - maintaining a safe environment for our members and for our workforce is absolutely critical to our business. *Mitigation* The AA has a robust and externally audited integrated health, safety and environmental (HS&E) management system. We regularly review all our HS&E risks to ensure that our control environment remains strong and effective. We have a dedicated team of health and safety advisers who are all members of the Institution of Occupational Safety and Health – we deploy best practice internally and externally. We are an active member of SURVIVE, the industry group working towards improving safety for those working at the roadside and we have an external expert chair of our core Health and Safety Committee, to ensure good governance and independent scrutiny.

Strategic report (continued)

Risk management (continued)

Principal risk and opportunities (continued)

Financial risk The risk that the geopolitical environment, interest rate costs, inflationary pressures and the rising cost of living has a negative impact on consumer behaviour and/or our business. **Risk trend** ▶	*Potential impact* This risk could lead to a shrinking customer base and/or increased cost base reducing the financial performance of the Group and/or our materially impact our debt refinancing. *Mitigation* The profile of this risk has changed through FY24 with a period of high inflation, now beginning to reduce to expected levels for FY25. We continue to diversify our product offering and invest in innovation to adapt and respond to changes in consumer behaviours. We have continued to work with suppliers and third party partners to manage our cost base to manage the impact of a high inflationary environment.
Cyber security The risk of failure to detect fraudulent or unauthorised modification of IT resources, physical or virtual theft of assets, and events that compromise critical data **Risk trend** ▶	*Potential impact* Cyber attacks are an ever increasing threat for businesses, and have the ability to significantly impact our operations and that of our key third party suppliers. This is a risk that has heightened as a result of the increase in state-sponsored cyber attacks and the development of more sophisticated ransomware attacks. *Mitigation* We continue to operate our clearly defined cyber security strategy and we have invested in resources to further strengthen our controls. We benchmark our security controls against the Standard for Information Security (ISO27001) and an independent third party performs an annual review to provide assurance that our controls remain effective.

Emerging risks

In addition to monitoring the risks currently faced by The AA, we identify risks and opportunities on the horizon i.e., the risks and opportunities that could have a material impact on The AA in the future but where the timescale and/or impact due to the nature of the risks remains uncertain.

The monitoring and management of emerging risks is a key part of The AA's strategic risk management process since the risks and opportunities can lead to changes in business strategy or operational ways of working that support The AA in it delivering long-term value to members, customers, employees and sponsors.

Strategic report (continued)

Risk management (continued)

Emerging risks (continued)

Emerging risks are identified using a PESTLE analysis, which categorises the risks into six high level themes:

Risk Type	Examples
Political	• Current tax policy or future tax policy • Stability of government
Economic	• Interest rates or exchange rates • Inflation
Social	• Consumer behaviour • Brand and image
Technology	• Competing technology development • Machine learning and artificial intelligence
Legal	• Regulatory change • Legislative change
Environmental	• Climate change • Energy availability and cost

We report on our emerging risks to our executive risk committee and relevant Group company Boards The most notable emerging risks and opportunities for the AA are summarised below.

Potential change of government in 2024

In 2024 there will be a general election which could result in a change in government. This could lead to a number of changes to employment laws, taxation, green energy requirements and companies house legislation (this list not exhaustive). We will maintain our monitoring of this risk, once the election date is confirmed, we will review the formal party manifestos to determine any potential impacts.

Shift to electric vehicles (EV)

The government has set a deadline of 2035 after which no new internal combustion engine (ICE) vehicles will be sold in the UK. It has supplemented this deadline with phased targets for zero emission vehicle sales for vehicle manufacturers through the ZEV Mandate. These policies alongside changing consumer preferences will lead to a phased transition towards EVs in the coming decades. We are making sure our staff training (for increasing number of EV breakdowns), infrastructure and support for consumers making this switch is available and we are keeping close to industry developments to ensure we can respond and adapt to manage this risk. We are also looking at how we can introduce EVs into our own fleet in line with our target to be Net Zero for our Scope 1 & 2 emissions by 2035.

Global financial instability

Economic uncertainty is expected to remain high as a result of the geopolitical risks arising from the Russian war on Ukraine, the conflicts in the Middle East and a recession in the UK, albeit the recession is expected to be short term. These are macroeconomic risks that we will continue to monitor through observation of the financial markets and the wider external environment.

Climate-related risks

The AA recognises that climate change poses a number of transitional and physical risks and opportunities for our business. All climate-related risks and opportunities are identified, assessed, monitored and managed on an ongoing basis in line with our broader risk management framework outlined above. This year we have also produced our first climate-related financial disclosure to outline our main climate-related risks and opportunities in varied climate scenarios. The outputs from this analysis can be found on pages 28-31 of The AA Limited Annual Report and Accounts 2024.

Strategic report (continued)

Directors' duties: s. 172 statement

Section 172 of the Companies Act 2006 (Section 172) requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. The Board's aim is to ensure that its decisions follow a consistent process by considering the Group's strategic priorities, while balancing the interests of various stakeholders when making decisions. This Section 172 statement sets out how the Directors discharged their Section 172 responsibilities during FY24.

The Board considers the need to act fairly between stakeholders and continue to maintain high standards of business conduct. Nevertheless, the Board acknowledges that stakeholder interests may conflict with each other and that not every decision can result in a positive outcome for all stakeholders.

The Company is part of the AA Limited group, the ultimate parent of which was Basing ConsortiumCo Limited during FY24. Decisions, policies and procedures that may affect stakeholders were implemented at an AA Limited group level during the year and the Board oversees the application of these to the Company. The Board recognises that the Company's stakeholders include those that interact with the Company directly, in addition to those with indirect relationships in the context of the wider Basing ConsortiumCo Limited group.

Key stakeholders

The Board keeps the Company's key stakeholders under review to ensure due consideration is given to all relevant stakeholders in the context of principal decisions. During the year, the following key stakeholders were identified: our people, communities and societies, government and regulators, industry (including supply chain), investors and customers.

Board considerations

The Board considered how the Company currently engages with each of the key stakeholders listed above, as well as its future engagement strategy. This will ensure that due consideration is given to stakeholder views and interests, to the extent that they are relevant to any particular decision. More information about how the Board engages with each of the stakeholders above, within the context of the wider AA Limited group, can be found in AA Limited's Annual Report and Accounts 2024 on pages 35-36.

Summary of business relationships

This Section 172 statement also satisfies the requirement in Part 4, Schedule 7 of the Large and Medium-sized Companies Regulations 2008 for certain large companies to disclose, either in their Directors' Report or in their Strategic Report, a statement of the company's engagement with suppliers, customers and other relevant parties.

Statement of employee engagement

The Company is part of the AA Limited group, the ultimate parent of which is Basing ConsortiumCo Limited. Decisions, policies and procedures that affect employees were implemented at the AA Limited group level during the year and the Board oversaw the application of these to the Company. More information about how the Group engages with employees, within the context of the wider AA Limited group, can be found in AA Limited's Annual Report and Accounts 2024 on page 33.

The financial statements on pages 28 to 96 were approved by the Board of Directors on 6 June 2024 and signed on its behalf by:

T. Mackay

T O Mackay

Director

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

Registered number: 05148845

Directors' report

The Directors present their report and audited consolidated financial statements of AA Intermediate Co Limited and its subsidiary undertakings for the year ended 31 January 2024.

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Marianne Neville, Director (resigned 29 May 2024)

Michael Wing, Director (appointed 29 May 2024)

Tom Mackay, Director

James Cox, Company Secretary

AA Intermediate Co Limited is a private company limited by shares, registered and domiciled in England and Wales, UK, whose registered address is Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA.

Directors' indemnities and insurance

The Group maintains appropriate directors' and officers' liability insurance cover. The Company also grants indemnities to each of its Directors to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by Section 234 of the Act) were in force during the year ended 31 January 2024 and remain in force, in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Group.

Employee engagement

We remain committed to employee engagement throughout the business. For example, employees are kept updated on the AA's strategy and progress through regular communication emails and updates on the AA's intranet page. Further details of our workforce engagement and our people can be found on page 33 of the AA Limited's Annual Report and Accounts 2024. There are clear and transparent policies in place for employees to raise concerns about misconduct and unethical practices at the AA, which include but are not limited to: Whistleblowing Policy, Conflicts of Interest Policy, and Anti-Bribery and Allowable Gifts, Hospitality and Donations Policy.

The Board believes that a shared purpose, strategic vision and organisational culture across the organisation informs decision-making and that belief has continued to inform employee engagement initiatives and actions throughout the year. Regular employee engagement surveys address and monitor how well the organisational culture and values between senior management and their colleagues are embedded and aligned.

The latest employee engagement survey, held in December 2023, had a response rate of 85% and an employee engagement score of 70%, which is considered to be the threshold for "best in class" engagement. Read more about how the Board has engaged with our people in the stakeholder engagement summary on page 35 of the AA Limited's Annual Report and Accounts 2024.

Employees with disabilities

The AA has progressed this year from Level 1 to Level 2 status in being a 'Disability Confident Employer' and during the year we continued to demonstrate our commitment to ensure we interview candidates with disabilities who fulfil the minimum criteria, as well as support employees in the workforce if they become disabled during employment.

Our Ability network has grown throughout FY24 and encourages and supports our desire to ensure we maintain our focus on inclusion for employees with disabilities.

Directors' report (continued)

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Going concern

The Group's and the Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities, review of the business and future developments" and "Risk management framework" sections on pages 1 to 14.

The Group and the Company have adequate financial resources due to the Group's net current asset position (2024: £993m, 2023: £1,058m) and the Company's net asset position. AA Intermediate Co Limited is a wholly owned subsidiary of the AA Limited group, hence the going concern status of the Group and the Company is linked to the wider AA Limited group. The Company Directors have reviewed and stress-tested projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited group Directors, that the Group and Company has sufficient funds to continue trading during this period and the foreseeable future and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 45 of the AA Limited group's Annual Report 2024.

Directors' report (continued)

Going concern (continued)

The Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of £439m of A2 Notes which have a maturity date of 31 July 2025. On 22 May 2024 the Group issued £435m of A12 Notes with a maturity date of 31 July 2031. A portion of the A12 proceeds were used to settle a tender offer of the A2 Notes on 23 May 2024, and the remaining balance is held in a mandatory prepayment account to be used to repay the outstanding A2 Notes.

For the AA Limited group's longer-term viability, it remains a key assumption of its Directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced at affordable rates of interest.

After making appropriate enquiries, the Company's Directors have, at the time of approving these financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and, as a consequence, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

Financial risk management

Our financial risk management objectives and policies can be found in Note 26.

Future developments

The Directors' comments on the future developments of the Company and Group are set out in the Strategic Report.

Dividend

The Group did not pay or propose a dividend (2023: £nil) during the year.

Events after the reporting period

Details of events after the reporting period can be found in Note 34.

The financial statements on pages 28 to 96 were approved by the Board of Directors on 6 June 2024 and signed on its behalf by:

T. Mackay

T O Mackay
Director
Registered Office: Fanum House, Basing View, Basingstoke, Hampshire RG21 4EA
Registered number: 05148845

Independent auditors' report to the members of AA Intermediate Co Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- AA Intermediate Co Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 January 2024; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We conducted audit testing over six components.
- Five components were subject to an audit of their complete financial information.
- Specific audit procedures were performed on certain balances and transactions in respect of a further one component.
- Procedures were also performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, pension scheme balances, asset impairment assessments and cash balances within the Group which were not covered through the audit of the components referenced above.
- We obtained coverage of 92% of revenue.

Key audit matters

- Recognition of revenue in respect of the personal roadside business (Group)
- Valuation of net post-retirement benefit obligations (Group)
- Goodwill impairment assessment (Group)
- Adoption of IFRS 17 and restatement of comparatives (Group)
- Investment in subsidiaries impairment assessment (Company)

Materiality

- Overall Group materiality: £10.2m (2023: £8.0m) based on approximately 3% of Reported EBITDA with adjustments (2023: approximately 2.5% of Reported EBITDA with adjustments).
- Overall Company materiality: £21.4m (2023: £21.4m) based on approximately 1% of Total Assets, but for the purposes of the audit of the Group financial statements, we limited the Company materiality to £3.0m (2023: approximately 1% of Total Assets).
- Performance materiality: £7.7m (2023: £6.0m) (Group) and £16.0m (2023: £16.0m) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The adoption of IFRS 17 and restatement of comparatives is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue in respect of the personal roadside business (Group)	
Refer to Note 1.3(n) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, and Note 2. The Group has recognised revenue of £591m in respect of the personal roadside business. There are known issues with the underlying policy management system used in the personal roadside business and the way in which they record the revenue transactions. A set of manual corrections are made each month, along with a series of adjustments, to appropriately record the revenue. We focused on whether revenue from these policies was correctly recognised, and whether the corrections and other adjustments made are complete. Given the known issues, there is an increased completeness risk that there are undetected errors in the policy management system calculations. There is also an increased risk of error where manual corrections are made. We assess this risk to be most relevant for the new policy management system, given that the corresponding system migration is substantially complete.	We assessed the design and implementation of the personal roadside business revenue processes and related financial controls; however, we concluded that we would not rely on the controls over financial reporting and therefore we performed only substantive procedures in this area. For a sample of personal roadside contracts, we performed detailed testing of revenue transactions including agreeing to the underlying contracts, recalculating the revenue recorded in the period based on transactional data and contractual terms, and agreement to cash receipt. We performed detailed testing over the element of unrecognised revenue included within the liability for remaining coverage at period end to underlying contracts and recalculated the corresponding balance. We have understood the updated status of migration between the underlying policy management systems and have performed substantive testing procedures over a sample of migrated policies. We reviewed management's reconciliations of the revenue to be recognised as generated by the policy management system to the revenue actually recorded in the general ledger and tested a sample of the specific manual corrections and other adjustments posted by management to correct the known system errors as well as obtaining a full understanding of each of these.

	We performed substantive testing procedures over the completeness of the adjustments through the following procedures: sample testing policies and tracing any identified differences to the corresponding correction or adjustment made, obtaining an understanding of all policy types and ways of policy set up and the corresponding accounting entries for each of these, and understanding the nature of complaints through review of the complaints log to understand whether these could be indicative of further unidentified issues. We have also followed up from the prior year on any releases and utilisations of the adjustments to ensure that these are properly accounted for. We found no material misstatements from our testing.
Valuation of net post-retirement benefit obligations (Group) Refer to Notes 1.3(l) and 1.3(u) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, and Note 24 to the financial statements. The Group operates three defined benefit pension schemes, the most significant of which is the AA UK Pension Scheme (AA UK), which combined have a total net defined benefit pension deficit of £159m, comprising gross assets of £1,487m and gross liabilities of £1,646m. Valuation of the liabilities requires significant levels of judgement and technical expertise in determining the appropriate assumptions to measure it. Changes in assumptions (including discount rate, mortality, inflation and pension increases) can have a material impact on the calculation of the liabilities either individually or in combination. The Directors used independent actuaries to prepare the year end valuation under International Accounting Standard 19, 'Employee benefits' ("IAS 19"). Valuation of the scheme assets requires judgement due to the nature of certain complex and illiquid assets held, for which there are no quoted prices available. Of the total asset value held, the majority do not have a quoted price available. Prices are obtained directly from the relevant investment managers who apply judgement in valuing those assets. In addition, the bulk annuity policies held are valued using actuarial assumptions which requires significant levels of judgement and technical expertise in determining the appropriate assumptions to measure them. We focused on the reasonableness of the assumptions used in the calculation of the AAUK defined benefit liability, the valuation of assets held by the AAUK scheme and the disclosure of post-retirement benefit scheme assets and obligations.	We obtained an understanding of the pensions process and assessed the design and implementation of controls, including complementary user entity controls in place where service organisations are used. We involved our specialists in our assessment of the reasonableness of actuarial assumptions and the overall pension liability calculations by comparing the key assumptions, including the discount rate and inflation rate, mortality and pension increases, to benchmark ranges, performing sensitivity analysis, checking whether methods have been consistently applied and are reasonable and assessing the impact of the assumptions in combination with one another. We agreed that the judgements taken by the Directors were reasonable. We obtained external confirmations to test the existence of pension assets as at 31 January 2024. In order to test the valuation of the complex and illiquid assets, we obtained a range of supporting evidence as available, including recent transaction prices, audited fund financial statements and fund controls reports, to assess whether the value provided was reliable and appropriate. In respect of the bulk annuity policies held, we utilised our actuarial specialists to test the valuation of the assets and performed testing of the insured members to data provided by both the scheme actuary and the administrator. We did not identify any material misstatements from this testing. We reviewed the disclosures against the requirements of IAS 19 and were satisfied with the nature and extent of the disclosures provided.

Goodwill impairment assessment (Group)	
Refer to Notes 1.3(i) and 1.3(u) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, and Note 9. The Group holds £1,164m of goodwill allocated to cash generating units (CGU) Roadside Assistance, Insurance Services, AA Cars and Drivetech. Goodwill is subject to annual impairment review for which the Directors analyse discounted cash flows at the CGU level. Cash flow forecasts are an area of particular focus given the judgements relating to future growth and discount rate assumptions. No impairment charge was highlighted in respect to the Goodwill for any of the CGUs. The risk that we focused on in the audit is that the goodwill balance allocated across the CGUs in the Group may have been impaired in value and this has not been recognised.	For the four CGUs, we obtained an understanding of the impairment process and assessed the design and implementation of the corresponding controls. We checked that the cash flow forecasts used by the Directors in the assessment of goodwill impairment were consistent with the approved five year plans and considered the reasonableness of key assumptions in relation to recent trading, including roadside membership rates and the number of motor and home insurance policies sold or renewed. We also challenged the extent to which climate change considerations had been reflected, as appropriate, in the cash flow forecasts. We found that the forecasts have been completed on a basis consistent with prior years and were an appropriate basis upon which the Directors could base their conclusions. We evaluated the historical accuracy of the cash flow forecasts for these businesses. We compared certain key market assumptions within the forecasts to available industry research data, specifically in respect to insurance pricing assumptions, which supported the assumptions made. We tested the assumptions for long term growth rates and the discount rate by comparing them to economic forecasts and by engaging our valuation experts to assess the cost of capital for the Company and comparable organisations respectively. We found the assumptions to be consistent and in line with our expectations based on industry benchmarks. We obtained and tested the Directors' sensitivity calculations over the four CGUs and agreed with their conclusion that there are no reasonably possible changes, caused by estimation uncertainty, that could give rise to a material impairment. We also evaluated the related disclosures and were satisfied they were appropriate.
Adoption of IFRS 17 and restatement of comparatives (Group)	
Refer to Notes 1.3(m) and 1.3(u) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and Note 32 to the financial statements. IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, 'Insurance Contracts'. As a result, the Group has adopted IFRS 17 in these financial statements. The transition to IFRS 17 has introduced new financial statement line items and disclosures, requiring significant changes to the measurement of transactions and balances in the financial statements, including new areas of judgement and estimation.	In performing our audit work over the transition to IFRS 17, and restatement of comparative financial statements (including the opening balance sheet), the procedures we performed over the key risk identified included the following: • We assessed the design and implementation of the relevant internal financial controls for this area; we concluded that we would perform only substantive procedures in this area. • We reviewed management's policy paper for the allocation of all cost centres determined to be directly attributable, and therefore deferred, and challenged management where the classification as directly attributable did not appear consistent with the criteria in IFRS 17 relating to insurance acquisition cash flows. This included an assessment of whether the cost had been correctly classified as relating to future renewal groups of contracts or just the current group of contracts. As a result of our challenge management made some updates to their policy paper. • Obtained and tested management's detailed cost allocation assessment. This included ensuring the list of cost centres considered by management's assessment was complete, by reconciling the total costs back to those tested elsewhere in our audit and testing a sample of costs to ensure that they had been correctly classified to the correct cost centre. From the procedures we have performed we are satisfied that the allocation of insurance acquisition costs in accordance with management's updated policy paper is reasonable.

International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") requires that when the impact of adopting a new accounting standard would be material to the financial statement comparatives, these comparatives should be restated. As a result, the 2022 opening balance sheet and the 2023 comparatives have been restated. In particular, we consider the key risk in relation to the adoption of IFRS 17 and restatement of comparatives, due to the level of judgement involved, to be as follows: ● The deferral of insurance acquisition cash flows, specifically in relation to the judgements involved in determining whether a cost is directly attributable or not.	
Investment in subsidiaries impairment assessment (Company) Refer to Notes 1.3(b), 1.3(d) and 2 to the Company financial statements. The Company holds investments in subsidiaries of £1,661m representing the AA Acquisition Co Limited Group (which owns the rest of the Group). The Directors determined that an impairment assessment was necessary due to the overall investment structure in the group. The Directors have leveraged the enterprise value forecasts used for the Group's goodwill impairment assessment to derive an equity investment valuation using a cascade model to flow this valuation down the Group hierarchy, which takes account of adjusting the implied enterprise value for net debt. The cash-flows supporting the valuation were discounted at a pre-tax rate and are an area of particular focus given the judgements relating to future growth. Having referred to the requirements of International Accounting Standard 36, 'Impairment of Assets' ("IAS 36"), the Directors have concluded no impairment charge is required in the current year. The risk that we focused on in the audit is that the investment in subsidiaries may have been impaired in value and this has not been recognised.	We obtained an understanding of the impairment process and assessed the design and implementation of the corresponding controls. We evaluated the Directors' impairment assessment of the investment in subsidiaries' carrying value by agreeing amounts to supporting documentation, checking calculations including net debt adjustments and assessing the appropriateness of the cascade model. This leveraged the Directors' calculations for the Group goodwill impairment assessment referred to above. With the support of our valuation experts, we evaluated the Directors' determination of the discount rate and found this to be reasonable. We considered the requirements of IAS 36 and agreed with the Directors' determination that no impairment be recognised in the current year. We obtained and tested the Directors' sensitivity calculations and agreed with their conclusion that there was no reasonable possible change that would give rise to an impairment or to enhanced disclosure.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

AA Intermediate Co Limited has two reportable operating segments. Within these segments there are 45 reporting units, of which the following are considered financially significant: Automobile Association Developments Limited and Automobile Association Insurance Services Limited. Three further reporting units were subject to an audit of their complete financial information due to their nature: AA Corporation Limited, AA Intermediate Co Limited and AA Bond Co Limited. In addition, one reporting units was in scope for specific audit procedures, being AA Senior Co Limited. This component was selected based on its contribution to specific financial statement line items, including: borrowings, external interest expense and long term derivative financial assets. These, together with the procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, pension scheme balances, asset impairment assessments and cash balances within the Group which were not covered through the audit of the components referenced above, gave us the evidence we needed for our opinion on the financial statements as a whole. Having undertaken certain procedures to understand the accounting processes and controls at the Group, we determined it was appropriate to perform a substantive audit for the reporting units in scope. All audit procedures were performed by the Group engagement team, with no component auditors involved. The Company is principally a holding Company and there are no branches or other locations to be considered when scoping the audit.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements. Further procedures performed are included in the "Goodwill impairment assessment" key audit matter above.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	**Financial statements - Company**
Overall materiality	£10.2m (2023: £8.0m).	£21.4m (2023: £21.4m).
How we determined it	approximately 3% of Reported EBITDA with adjustments	approximately 1% of Total Assets, but for the purposes of the audit of the Group financial statements, we limited the Company materiality to £3.0m
Rationale for benchmark applied	EBITDA, which is a common performance measure for PE backed companies, reflects the fact that this is typically the most relevant measure of profitability. Based on the benchmarks used in the Annual Report, EBITDA is the primary measure used by the shareholders and other users of the financial statements in assessing the performance of the Group, and that by adjusting this to exclude certain items (such as the pension service charge, the share-based payments charge and the impairment of investments in joint ventures), it provides a clearer view of the performance of the underlying business. We applied professional judgement in moving to approximately 3% of Reported EBITDA, compared to approximately 2.5% in the prior year.	We believe that total assets is the appropriate measure as the Company is a non-profit oriented entity. In the current year, overall materiality has been reduced to £3.0m for the purposes of the audit of the Group financial statements, to ensure the Company did not have a higher materiality than the overall Group materiality allocation.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £3m to £9.6m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £7.7m (2023: £6.0m) for the Group financial statements and £16.0m (2023: £16.0m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £0.5m (Group audit) (2023: £0.4m) and £0.5m (Company audit) (2023: £0.4m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and regulatory requirements, such as those governed by the Financial Conduct Authority ("FCA"), and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or Reported EBITDA and the potential for management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, internal compliance and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.
- Reviewing correspondence between the Group and the FCA in relation to compliance with laws and regulations, and considering the matters identified in light of our understanding of the sector.
- Challenging significant accounting assumptions and judgements individually and collectively for indications of management bias, in particular in relation to the valuation of post-retirement benefit assets and obligations, subsidiary investment and goodwill impairment assessments, as described further in the Key audit matters above.
- Designing risk filters to search for journal entries, such as those posted with unusual account combinations or posted by members of senior management with a financial reporting oversight role, and testing those journals highlighted (if any).
- Incorporating elements of unpredictability into the audit procedures performed.
- Reviewing the disclosures in the Annual Report and financial statements against the specific legal requirements, for example within the Directors' Report.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nicholas Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
6 June 2024

Consolidated income statement for the year ended 31 January 2024

	Note	Year ended 31 January 2024 £m	Year ended 31 January 2023 (restated)[1] £m
Insurance revenue	18	511	485
Other revenue		556	509
Total income	2	1,067	994
Insurance service expenses	18	(212)	(209)
Other operating expenses		(667)	(582)
Impairment of goodwill	9	-	(6)
Operating profit	3	188	197
Finance income	5	13	5
Finance cost	6	(163)	(132)
Profit before tax		38	70
Tax expense	8	(14)	(7)
Profit for the year		24	63

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

The accompanying notes are an integral part of this consolidated income statement.

Consolidated statement of comprehensive income for the year ended 31 January 2024

	Note	**Year ended 31 January 2024 £m**	Year ended 31 January 2023 (restated)[1] £m
Profit for the year		**24**	63
Other comprehensive (expense)/income on items that may be reclassified to the consolidated income statement in subsequent years			
Changes in fair value of cash flow hedges		**2**	24
Reclassification from cash flow hedge reserve		**(8)**	(7)
Tax effect	**8**	**1**	(4)
		(5)	13
Other comprehensive expense on items that will not be reclassified to the consolidated income statement in subsequent years			
Remeasurement losses on defined benefit schemes	**24**	**(8)**	(326)
Tax effect	**8**	**2**	81
		(6)	(245)
Total other comprehensive loss		**(11)**	(232)
Total comprehensive income/(loss) for the year		**13**	(169)

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

The accompanying notes are an integral part of this consolidated statement of comprehensive income.

Consolidated statement of financial position as at 31 January 2024

	Note	**January 2024** £m	January 2023 (restated)[1] £m	January 2022 (restated)[1] £m
Assets				
Cash and cash equivalents	**15**	**87**	99	67
Trade and other receivables within 1 year[1]	**14**	**268**	223	209
Amounts owed by other group undertakings	**16**	**1,209**	1,211	1,208
Financial assets at amortised cost within 1 year	**25**	**1**	-	-
Current tax receivable		**6**	10	-
Inventories	**13**	**4**	4	4
Assets classified as held for sale	**31**	**-**	2	8
Derivative financial instruments within 1 year	**21**	**-**	1	-
Financial assets at amortised cost after 1 year	**25**	**-**	4	4
Trade and other receivables after 1 year	**14**	**1**	6	-
Derivative financial instruments after 1 year	**21**	**11**	14	6
Deferred tax assets[1]	**8**	**16**	4	-
Investments in joint ventures and associates	**12**	**5**	5	5
Right-of-use assets	**11**	**74**	60	49
Property, plant and equipment	**10**	**28**	35	36
Defined benefit pension scheme assets	**24**	**-**	-	130
Goodwill and other intangible assets	**9**	**1,358**	1,353	1,346
Total assets		**3,068**	3,031	3,072
Liabilities				
Trade and other payables[1]	**17**	**(313)**	(286)	(257)
Amounts due to other group undertakings	**16**	**(120)**	(70)	(73)
Current tax payable		**-**	-	(2)
Lease liabilities due within 1 year	**27**	**(26)**	(23)	(15)
Provisions due within 1 year	**22**	**(5)**	(5)	(4)
Insurance contract liabilities[1]	**18**	**(118)**	(108)	(125)
Lease liabilities due after 1 year	**27**	**(46)**	(36)	(30)
Derivative financial instruments after 1 year	**21**	**(1)**	(1)	-
Deferred tax liabilities[1]	**8**	**-**	-	(65)
Borrowings and loans	**19**	**(2,238)**	(2,309)	(2,306)
Provisions due after 1 year	**22**	**(7)**	(6)	(10)
Defined benefit pension scheme liabilities	**24**	**(159)**	(169)	-
Total liabilities		**(3,033)**	(3,013)	(2,887)
Net assets		**35**	18	185
Equity				
Share capital	**23**	**361**	361	361
Cash flow hedge reserve		**12**	17	4
Retained earnings[1]		**(338)**	(360)	(180)
Total equity		**35**	18	185

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

The accompanying notes are an integral part of this consolidated statement of financial position.

The financial statements on pages 28 to 88 were approved by the Board of Directors on 6 June 2024 and signed on its behalf by:

T O Mackay
Director

Consolidated statement of changes in equity for the year ended 31 January 2024

Attributable to the equity holders of the parent

	Note	Share capital £m	Cash flow hedge reserve £m	Retained earnings £m	Total £m
At 1 February 2022 (previously reported)		361	4	(205)	160
Change in accounting policy[1]	**32**	**-**	**-**	25	25
At 1 February 2022 (restated)		**361**	**4**	**(180)**	**185**
Profit for the year (restated)[1]		-	-	63	63
Cash flow hedges fair value changes		-	24	-	24
Reclassification from cash flow hedge reserve		-	(7)	-	(7)
Remeasurement losses on defined benefit schemes		-	-	(326)	(326)
Tax effect		-	(4)	81	77
Total comprehensive loss		-	13	(182)	(169)
Equity-settled share-based payments	**30**	-	-	2	2
At 31 January 2023 (restated)[1]		**361**	**17**	**(360)**	**18**
Profit for the year		**-**	**-**	**24**	**24**
Cash flow hedges fair value changes		**-**	**2**	**-**	**2**
Reclassification from cash flow hedge reserve		**-**	**(8)**	**-**	**(8)**
Remeasurement losses on defined benefit schemes		**-**	**-**	**(8)**	**(8)**
Tax effect		**-**	**1**	**2**	**3**
Total comprehensive income		**-**	**(5)**	**18**	**13**
Equity-settled share-based payments	**30**	**-**	**-**	**4**	**4**
At 31 January 2024		**361**	**12**	**(338)**	**35**

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The accompanying notes are an integral part of this consolidated statement of changes in equity.

Consolidated statement of cash flows for the year ended 31 January 2024

	Note	Year ended 31 January 2024 £m	Year ended 31 January 2023 (restated)[1] £m
Operating activities			
Profit before tax[1]		**38**	70
Amortisation, depreciation and impairment	**9,10,11**	**109**	109
Net finance costs	**5,6**	**151**	127
Difference between pension charge and cash contributions		**(25)**	(24)
Other adjustments to profit before tax		**3**	(5)
Working capital and provisions:			
Increase in trade and other receivables[1]		**(38)**	(25)
Increase in trade and other payables[1]		**82**	20
Increase/(decrease) in provisions[1]		**1**	(3)
Changes in insurance contract liabilities[1]		**8**	(17)
Total working capital and provisions adjustments		**53**	(25)
Net cash flows generated from operating activities before tax		**329**	252
Tax paid		**(17)**	(9)
Net cash flows generated from operating activities		**312**	243
Investing activities			
Capital expenditure		**(78)**	(79)
Proceeds from sale of fixed assets		**4**	14
Investment in joint venture		**(1)**	(1)
Receipt of principal from financial asset at amortised cost		**3**	-
Interest received		**6**	2
Net cash flows used in investing activities		**(66)**	(64)
Financing activities			
Refinancing transactions:			
Proceeds from borrowings	**20**	**537**	250
Issue costs on borrowings	**20**	**(5)**	(2)
Debt repayment premium and penalties	**20**	**-**	(1)
Repayment of borrowings	**20**	**(604)**	(250)
Proceeds from gilt-lock hedge	**20**	**-**	10
Total refinancing transactions		**(72)**	7
Interest paid on borrowings		**(147)**	(124)
Payment of lease capital		**(36)**	(28)
Payment of lease interest		**(3)**	(2)
Net cash flows used in financing activities		**(258)**	(147)
Net (decrease)/increase in cash and cash equivalents		**(12)**	32
Cash and cash equivalents at the beginning of the year		**99**	67
Cash and cash equivalents at the end of the year	**15**	**87**	99

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Consolidated statement of cash flows for the year ended 31 January 2024 (continued)

Other adjustments to profit before tax inflow of £3m (2023: outflow of £5m) includes a share-based payment charge of £4m (2023: £2m) and impairment of investment in joint ventures of £1m (2023: £1m), offset by profit on sale of fixed assets of £2m (2023 profit: £8m).

Non-cash investing activities include the acquisition of right-of-use assets (see Note 11).

The accompanying notes are an integral part of this consolidated statement of cash flows.

Notes to the consolidated financial statements

1 Basis of preparation and accounting policies

1.1 Presentation of financial statements

The consolidated financial statements for the year ended 31 January 2024 comprise the financial statements of AA Intermediate Co Limited ('the Company') and its subsidiaries (together referred to as 'the Group'). AA Intermediate Co Limited is a private company limited by shares, incorporated and domiciled in England and Wales, UK.

These statements and the prior year comparatives have been presented to the nearest £million.

1.2 Basis of preparation

The Group has prepared these statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These consolidated financial statements have been prepared under the historic cost convention as modified by the measurement of derivatives and liabilities for contingent consideration in business combinations at fair value.

a) Going concern

The Group's and the Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities, review of the business and future developments" and "Risk management framework" sections on pages 1 to 14.

The Group and the Company have adequate financial resources due to the Group's net current asset position (2024: £993m, 2023: £1,058m) and the Company's net asset position. AA Intermediate Co Limited is a wholly owned subsidiary of the AA Limited group, hence the going concern status of the Group and the Company is linked to the wider AA Limited group. The Company Directors have reviewed and stress-tested projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited group Directors, that the Group and Company has sufficient funds to continue trading during this period and the foreseeable future and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 45 of the AA Limited group's Annual Report 2024.

The Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of £439m of A2 Notes which have a maturity date of 31 July 2025. On 22 May 2024 the Group issued £435m of A12 Notes with a maturity date of 31 July 2031. A portion of the A12 proceeds were used to settle a tender offer of the A2 Notes on 23 May 2024, and the remaining balance is held in a mandatory prepayment account to be used to repay the outstanding A2 Notes.

For the AA Limited group's longer-term viability, it remains a key assumption of its Directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced at affordable rates of interest.

After making appropriate enquiries, the Company's Directors have, at the time of approving these financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and, as a consequence, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has rights to variable returns from its involvement with the entity and has the ability to influence those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and accounting policies (continued)

1.2 Basis of preparation (continued)

b) Basis of consolidation (continued)

AA Limited and AA Intermediate Co Limited have agreed to provide a legal guarantee under s479A-C of the Companies Act 2006 to the below subsidiaries for audit exemption:

Name	Registered Number	Legal Guarantor
A A The Driving School Agency Limited	02733119	AA Limited
Prestige Fleet Servicing Limited	06254669	AA Limited
Accident Assistance Services Limited	10293691	AA Limited
AA Pension Funding GP Limited	SC460990	AA Limited
Used Car Sites Limited	04546950	AA Limited
AA Acquisition Co Limited	05018987	AA Intermediate Co Limited
Drivetech (UK) Limited	03636328	AA Intermediate Co Limited

c) New accounting standards, amendments and interpretations adopted in the year

The Group adopted IFRS 17 – Insurance Contracts (“IFRS 17”) on 1 February 2023, which replaces IFRS 4 – Insurance Contracts (“IFRS 4”). IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. As a result, a number of new accounting policies have been introduced. See Note 1.3(m) for details.

IFRS 17 was applied retrospectively as at 1 February 2022. On the transition date the Group identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied, and derecognised any existing balances that would not exist had IFRS 17 always applied. Any resulting net difference was recognised in equity. Balances for the comparative year to 31 January 2023 have also been restated. See Note 32.

The Group did not identify any other new accounting standards coming into effect in the current year with a material impact on the financial statements.

d) New accounting standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations have been issued and will be effective for AA Group financial years beginning after 1 February 2024 but have not been applied by the Group in these Financial Statements. These are set out below (effective dates are UK effective dates).

For these new accounting standards, management are currently assessing their impact to the Group.

- Amendments to IFRS 16, ‘Leases’ on leases on sale and leaseback (effective date 1 January 2024)
- Amendments to IAS 1, ‘Presentation of financial statements’ on non-current liabilities with covenants (effective date 1 January 2024)
- Amendment to IAS 7 and IFRS 7 – Supplier finance (effective date 1 January 2024)

1.3 Material accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

a) Interests in joint ventures and associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participating in the financial and operating policy decisions of the entity. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results, assets and liabilities of joint ventures and associates are incorporated in these financial statements using the equity method of accounting. Investments in joint ventures and associates are carried in the Group statement of financial position at cost, including direct acquisition costs, as adjusted by post-acquisition changes in the Group’s share of the net assets less any impairment losses.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and accounting policies (continued)

1.3 Material accounting policies (continued)

b) Foreign currencies

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

Transactions in currencies other than the functional currency of each consolidated undertaking are recorded at rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency at rates of exchange ruling at the statement of financial position date. Gains and losses arising on the translation of assets and liabilities are taken to the income statement.

c) Business combinations and goodwill

All business combinations are accounted for by applying the acquisition method.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Goodwill arising on consolidation represents the excess of the consideration paid over the Group's interest in the fair value of the identified assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset at cost less accumulated impairment losses. Any contingent consideration payable is recognised at fair value at the acquisition date, and subsequent changes to the fair value of the contingent consideration are taken to the consolidated income statement.

d) Intangible assets

Intangible assets other than goodwill which are acquired separately are stated at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful economic lives. The only intangible assets with finite lives held by the Group are customer relationships, software and development costs. Customer relationships are amortised over 10 years and software and development costs over 5 years.

e) Software and development costs

Software development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied. The asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over its useful life.

Software-as-a-Service arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses. Some of the costs incurred relate to the development of software code that enhances or modifies or creates additional capability to existing systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and accounting policies (continued)

1.3 Material accounting policies (continued)

f) Property, plant and equipment

Land and buildings held for use in the production of goods and the provision of services or for administrative purposes are stated in the statement of financial position at cost or fair value for assets acquired in a business combination less any subsequent accumulated depreciation and impairment losses. If relevant conditions are met, borrowing costs are capitalised.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of property, plant and equipment less their expected residual value is depreciated in equal instalments over their useful economic lives. In assessing residual values and asset lives consideration have been given to the impact of climate change. These lives are as follows:

Buildings	50 years
Related fittings	3 – 20 years
Leasehold properties	over the period of the lease
Plant, vehicles and other equipment	3 – 10 years

Land is not depreciated.

Property, plant and equipment shall be classified as held-for-sale if its carrying amount will be recovered through a sale transaction rather than through continuing use. Assets meeting the criteria of held-for-sale are transferred to held-for-sale at the lower of carrying value or fair value less costs to sell at the point at which the criteria are met.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

h) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. They are classified according to the substance of the contractual arrangements entered into. The Group recognises loss allowances for expected credit losses ("ECLs") on relevant financial assets.

Trade receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised at fair value and are subsequently held at amortised cost. The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables.

Trade payables

Trade payables are not interest bearing and are recognised at fair value and are subsequently held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity less than three months. Restricted cash is cash which is subject to contractual or regulatory restrictions.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and accounting policies (continued)

1.3 Material accounting policies (continued)

h) Financial instruments (continued)

Debt instruments

Debt is initially recognised in the statement of financial position at fair value less transaction costs incurred directly in connection with the issue of the instrument. Debt issue fees in respect of the instrument, including premiums and discounts on issue, are capitalised at inception and charged to the income statement over the term of the instrument using the effective interest method. Remaining issue costs on debt are written off to the income statement when the debt is extinguished.

An exchange with an existing lender of debt instruments with substantially different terms, or a substantial modification of the terms of an existing financial liability or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Equity instruments (share capital issued by the AA Limited Group)

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments are recognised at the fair value of proceeds received less direct issue costs.

Derivative financial instruments

The Group's capital structure exposes it to the financial risk of changes in interest rates and fuel prices. The Group uses interest rate and fuel swap contracts to hedge these exposures.

Derivative financial instruments are recorded in the statement of financial position at fair value. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments. The gain or loss on remeasurement to fair value is recognised immediately in the income statement unless they qualify for hedge accounting as described below.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the cash flow hedge reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

In the same period or periods during which the hedged expected future cash flows affects profit or loss, the associated cumulative gain or loss on the hedged forecast transaction is removed from equity and recognised in the income statement.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

i) Impairment of assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, goodwill and intangible assets not yet available for use are tested for impairment annually.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating units or 'CGUs'). The goodwill acquired in a business combination is allocated to CGUs so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and account policies (continued)

1.3 Material accounting policies (continued)

i) Impairment of assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any allocated goodwill and then to reduce the carrying amounts of the other assets on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Leases

Lease liabilities

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

Measurement of right-of-use assets

The associated right-of-use assets for leases are initially measured at cost, being the initial lease liability plus any direct initial costs and an estimate of end-of-life costs, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position.

Subsequently the right-of-use assets are depreciated over their lease terms. Useful economic lives of leased assets are reviewed for appropriateness on a continuous basis including in relation to climate change impacts such as electric vehicles.

For property leases, where a decision has been made prior to the year end to permanently vacate the property, the right-of-use asset is impaired to the extent that the value cannot be recovered through rental or other income expected to be received up to the estimated date of final disposal.

As permitted by IFRS 16, the Group has opted to take exemptions from recognising a lease asset or liability for the following lease categories:

- Leases with a term of 12 months or less
- Leases for which the underlying asset is of a low value (under £5,000 in cost)

Payments relating to leases falling under either of these categories are recognised as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the Group's benefits. The Group does not take the short-term exemption over the accounting for lease extensions.

k) Provisions and contingent liabilities

A provision is required when the Group has a present legal or constructive obligation as a result of a past event and it is probable that settlement will be required of an amount that can be reliably estimated Provisions are discounted where the impact is material. Material contingent liabilities are disclosed unless the likelihood of transfer of economic benefits is remote. Contingent assets are only disclosed if an inflow of economic benefits is probable.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and account policies (continued)

1.3 Material accounting policies (continued)

l) Retirement benefit obligation

The Group's position in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The Group determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, with maturity dates approximating the terms of the Group's obligations, and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets (excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in administrative and marketing expenses in the income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

For defined contribution schemes, the amounts recognised in the income statement are the contributions payable in the year.

m) Insurance contracts

Classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

Recognition

The Group has identified insurance contracts written within the scope of IFRS 17. The insurance contracts written by the Group are largely roadside contracts underwritten by the Group, where the fixed fee exemption does not apply.

The Group has identified one portfolio for insurance contracts written by the Group, being Roadside. This portfolio is disaggregated into the following groups of contracts:

- Contracts that are onerous at initial recognition;
- Contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- A group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered. Insurance contracts written will be allocated to groups within these portfolios based upon the expected profitability and ensuring that groups of contracts contain only contracts issued no more than one year apart.

All other contracts written or purchased by the Group are outside of the scope of IFRS 17.

Management is required to decide upon the granularity level at which to disclose detail relating to insurance contracts where useful information is not obscured either by the inclusion of large amounts of insignificant detail or by the aggregation of items that have different characteristics.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and account policies (continued)

1.3 Material accounting policies (continued)

m) Insurance contracts (continued)

Recognition (continued)

For insurance contract liabilities, management have determined that the level of disclosure that provides the most useful information is at an aggregated level for Roadside (Roadside portfolio).

The Group initially recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; or
- The date when the group of insurance contracts is onerous.

The Group separates any promises to transfer to policyholders' distinct services other than insurance coverage and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A service is distinct if the policyholder can benefit from it either on their own or with other resources that are readily available to the policyholder. A service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the service are highly interrelated with those associated with the insurance component, and the entity provides a significant service of integrating the service with the insurance component.

Measurement

All of the Group's insurance contracts written have been assessed as eligible for the Premium Allocation Approach (PAA). This is primarily because most contracts provide coverage for one year or less.

For insurance contracts written, under the PAA the liability for remaining coverage at initial recognition is measured as the premium received less acquisition cash flows incurred. Acquisition cash flows are deferred over the groups of contracts to which the costs relate.

Subsequently, the liability for remaining coverage is increased for any premiums received and then decreased by the amount recognised as insurance revenue for services provided. As there are no significant financing components to the contracts, the Group does not adjust the liability for remaining coverage for the time value of money and the effect of financial risk.

For the Roadside insurance contracts where claims (breakdown recoveries) are incurred and settled in a short time period (within the same day) there is not expected to be any liability for incurred claims outstanding at any point in time.

Onerous contracts

The Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. In such cases, an additional assessment is performed to distinguish onerous contracts from non-onerous ones.

A group of contracts is onerous if there is a net outflow of fulfilment cash flows. If at any time before, or during coverage, facts and circumstances indicate that a group of contracts is onerous, then the Group will increase the liability for remaining coverage by including a loss component, with the loss being recognised in the income statement. The loss component is then amortised to net income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis.

Acquisition cashflows

Insurance acquisition cash flows are allocated to groups of insurance contracts using all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and account policies (continued)

1.3 Material accounting policies (continued)

m) Insurance contracts (continued)

Acquisition cashflows (continued)

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group recognises an impairment loss in the consolidated income statement.

Externally underwritten contracts where the Group acts as broker have been identified as outside the scope of IFRS 17 and as such no related costs to these contracts are treated as acquisition cashflows.

Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e., when the specified obligations in the contract expire or are discharged or cancelled. The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. Any resultant gain or loss is recognised in the income statement.

n) Insurance revenue

As the Group provides insurance contract services under the group of insurance contracts, it reduces the liability for remaining coverage and recognises insurance revenue. The amount of insurance revenue recognised in the reporting year depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

The allocation of insurance revenue for the year under PAA is performed either based on the passage of time (straight-line) or release of risk. For the roadside portfolio, there is no significant financing component in insurance contracts. As such, there is no accrual of interest on the remaining coverage.

Revenue is earned on a straight-line basis during the coverage period as the expected pattern of release of risk does not differ significantly from the passage of time for which management has considered the seasonality effects on expected claim costs incurred.

o) Non-insurance revenue

Non-insurance revenue is measured at the fair value of the consideration receivable less any discounts and excluding value added tax and other sales related taxes. When invoicing exceeds revenue recognised, the balance is included in deferred income.

Roadside contracts outside of the scope of IFRS 17 are accounted for under IFRS 15 and are apportioned on a time basis over the period where the Group is liable for risk cover as the relevant performance obligations are settled over time, with the Group acting as principal.

Commission income from insurers external to the Group is recognised at the commencement of the period of risk on a point in time basis, with the Group acting as agent in this relationship. This stream is accounted for under IFRS 15.

Where customers choose to pay by instalments, finance income for the Group, which is classified as Revenue, is recognised in the year to which it relates using the effective interest rate method. This stream is accounted for under IFRS 9.

Fees receivable on franchise agreements with driving instructors are recognised as revenue over time across the term of the franchise agreements. This includes fees receivable under the franchise agreement in respect of provision of tuition vehicles, which is not considered to be a sub-lease arrangement. The Company acts as principal in this relationship. This stream is accounted for under IFRS 15.

Commission income from the sale and related marketing and administrative services of financial products is recognised on a point in time basis at the point of the provision of the service. Profit share income is earned based on the cumulative profits earned by the financial services partnership with the Bank of Ireland, which is recognised over time when certain thresholds of profitability in the partnership are reached. This stream is accounted for under IFRS 15.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and account policies (continued)

1.3 Material accounting policies (continued)

o) Non-insurance revenue (continued)

For all other non-insurance revenue, this income is recognised on a point in time basis at the point of delivery of goods or on the provision of service, or over time where the service is provided over more than one day. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

p) Adjusting operating items

Adjusting operating items are events or transactions that fall within the operating activities of the Group and which, by virtue of their size or incidence, have been disclosed in order to improve a reader's understanding of the financial statements. Some items may span over more than one year.

In addition, occasionally there are events or transactions that fall below operating profit that are one-off in nature and items within operating profit that relate to transactions that do not form part of the ongoing segment performance and which, by virtue of their size or incidence, have been separately disclosed in the financial statements.

q) Finance income and costs

Finance costs comprise interest payable, finance charges on lease liabilities recognised in profit or loss using the effective interest method, amortisation of debt issue fees, unwinding of the discount on provisions (including the net defined benefit obligations), defined benefit pension scheme interest costs, debt maintenance fees, debt issue fees written off and losses on interest rate swaps.

Finance income comprises net finance income from defined benefit pension schemes, interest receivable and gains on interest rate swaps.

r) Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

s) Segmental analysis

The Group reports its operations using the segments that are reported for management purposes. Segments are based on business operations because this is where Group risk and return is focused.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and account policies (continued)

1.3 Material accounting policies (continued)

t) Share-based payments

The AA group operates equity-settled and cash-settled share-based payment compensation plans for employees. At an Intermediate Co group level, the cash-settled scheme is accounted for as equity-settled because AA Limited bears the ultimate liability for the reward.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards.

The fair value of the awards granted is measured using a valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market vested and non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes. On change of control, if vesting date is brought forward, the share-based payment charge and increase in equity for the remainder of the vesting term will be accelerated and recognised as at that date (see Note 30).

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each statement of financial position date and at settlement date. Any changes in the fair value of the liability are recognised as an employee cost in the income statement.

u) Critical accounting estimates and judgements and other estimates

Estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has exercised judgement in applying the Group's accounting policies and in making critical estimates. The underlying assumptions on which these judgements are based are reviewed on an ongoing basis.

The principal estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Retirement benefit obligation

The Group's retirement benefit obligation, which is actuarially assessed each period, is based on key assumptions including return on plan assets, discount rates, mortality rates, inflation, future salary and pension costs. These assumptions may be different to the actual outcome (see Note 24 for sensitivity analysis).

For buy-in policies held by the defined benefit schemes the fair value of the insurance policies is deemed to be the present value of the related defined benefit obligations under IAS 19. Hence a key area of judgement is the assumptions used to derive the value of the corresponding obligations.

Intangibles

The Group has significant software development programmes and there is judgement in relation to which programmes and costs to capitalise under IAS 38. The assessment is made using the criteria detailed in Note 1.3(e). Additionally, there is an estimate in respect of the future usage period of software on which the Group bases the useful economic life of related assets. A reduction in the useful economic life of Customer relationships and Software would result in an increase in the amortisation charge based on the new useful life (see Note 9).

Notes to the consolidated financial statements (continued)

1 Basis of preparation and account policies (continued)

1.3 Material accounting policies (continued)

u) Critical accounting estimates and judgements (continued)

The following are other principal estimates and assumptions made by the Group, but which management believes do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Intercompany receivables

The assessment of credit loss allowances for intercompany receivables requires judgement to assess the collectability of intercompany balances. There is also estimation uncertainty in respect to the expected credit loss rates applied to such balances, which may differ to the actual outcome. Formal intercompany loan balances are reviewed on a case-by-case basis for impairment.

Share-based payments

The Group's indirect parent companies have issued a number of share-based payment awards to employees which are measured at fair value. Calculating the share-based payment charge for the year involves estimating the number of awards expected to vest, which in turn involves estimating the number of expected leavers over the vesting period and the extent to which non-market-based performance conditions will be met. Determining the fair value of an award with a market-based performance condition also involves factoring in the impact of the expected volatility of the share price.

Leases

The Group recognises lease liabilities in relation to leases, measured at the present value of the minimum lease payments, discounted using the discount rate implicit in the lease, or, where this is not available, the corresponding incremental borrowing rate at the date of inception of the lease. Management's approach to determining the incremental borrowing rate for a right-of-use asset involves using data provided by the Group's external advisers on the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the relevant right-of use asset.

Goodwill

The Group tests goodwill for impairment annually. The recoverable amounts of CGUs have been determined based on value in use calculations which require the use of estimates (see Note 9). Management has prepared discounted cash flows based on the latest strategic plan. The value in use calculation is most sensitive to assumptions in growth and discount rate, and cash flows incorporate the latest business-led assumptions including contract wins and renewals, sales volumes and investment requirements including an assessment of the impact of climate change.

Identification of contract portfolios and profitability

The Group is required to classify insurance contracts together in portfolios and uses judgement in identifying contracts that are subject to similar risks and managed together.

2 Segmental information and revenue disaggregation

The Group has two key segments – Roadside and Insurance. These segments are consistent with the way in which information is presented to the chief operating decision maker. Head Office costs have been allocated to these two key segments as these costs principally directly support the operations of these segments. Head Office costs are predominately allocated on a percentage of revenue basis.

The two reportable operating segments are as follows:

- *Roadside:* This segment is the largest part of the AA business. The AA provides a nationwide service, sending patrols out to members stranded at the side of the road, repairing their vehicles where possible and getting them back on their way quickly and safely. In addition, this segment includes the AA and BSM driving schools, Drivetech which provides driver training and educative programmes, and our Prestige business which provides service, maintenance and repair services.
- *Insurance:* This segment includes the insurance brokerage activities of the AA, primarily in arranging motor and home insurance for customers and its intermediary financial services business. This segment also includes AA Cars which sells used vehicles.

Notes to the consolidated financial statements (continued)

2 Segmental information and revenue disaggregation (continued)

	2024 £m	2023 (restated)[1] £m
Revenue		
Roadside business division	**943**	878
Insurance business division	**124**	116
Revenue	**1,067**	994
Operating profit		
Roadside business division	**224**	228
Insurance business division	**(3)**	(1)
Operating profit before adjusting operating items	**221**	227
Adjusting operating items (see Note 4)	**(33)**	(30)
Total operating profit	**188**	197

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

All segments operate principally in the UK. Revenue by destination is not materially different from revenue by origin.

Segment performance is primarily evaluated using the Group's key performance measures of revenue and operating profit before adjusting operating items. The segments are presented on a consistent basis with the AA Limited group. Head office costs allocated to the insurance underwriter at an AA Limited group level have been presented within the Insurance business division. Adjusting operating items are not allocated to individual segments as they are managed on a Group basis. Segmental information is not presented for items in the consolidated statement of financial position as management does not view this information on a segmental basis.

Insurance business division revenue includes £23m (FY23: £22m, restated) which is recognised under the effective interest method. Please see corresponding accounting policy in note 1.3(o) for further details.

Disaggregation of revenue:

	2024 £m	2023 (restated)[1] £m
Roadside business division		
Consumer (B2C)	**591**	560
Business services (B2B)	**256**	222
Roadside other[2]	**96**	96
Total Roadside	**943**	878
Insurance business division		
Brokering activities	**105**	96
Insurance other[2]	**19**	20
Total Insurance	**124**	116
Revenue	**1,067**	994

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

[2] Roadside other comprises the Group's Driving Schools, Drivetech and Prestige businesses as well as a number of other smaller operations. Insurance other comprises the Group's AA Cars and Financial Services businesses.

Roadside B2C and B2B mostly consists of revenue from roadside membership subscriptions. The majority of brokering activities revenue relates to commission income from insurers external to the Group.

Notes to the consolidated financial statements (continued)

2 Segmental information and revenue disaggregation (continued)

Reconciliation of insurance and other revenue by segment:

	2024 £m	2023 (restated)[1] £m
Roadside business division		
Insurance revenue	**511**	485
Other revenue	**432**	393
Total roadside business division	**943**	878
Insurance business division		
Other revenue	**124**	116
Total insurance business division	**124**	116
Total revenue		
Total insurance revenue	**511**	485
Total other revenue	**556**	509
Total revenue	**1,067**	994

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

3 Operating profit

Operating profit is stated after charging:

	2024 £m	2023 (restated)[1] £m
Amortisation of owned intangible assets (see Note 9)	**60**	59
Depreciation of owned tangible fixed assets (see Note 10)	**14**	13
Depreciation of right-of-use assets (see Note 11)	**35**	30
Amortisation of insurance acquisition cashflows (see Note 18)[1]	**39**	40
Share-based payments (see Note 30)	**4**	2
Pension service charge adjustment (see Note 24)	**6**	5
Impairment of goodwill (see Note 9)	**-**	6
Impairment of held-for-sale property (see Note 31)	**-**	1
Adjusting operating items (see Note 4)	**33**	30
	191	186

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Auditors' remuneration

	2024 £m	2023 £m
Amounts receivable by the Group's auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**1**	1

An additional fee of £0.2m relating to the IFRS 17 transition was also incurred for the year ended 31 January 2024.

The fee for the audit of these financial statements was £45k (2023: £43k). In addition, fees for non-audit services provided by the Company's auditors were £0.2m (2023: £0.2m), relating to audit-related assurance services.

Notes to the consolidated financial statements (continued)

4 Adjusting operating items

	2024 £m	2023 £m
Transaction fees related to investment	**15**	2
Strategic review projects	**13**	18
Closure costs of the CARE section of the AAUK pension scheme and the transitional agreement made with employees in that scheme	**1**	4
Investment in research project	**-**	10
Other adjusting operating items	**4**	(4)
Total adjusting operating items	**33**	30

In the current year £15m of transaction fees arose relating to the investment from Stonepeak into the AA Limited Group currently awaiting regulatory approval. Strategic review projects of £13m relates to transformation and organisational redesign and consists mainly of consultancy costs relating to one-off projects including the transition to a new accounting standard, re-platforming of an insurance sales and administration system and the acquisition of Keycare.

Other adjusting operating items of £4m comprise £1m of impairment in investments in joint ventures, £2m of proactive wage correction relating to previous years backdated to February 2018, £2m cost-of-living payments and £2m one-off property move costs, which are partially offset by £2m profit on sale of fixed assets and £1m of legal costs recovered from third parties for cases that were resolved in our favour. The cost-of-living payments relate to a single £4m scheme paid over two years. No further payments are currently planned.

In the prior year, strategic review projects of £18m relates to transformation and organisational redesign. The £10m investment in research project relates to a significant project in our service, maintenance and repair capability, with further research spend anticipated in FY24 to test a new offering. The project is expected to become business as usual in FY25 when the offering is expected to be launched nationwide. The investment spend is governed and approved by the Board of Directors. (£4m) other operating adjusting items include (£8m) profit on sale of fixed assets, £2m cost-of-living payments, £1m of impairment of investments in joint ventures and £1m relating to legal costs on a claim on which a judgement was favourably handed down in January 2023 and was successfully defended on all material elements.

5 Finance income

	2024 £m	2023 £m
Interest income on bank deposits	**6**	2
Total ongoing cash finance income	**6**	2
Net finance income on defined benefit pension schemes	**-**	3
Total ongoing non-cash finance income	**-**	3
Gain on below par redemption of loan notes (see Note 20)	**7**	-
Total adjusting cash finance income[1]	**7**	-
Total finance income	**13**	5

[1] Adjusting finance income relates to income related to refinancing activities.

In the current year, the Group redeemed £308m of A7 Loan Notes using £302m cash proceeds and repurchased £61m of A2 Loan Notes using £60m of available cash. This resulted in gains on below par redemptions of £6m and £1m respectively. See Note 20 for more information on refinancing transactions in the year.

Notes to the consolidated financial statements (continued)

6 Finance costs

	2024 £m	2023 £m
Interest on external borrowings	**153**	126
Reclassification from cash flow hedge reserve to the consolidated income statement	**(8)**	(3)
Finance charges payable on lease liabilities	**2**	2
Total ongoing cash finance costs	**147**	125
Ongoing amortisation of debt issue fees	**6**	5
Net finance expense on defined benefit pension schemes	**7**	-
Total ongoing non-cash finance costs	**13**	5
Debt management and early repayment fees	**1**	1
Total adjusting cash finance costs[1]	**1**	1
Unamortised debt issue fees written off following repayment of borrowings (see Note 20)	**2**	1
Total adjusting non-cash finance costs[1]	**2**	1
Finance costs	**163**	132
Fulfilment interest costs (included in insurance service expenses)	**1**	-
Total finance costs	**164**	132

[1] Adjusting finance costs relate to costs related to refinancing activities.

During the current year the Group issued £400m of Class A11 Notes and an additional £135m of Class A10 Notes as part of the redemption of its £550m of Class A7 Notes. See Note 20 for more details.

The issues of the class A11 and A10 Notes were not a modification of any existing debt and the associated issue fees were capitalised (see Note 20).

The Group incurred adjusting finance costs of £3m consisting of a £2m write-off of unamortised issue fees associated with the A7 Notes and a £1m early repayment penalty following repayment of the A7 Notes and other debt management fees.

7 Employee costs

	2024 £m	2023 £m
Wages and salaries	**288**	260
Social security costs	**31**	28
Other pension costs	**32**	31
Share-based payments expense (see Note 30)	**4**	2
	355	321

Wages and salaries include £2m (2023: £2m) of one-off cost-of-living payments and £2m (2023: £nil) of proactive wage correction relating to previous years both within adjusted operating items (see Note 4).

The average monthly number of persons employed under contracts of service during the year was:

	2024 number	2023 number
Operational	**5,741**	5,593
Management and administration	**1,379**	1,329
	7,120	6,922

Notes to the consolidated financial statements (continued)

7 Employee costs (continued)

Directors' remuneration

	2024 £m	2023 £m
Directors' remuneration	**1**	1
Aggregate remuneration in respect of qualifying services	**1**	1

Members of defined benefit pension schemes (number)	**1**	1

The amounts paid in respect of the highest paid director were as follows:

Remuneration	**1**	1

Retirement benefits are not accruing for any Directors under a defined benefit scheme (2023: nil), or a money purchase scheme (2023: nil).

No Directors exercised share options in the current year (2023: nil). The number of shares exercised was nil (2023: nil).

No money has been paid or is receivable by Directors under long-term incentive schemes in respect of qualifying services in the current year (2023: £nil).

No Directors have received shares in respect of qualifying services under long-term incentive schemes in the current year (2023: nil).

Compensation of key management personnel of the Group

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel consist of the Chief Executive Officer, Chief Financial Officer, the Executive Committee and the Non-Executive Directors.

The amounts recognised as an expense during the financial year in respect of key management personnel were as follows:

	2024 £m	2023 £m
Short-term employee benefits	**6**	7
Share-based payments (see Note 30)	**1**	1
Total compensation paid to key management personnel	**7**	8

Notes to the consolidated financial statements (continued)

8 Tax

The major components of the income tax expense are:

	2024 £m	2023 (restated)[1] £m
Consolidated income statement		
Current income tax		
Current income tax charge	**24**	7
Adjustment in respect of prior years	**(1)**	(10)
	23	(3)
Deferred tax		
Origination and reversal of temporary differences	**(11)**	9
Adjustment in respect of prior years	**2**	-
Effect of rate change on opening balances	**-**	1
	(9)	10
Tax expense in the consolidated income statement	**14**	7

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

	2024 £m	2023 £m
Consolidated statement of comprehensive income		
Current tax on changes in fair value of cash flow hedges	**-**	2
Deferred tax on changes in fair value of cash flow hedges	**(1)**	2
Deferred tax on remeasurements of defined benefit pension liability	**(2)**	(81)
Income tax credited directly to other comprehensive expense	**(3)**	(77)

Reconciliation of tax expense to profit before tax multiplied by the UK's corporation tax rate

	2024 £m	2023 (restated)[1] £m
Profit before tax	**38**	70
Tax at rate of 24.03% (2023: 19.0%)	**9**	13
Adjustments in respect of prior years	**1**	(10)
Rate change adjustment on temporary differences	**-**	1
Expenses not deductible/(chargeable) for tax purposes:		
- Corporate Interest Restriction disallowance	**2**	-
- Transaction costs	**3**	-
- Investment impairment	**-**	1
- Other non-deductible expenses/non-taxed income	**(1)**	2
Income tax expense reported in the consolidated income statement at effective rate of 36.8% (2023: 10.0%)	**14**	7

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Notes to the consolidated financial statements (continued)

8 Tax (continued)

Deferred tax by type of temporary difference

	Consolidated statement of financial position		Consolidated income statement	
	2024	2023 (restated)[1]	**2024**	2023 (restated)[1]
	£m	£m	**£m**	£m
Accelerated depreciation for tax purposes	**17**	14	**(3)**	2
Rollover relief	**(2)**	(2)	**-**	-
Pension	**(3)**	(2)	**3**	5
Revaluation of cash flow hedges	**(3)**	(4)	**-**	1
Share-based payments	**1**	-	**(1)**	-
Short-term temporary differences	**6**	(2)	**(8)**	-
Losses available for offsetting against future taxable income	**-**	-	**-**	2
Deferred tax (credit)/expense			**(9)**	10
Net deferred tax assets	**16**	4		

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Reconciliation of net deferred tax assets

	2024 £m	2023 (restated)[1] £m
At the beginning of the year	**4**	(65)
Tax credit/(charge) recognised in the consolidated income statement	**9**	(10)
Tax credit recognised in other comprehensive expense	**3**	79
At the end of the year	**16**	4

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The main corporation tax rate increased from 19% to 25% in April 2023. This increase has been reflected in the measurement of deferred tax as at 31 January 2024 and 31 January 2023. The effect of the tax rate increase is nil (2023: £1m) during the year.

Deferred tax balances have been measured according to the substantively enacted rates applicable to the periods in which they are scheduled to reverse.

The Group has a £2m (2023: £2m) deferred tax asset relating to other tax losses which has not been recognised due to the uncertainty of the availability of suitable future profits to enable recovery. The Group has carried forward interest expenses of £11m (2023: £3m, deferred tax equivalent £1m) on which a deferred tax asset of £3m has not been recognised due to the uncertainty of future reversal.

For the year ended 31 January 2023 there was a £9m adjustment in respect of prior years relating to the reversal of a potential Corporate Interest Restriction impact. Following a review of the public to private transition in the prior year, it was established that there was no impact on the application of the UK's Corporate Interest Restriction rules to the Group. As a result of this there was a reversal of the provided impact from 2022.

The effective tax rate is 36.8% which differs from the standard rate of corporation tax. This rate is increased as a result of significant disallowable transaction costs and the impact of Corporate Interest Restriction disallowance.

The effective rate for 2023 was 10.0% which differs from the standard rate of corporation tax. This reduced rate results from the adjustment in respect of prior year noted above.

Notes to the consolidated financial statements (continued)

9 Goodwill and other intangible assets

	Goodwill £m	Customer relationships £m	Software £m	Total £m
Cost				
At 1 February 2022	1,197	11	342	1,550
Additions	-	-	72	72
Disposals	-	-	(11)	(11)
At 31 January 2023	**1,197**	**11**	**403**	**1,611**
Additions	-	-	65	65
Disposals	-	-	(1)	(1)
At 31 January 2024	**1,197**	**11**	**467**	**1,675**
Accumulated amortisation and impairment				
At 1 February 2022	27	3	174	204
Amortisation	-	1	58	59
Disposals	-	-	(11)	(11)
Impairment	6	-	-	6
At 31 January 2023	**33**	**4**	**221**	**258**
Amortisation	-	1	59	60
Disposals	-	-	(1)	(1)
At 31 January 2024	**33**	**5**	**279**	**317**
Net book value				
At 31 January 2024	**1,164**	**6**	**188**	**1,358**
At 31 January 2023	1,164	7	182	1,353

Within software, £26m (2023: £40m) relates to assets under construction which are not amortised. This includes £10m (2023: £18m) relating to an insurance sales and administration policy platform being introduced in stages.

Software additions comprise £20m (2023: £20m) in relation to internally developed assets and £45m (2023: £52m) in relation to separately acquired assets.

Amortisation costs are split across other operating expenses (£56m, 2023: £59m) and insurance service expenses (£4m, 2023: £nil) in the consolidated income statement.

A decrease in the useful economic life of the software assets of one year would increase the associated amortisation charge by c.£15m (2023: c.£15m). An increase of one year would reduce the charge by c.£10m (2023: c.£10m).

Impairment of intangible assets

Goodwill acquired through business combinations has been allocated to cash-generating units (CGUs) on initial recognition and for subsequent impairment testing. CGUs represent the smallest group of assets that independently generate cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

Notes to the consolidated financial statements (continued)

9 Goodwill and other intangible assets (continued)

Impairment of intangible assets (continued)

The carrying value of goodwill by CGU is as follows:

	2024 £m	2023 £m
Roadside Assistance	**874**	874
Insurance Services	**240**	240
AA Cars	**25**	25
Drivetech	**25**	25
	1,164	1,164

The Group has performed impairment testing at 31 January 2024 and 31 January 2023. The impairment test compares the recoverable amount of the CGU with its carrying value.

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections from the Group's five-year plan. For the year ended 31 January 2024, the Group used the five-year plan, covering the five years up to 31 January 2029. For the purposes of the impairment test, terminal values have been calculated using a 1.79% growth assumption (2023: 1.95%). Cash flows have been discounted at a pre-tax rate reflecting the time value of money and the risks specific to these cash flows. This has been determined as a pre-tax rate of 11.0% (2023: 11.7%). The equivalent post-tax rate was 8.2% (2023: 8.8%).

The cash flow projections are forecast using historical trends overlaid with business-led assumptions such as contract wins, sales volumes, prices, working capital adjustments and capex investment requirements, which include the impact of climate change, together with operational KPIs such as number of personal members, number of business customers, insurance policies in force, renewal rates and average repair times. These allow the business to forecast profits, working capital and capital expenditure requirements.

For the climate-driven impacts, the Group has assessed its most material climate risks against varied climate scenarios to develop an appropriate cost estimate for inclusion in the cash flow projections.

Material risks considered include the costs associated with fleet decarbonisation, increased fuel and energy costs for the operational fleet and for properties, weather-related roadside cost increases and increased costs from low emissions zone regulation.

The value in use calculation used is most sensitive to the assumptions used for growth and the discount rate.

Accordingly, stress testing has been performed on these key assumptions as part of the impairment test to further inform the consideration of whether any impairment is evident. From the results of this stress testing, it was concluded that no reasonably foreseeable change in the key assumptions would result in the recoverable amount being materially less than the carrying amount for any of the CGUs.

In the prior financial year, an impairment of £6m was recognised in the Drivetech CGU.

Notes to the consolidated financial statements (continued)

10 Property, plant and equipment

	Buildings on long leasehold land £m	Plant & equipment £m	Total £m
Cost			
At 1 February 2022	7	76	83
Additions	-	12	12
Disposals	-	(15)	(15)
At 31 January 2023	**7**	**73**	**80**
Additions	-	7	7
Disposals	-	(3)	(3)
At 31 January 2024	**7**	**77**	**84**
Accumulated depreciation and impairment			
At 1 February 2022	**7**	**40**	**47**
Charge for the year	-	13	13
Disposals	-	(15)	(15)
At 31 January 2023	**7**	**38**	**45**
Charge for the year	-	14	14
Disposals	-	(3)	(3)
At 31 January 2024	**7**	**49**	**56**
Net book value			
At 31 January 2024	**-**	**28**	**28**
At 31 January 2023	-	35	35

There was no impairment charge against property plant and equipment in either year.

Depreciation costs are included within other operating expenses in the income statement.

Notes to the consolidated financial statements (continued)

11 Right-of-use assets

This note provides information for leases where the Group is a lessee. Under IFRS 16, right-of-use assets are recognised in the statement of financial position in respect of leased assets.

	Property £m	Vehicles & equipment £m	Total £m
Cost			
At 1 February 2022	28	81	109
Additions	4	37	41
Disposals	-	(16)	(16)
At 31 January 2023	**32**	**102**	**134**
Additions	2	55	57
Disposals	(8)	(27)	(35)
At 31 January 2024	**26**	**130**	**156**
Accumulated depreciation			
At 1 February 2022	6	54	60
Charge for the year	2	28	30
Disposals	-	(16)	(16)
At 31 January 2023	**8**	**66**	**74**
Charge for the year	3	32	35
Disposals	(1)	(26)	(27)
At 31 January 2024	**10**	**72**	**82**
Net book value			
At 31 January 2024	**16**	**58**	**74**
At 31 January 2023	24	36	60

Depreciation costs are included within other operating expenses in the income statement.

Notes to the consolidated financial statements (continued)

12 Investments in joint ventures and associates

	2024			2023		
	Joint ventures £m	**Associates £m**	**Total £m**	Joint ventures £m	Associates £m	Total £m
At 1 February	**1**	**4**	**5**	1	4	5
Additions	**1**	**-**	**1**	1	-	1
Impairment	**(1)**	**-**	**(1)**	(1)	-	(1)
At 31 January	**1**	**4**	**5**	1	4	5

The joint ventures of the Group which are indirectly held are detailed below. Except where otherwise stated, the share capital of each joint venture consists of only ordinary shares.

Company	**Country of registration**	**Nature of business**
AA Law Limited (49% interest held)[1]	England and Wales, UK	Insurance services
Drvn Solutions Limited (48% interest held)[2]	England and Wales, UK	Roadside services
AA Media Limited (49% interest held)[3]	England and Wales, UK	Publishing

[1] The Group exercises joint control over AA Law Limited through its equal representation on the Board. AA Law Limited has A and B ordinary shares.

[2] The Group exercises joint control over Drvn Solutions Limited through its joint influence over key decision-making. Drvn Solutions Limited has A and B ordinary shares.

[3] The Group exercises joint control over AA Media Limited through its equal representation on the Board. AA Media Limited has A ordinary shares.

The associates of the Group are listed below. Except where otherwise stated, the share capital of each associate consists of only ordinary shares.

Company	**Country of registration**	**Nature of business**
ARC Europe SA (20% interest held)	Belgium	Roadside services

13 Inventories

	2024 £m	2023 £m
Finished goods	**4**	4
	4	4

Other operating costs included £32m (2023: £27m) of inventories recognised as an expense. £nil (2023: £1m) has been charged to other operating costs in relation to inventory write-downs. In the prior year, the £1m consisted of a £3m charge and a £2m release.

Notes to the consolidated financial statements (continued)

14 Trade and other receivables

	2024 £m	2023 Restated[1] £m
Non-Current		
Other receivables	**1**	6
	1	6
Current		
Trade receivables	**197**	163
Prepayments	**27**	25
Contract assets	**37**	29
Other receivables	**7**	6
Total	**268**	223

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Trade receivables include £110m (2023: £97m) relating to amounts due from insurance broking customers.

15 Cash and cash equivalents

	2024 £m	2023 £m
Ring-fenced cash at bank and in hand – available	**87**	94
Ring-fenced cash at bank and in hand – restricted	**-**	5
Cash and cash equivalents as presented in consolidated statement of financial position	**87**	99

Ring-fenced cash and cash equivalents relate to cash held within the Whole Business Securitisation (WBS) by the Group. Dividends can only be paid to the AA Limited group when certain debt to debt covenant EBITDA and cash flow criteria are met.

For 2023, restricted cash which is ring-fenced consisted of £5m which was held in a debt service reserve account to meet the Liquidity Required Amount requirements per the debt document definitions.

16 Amounts owed by/due to parent undertakings

Amounts owed by/due to parent undertakings are unsecured, have no repayment terms and bear no interest.

	2024 £m	2023 £m
Amounts owed by parent undertakings	**1,209**	1,211
Amounts due to parent undertakings	**(120)**	(70)

Notes to the consolidated financial statements (continued)

17 Trade and other payables

	2024 £m	2023 Restated[1] £m
Current		
Trade payables	**147**	123
Other taxes and social security costs	**9**	13
Accruals	**69**	65
Deferred income[1]	**58**	50
Other payables[1]	**30**	35
	313	286

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Trade payables include £77m (2023: £68m) relating to amounts due to underwriters in respect of insurance broking activities.

Deferred income primarily relates to revenue recognised over time under IFRS 15. Of the revenue recognised in the current year, £38m (2023: £33m, restated) was included within deferred income at the beginning of the year.

Included in deferred income is £12m (2023: £12m) which will be released over a period more than 12 months from the statement of financial position date.

18 Insurance contracts

The table below summarises the net carrying amounts of insurance contract liabilities:

As at	31 January 2024			31 January 2023		
	Remaining coverage £m	Incurred claims £m	Total £m	Remaining coverage £m	Incurred claims £m	Total £m
Insurance contracts						
Roadside						
Insurance contracts	(160)	-	**(160)**	(148)	-	(148)
Asset for insurance acquisition cashflows			**42**			40
Total insurance contract liabilities			**(118)**			(108)

The following table shows the movement on assets for insurance acquisition cash flows:

	£m
Balance at 1 February 2022	**38**
Amounts incurred during the year	**32**
Amount derecognised and included in the measurement of insurance contracts	**(30)**
Balance at 31 January 2023	**40**
Amounts incurred during the year	**32**
Amount derecognised and included in the measurement of insurance contracts	**(30)**
Balance at 31 January 2024	**42**

Notes to the consolidated financial statements (continued)

18 Insurance contracts (continued)

Reconciliation of changes in insurance contracts by remaining coverage and incurred claim:

Roadside	**Liabilities for remaining coverage**		**Liability for incurred claims**	**Total**
	Excluding loss component	**Loss component**	**Estimates of present value of future cash flows**	
	£m	**£m**	**£m**	**£m**
As at 1 February 2022	(157)	(6)	-	(163)
Insurance revenue	485	-	-	485
Insurance service expenses				
Incurred claims and other insurance service expenses	-	6	(173)	(167)
Amortisation of insurance acquisition cash flows	(40)	-	-	(40)
Losses on onerous contracts	-	(2)	-	(2)
Total insurance service expense	(40)	4	(173)	(209)
Total changes in the consolidated income statement	445	4	(173)	276
Premiums received	(474)	-	-	(474)
Insurance acquisition cash flows paid	10	-	-	10
Transferred from insurance acquisition cash flows asset	30	-	-	30
Claims and other insurance service expenses paid	-	-	173	173
Total cash flows	(434)	-	173	(261)
As at 31 January 2023	(146)	(2)	-	(148)
Insurance revenue	**511**	**-**	**-**	**511**
Insurance service expenses				
Incurred claims and other insurance service expenses	**-**	**3**	**(173)**	**(170)**
Amortisation of insurance acquisition cash flows	**(39)**	**-**	**-**	**(39)**
Losses on onerous contracts	**-**	**(3)**	**-**	**(3)**
Total insurance service expense	**(39)**	**-**	**(173)**	**(212)**
Total changes in the consolidated income statement	**472**	**-**	**(173)**	**299**
Premiums received	**(523)**	**-**	**-**	**(523)**
Insurance acquisition cash flows paid	**9**	**-**	**-**	**9**
Transferred from insurance acquisition cash flows asset	**30**	**-**	**-**	**30**
Claims and other insurance service expenses paid	**-**	**-**	**173**	**173**
Total cash flows	**(484)**	**-**	**173**	**(311)**
As at 31 January 2024	**(158)**	**(2)**	**-**	**(160)**

The maximum credit exposure for 2024 in respect of Roadside is £nil (2023: £nil).

Notes to the consolidated financial statements (continued)

18 Insurance contracts (continued)

The expected derecognition profile of the insurance acquisition cash flows asset is as follows:

	1 year or less £m	1-2 years £m	2-3 years £m	3-4 years £m	Over 4 years £m	Total £m
31 January 2024	**20**	**11**	**7**	**3**	**1**	**42**
31 January 2023	19	11	7	3	-	40

Risks

Insurance risk

In the road portfolio, the principal risk is that actual costs to service the policies will exceed the projected cashflows, leading the contracts to become unprofitable.

The Group seeks to manage the impact of variable fuel prices through managing its procurement contracts with suppliers and by hedging the indexed element of diesel costs using Contracts for Difference. The Group has currently hedged 100% of forecast diesel usage for the year ended 31 January 2025 and c.50% of forecast usage for the year ended 31 January 2026 (see Note 26 on financial risk management).

The Group also tries to reduce the volume of claims received by communicating information to policyholders that will reduce the risk of callouts arising. For example, weather warnings and vehicle maintenance tips.

19 Borrowings and loans

	2024 £m	2023 £m
Non-current liabilities		
Borrowings (see Note 20)	**2,238**	2,309
	2,238	2,309

At 31 January 2024 there are no current borrowings (2023: £nil).

20 Borrowings

	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	Total as at 31 January 2024 £m	Total as at 31 January 2023 £m
Senior Term Facility 2021	10 March 2026	3.49%	150	(1)	1	**150**	149
Senior Term Facility 2023	10 March 2026	7.17%	15	-	-	**15**	-
Class A2 Notes	31 July 2025	6.27%	439	(1)	1	**439**	500
Class A7 Notes	31 July 2024	4.88%	-	-	-	**-**	548
Class A8 Notes	31 July 2027	5.50%	325	(3)	1	**323**	323
Class A9 Notes	31 July 2028	3.25%	270	(4)	2	**268**	267
Class A10 Notes	31 July 2029	7.38%	385	(16)	1	**370**	248
Class A11 Notes	31 January 2028	8.45%	400	(4)	1	**397**	-
Class B3 Notes	31 January 2026	6.50%	280	(10)	6	**276**	274
		6.22%	2,264	(39)	13	**2,238**	2,309

Notes to the consolidated financial statements (continued)

20 Borrowings (continued)

On 6 February 2023 the Group renewed and increased its Liquidity Facility by £15m and by a further £25m on 7 June 2023, to a total of £200m. The facility remains undrawn.

On 10 February 2023 the Group increased its Senior Term Facility by £15m to a total of £165m. The additional £15m Senior Term Facility commitments were drawn on 24 March 2023 and a new interest rate swap was transacted which exchanges SONIA for a fixed interest rate of 4.14%, thereby fixing the incremental £15m of Senior Term Facility borrowings at 7.17% through to 10 March 2026.

The existing £150m Senior Term Facility borrowings are subject to a variable interest rate of SONIA plus a Credit Adjustment Spread of 0.28% plus a margin of 2.75% per annum. The Group has an interest rate swap which fixes the variable SONIA interest rate at 0.46% through to 10 March 2026.

At 31 January 2024 all other borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 6.22% has been calculated using the effective interest rate and principal values on 31 January 2024.

The Group's £56m Working Capital Facility, of which £46m is available for cash drawings, remains undrawn.

On 6 February 2023 the Group issued £400m of Class A11 Notes at an interest rate of 8.45%. The proceeds of the issuance of the Class A11 Notes were used to redeem £308m of Class A7 Notes for a cash payment of £302m on 7 February 2023 tendered by existing note holders as part of a liability management exercise. The remaining surplus cash proceeds of £98m were transferred to a mandatory prepayment account to be held for redemption of Class A7 Notes. A further £10m of Class A7 Notes were purchased from existing bond holders on 3 March 2023 and redeemed. A further £103m of Class A7 Notes were voluntarily repaid on 16 May 2023 and redeemed using the £98m surplus and £5m of additional cash.

On 23 June 2023 the Group issued an additional £135m of Class A10 Notes at a yield to maturity of 9.50% and a below par price of 90.31%. The proceeds of the issue of £122m were used in combination with existing cash held to redeem the outstanding £129m of Class A7 Notes.

On 17 August 2023 £61m of A2 Notes were repurchased and cancelled for cash consideration of £60m. The remaining A2 principal balance after this redemption is £439m.

In order to show the Group net borrowings, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings. Interest rate swaps are recognised in the statement of financial position at fair value at the year end.

All of the Class A Notes are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co Limited group's assets ranks ahead of the Class B3 Notes. The Class B3 Notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. AA Mid Co Limited can only pay a dividend when certain Net Debt to Trading EBITDA and cash flow criteria are met.

Any voluntary early repayments of the Class A Notes would incur a make-whole payment of all interest due to the expected maturity date, although most classes of notes can be settled without penalty within a period before the expected maturity date. For the Class A8 Notes, Class A9 Notes, Class A10 Notes and Class A11 Notes this period is 6 months. Any voluntary repayment of the Class B3 Notes is to be made at a fixed premium until 31 January 2025 after which there is no premium to pay on redemption.

All of the Group loan notes are listed on the Irish Stock Exchange.

In order to comply with the requirements of the Class A Notes, the Group is required to maintain the Class A free cash flow to debt service ratio in excess of 1.35x. The actual Class A free cash flow to debt service ratio as at 31 January 2024 was 2.7x (2023: 2.9x).

Notes to the consolidated financial statements (continued)

20 Borrowings (continued)

The Class A Notes only permit the release of cash from the AA Intermediate Co Limited group of companies providing the Senior Leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The actual Senior Leverage ratio as at 31 January 2024 was 5.7x (2023: 5.8x). The Class B3 Notes restrictions only permit the release of cash providing a number of criteria are met including that the Fixed Charge Coverage ratio after payment is more than 2:1 and providing that the aggregate payments do not exceed 50% of the accumulated consolidated net income. The actual Fixed Charge Coverage ratio at 31 January 2024 was 2.3x (2023: 2.6x).

The Class A and Class B3 Notes therefore place restrictions on the Group's ability to upstream cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts.

On 23 June 2023, S&P Global Ratings reaffirmed the credit rating of the Group's Class A Notes at BBB- and the Class B3 Notes at B+.

In May 2024, further changes were made to the Group's financing profile. See Note 34 for further details.

The movement in debt in the year was as follows:

	2024	2023
	£m	£m
At 1 February	**2,309**	2,306
Proceeds from borrowings	**537**	250
Repayment of borrowings	**(604)**	(250)
Debt issue fees capitalised	**(5)**	(3)
Amortisation of debt issue fees	**8**	6
Gain on below par redemption	**(7)**	-
At 31 January	**2,238**	2,309

21 Derivative financial instruments

	2024 **£m**	2023 £m
Non-current assets		
Interest rate swap	**11**	14
Current assets		
Forward fuel contracts	**-**	1
Non-current liabilities		
Forward fuel contracts	**(1)**	(1)
	10	14

The forward fuel contracts are shown and settled on a net basis. On a gross basis, the asset is £nil (2023: £1m) and the liability is £1m (2023: £1m).

In the current year, the net position of the forward fuel contracts is a liability of £1m (2023: £nil).

Notes to the consolidated financial statements (continued)

22 Provisions

	Property leases £m	Other £m	Total £m
At 1 February 2022	**4**	**10**	**14**
Utilised during the year	(1)	(7)	(8)
Released during the year	-	(1)	(1)
Charge for the year	-	6	6
At 31 January 2023	**3**	**8**	**11**
Utilised during the year	**-**	**(7)**	**(7)**
Charge for the year	**1**	**7**	**8**
At 31 January 2024	**4**	**8**	**12**

Current	**-**	**5**	**5**
Non-current	**4**	**3**	**7**
At 31 January 2024	**4**	**8**	**12**
Current	-	5	5
Non-current	3	3	6
At 31 January 2023	3	8	11

The property leases provision primarily relates to asset retirement obligations. These sums are mainly expected to be paid out over the next 5 years; however, it will take 8 years to fully pay out all amounts provided for. The provision has been calculated at a risk-free rate.

Other provisions include a £2m provision (2023: £2m) in relation to a warranty for vehicle part replacements, £1m (2023: £nil) relating to vehicle end of life provisions and £5m (2023: £6m) relating to self-funded insurance liabilities, where the Group provides for the cost of certain claims made against it, for example motor vehicle accident damage and employer liability claims. These sums are mainly expected to be paid out over the next 5 years; however, it can take up to 30 years for employer liability claims to pay out in full.

From time to time the Group is subject to other claims and potential litigation. At the time of these financial statements, the Directors do not consider any such claims and litigation to have anything other than a remote risk of resulting in any material liability to the Group.

23 Share capital

	2024 £m	2023 £m
Allotted, called up and fully paid		
360,893,049 (2023: 360,893,049) ordinary shares of £1 each	**361**	361
	361	361

The voting rights of the holders of all ordinary shares are the same and all ordinary shares rank pari passu on a winding up.

Notes to the consolidated financial statements (continued)

24 Pensions

The Group operates two funded defined benefit pension schemes: the AA UK Pension Scheme ("AAUK") and the AA Ireland Pension Scheme ("AAI"). The assets of the schemes are held separately from those of the Group in independently administered funds. The AAUK scheme has a closed final salary section and a Career Average Revalued Earnings ("CARE") section which itself was closed on 31 March 2020 following consultation with affected employees. All pensions build-up since 1 April 2020 in the UK is on a defined contribution basis. During the 2017 financial year and following the sale of the Irish business by the Group, AA Corporation Limited, a UK subsidiary of the Group, became the sponsor of the AAI scheme. The Group also operates an unfunded post-retirement Private Medical Plan ("AAPMP"), which is treated as a defined benefit scheme and is not open to new entrants.

The AAUK scheme is governed by a corporate trustee whose board is currently composed of member-nominated and Company-nominated Directors. The AAI scheme is governed by a corporate trustee whose board is currently composed of Company-nominated Directors of which some are also members of the scheme. For both pension schemes the Company-nominated Directors include an independent Director whom the trustee board Directors have nominated as Chairman. The Trustee of each scheme is responsible for paying members' benefits and for investing scheme assets, which are legally separate from the Group.

The AAUK and AAI schemes are subject to full actuarial valuations every three years using assumptions agreed between the trustee of each scheme and the Group. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient assets available to meet the future payment of benefits to scheme members.

The valuation of liabilities for funding purposes differs from the valuation for accounting purposes, mainly due to the different assumptions used and changes in market conditions between different valuation dates. For funding valuation purposes, the assumptions used to value the liabilities are agreed between the trustee and the Group with the discount rate, for example, being based on a bond yield plus a margin based on the assumed rate of return on scheme assets. For accounting valuation purposes, the assumptions used to value the liabilities are determined in accordance with IAS 19, with the discount rate, for example, being based on high-quality (AA rated) corporate bonds.

The valuations have been based on a full assessment of the liabilities of the schemes which have been updated where appropriate to 31 January 2024 by independent qualified actuaries.

The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 January 2024			
	AAUK £m	**AAI £m**	**AAPMP £m**	**Total £m**
Present value of the defined benefit obligation in respect of pension plans	(1,588)	(36)	(22)	(1,646)
Fair value of plan assets	1,445	42	-	1,487
(Deficit)/surplus	**(143)**	**6**	**(22)**	**(159)**

	As at 31 January 2023			
	AAUK £m	AAI £m	AAPMP £m	Total £m
Present value of the defined benefit obligation in respect of pension plans	(1,730)	(36)	(24)	(1,790)
Fair value of plan assets	1,579	42	-	1,621
(Deficit)/surplus	(151)	6	(24)	(169)

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

The AAUK pension scheme was in deficit as at 31 January 2024. The movement since 31 January 2023 was mainly due to a decrease in the defined benefit obligation due to predominantly an increase in long-term interest rates and changes to the latest mortality assumptions, partially offset by falls in hedging assets designed to move in line with movements in liabilities.

In February 2023, the actuarial triennial review for the AAUK pension scheme was completed as at 31 March 2022. This resulted in a significant reduction to the technical provisions deficit of around 60% from £131m as at 31 March 2019 to £53m. The Asset-Backed Funding mechanism, which provides a long-term deficit reduction plan, and additional contribution schedule remain in place from the 2019 valuation. Under the asset-back funding scheme, the Group makes an annual deficit reduction contribution of £16m increasing annually with inflation, until October 2038 or until the AAUK scheme funding deficit is removed if earlier, secured on the Group's brands. Under the additional contribution schedule (i.e., contributions in excess of the Asset-Backed Funding mechanism) the Group pays £12m per annum until July 2025. The trustee meets its own costs of running the AAUK scheme.

The next triennial actuarial valuation for the AA UK Pension Scheme will be carried out as at 31 March 2025 (the "2025 Valuation"). The AA and the AAUK Pension Trustee have until 30 June 2026 to agree the 2025 Valuation and any recovery plan to pay off any funding deficit identified. The 2025 Valuation could vary from the 2022 Valuation meaning the payments required into the AAUK Pension Scheme under any recovery plan could increase or decrease from those agreed for the 2022 Valuation.

Markets still have the potential to be volatile following the reporting date. The Group is exposed to various risks in connection with the funding of the pension commitments under the AAUK Pension Scheme (our principal defined benefit plan), the AA Ireland Pension Scheme and the post-retirement medical scheme, which could have a material adverse effect on our business, prospects, financial condition and results of operations. Whilst the ongoing volatility from accrual costs has been removed, future volatility of deficit costs does remain.

The assets of the AAUK Pension Scheme are invested in various investment vehicles which are susceptible to market volatility, interest rate risk and other market risks, any of which could result in decreased asset value and a significant increase in the net pension obligations.

Using an inflation assumption of 3.2% and a discount rate assumption of 4.8%, the present value of the future deficit reduction contributions has been calculated. These contributions remain due until such a time as another recovery plan is put in place, whether or not an IAS 19 surplus position is shown. The Group notes that, in the event a surplus is shown, it would have an unconditional right to a refund of the surplus assuming the gradual settlement of AAUK scheme liabilities over time until all members have left the scheme.

The actuarial triennial review as at 31 December 2022 for the AAI pension scheme was completed during September 2023. This showed a funding surplus of £1m, an improvement from a £4m deficit as at 31 December 2019. The Group made deficit reduction contributions of £2m in the year ended 31 January 2024 under the deficit reduction agreement which ended in December 2023. After this date deficit contributions have ceased as agreed with the AAI scheme trustees as part of the 31 December 2022 valuation.

In total, the Group paid £30m (2023: £28m) in deficit reduction employer contributions to its defined benefit plans (AAUK and AAI) in the year ending 31 January 2024. The Group recognised a charge in the consolidated income statement of £26m in respect of defined contribution pension scheme costs in the year (2023: £26m).

In January 2022, the Group completed a full accounting valuation of the AAPMP with a valuation date of 31 January 2021. This updated the previous full accounting valuation of the AAPMP that was performed as at 31 January 2017 and was projected forward to relevant reporting dates.

The 31 January 2021 full accounting valuation of the AAPMP revealed a reduction in reported deficit as a result of the actual level of medical premium inflation experienced being lower than that assumed over the period between full valuations and the impact of the latest longevity expectations.

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

Total Group schemes

	Assets £m	Liabilities £m	Consolidated income statement £m	Other comprehensive income £m
Balance at 1 February 2022	2,666	(2,536)	-	-
Administrative expenses	(5)	-	(5)	-
Interest on defined benefit scheme assets/(liabilities)	60	(57)	3	-
Amounts recognised in the consolidated income statement	55	(57)	(2)	-
Effect of changes in financial assumptions	-	844	-	844
Effect of changes in demographic assumptions	-	22	-	22
Effect of experience adjustment	-	(134)	-	(134)
Return on plan assets excluding interest income	(1,058)	-	-	(1,058)
Amounts recognised in the statement of comprehensive income	(1,058)	732	-	(326)
Foreign exchange gain/(loss)	2	(2)	-	-
Benefits paid from scheme assets	(73)	73	-	-
Ongoing employer contributions	1	-	-	-
Deficit reduction employer contributions	28	-	-	-
Movements through cash	(44)	73	-	-
Balance at 31 January 2023	1,621	(1,790)	-	-
Administrative expenses	(6)	-	(6)	-
Interest on defined benefit scheme assets/(liabilities)	71	(78)	(7)	-
Amounts recognised in the consolidated income statement	**65**	**(78)**	**(13)**	**-**
Effect of changes in financial assumptions	-	109	-	109
Effect of changes in demographic assumptions	-	61	-	61
Effect of experience adjustment	-	(19)	-	(19)
Return on plan assets excluding interest income	(159)	-	-	(159)
Amounts recognised in the statement of comprehensive income	**(159)**	**151**	**-**	**(8)**
Foreign exchange (loss)/gain	**(1)**	**1**	**-**	**-**
Benefits paid from scheme assets	(70)	70	-	-
Ongoing employer contributions	1	-	-	-
Deficit reduction employer contributions	30	-	-	-
Movements through cash	**(39)**	**70**	**-**	**-**
Balance at 31 January 2024	**1,487**	**(1,646)**	**-**	**-**

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

AAUK scheme

	Assets £m	Liabilities £m	Consolidated income statement £m	Other comprehensive income £m
Balance at 1 February 2022	2,617	(2,453)	-	-
Administrative expenses	(5)	-	(5)	-
Interest on defined benefit scheme assets/(liabilities)	59	(55)	4	-
Amounts recognised in the consolidated income statement	54	(55)	(1)	-
Effect of changes in financial assumptions	-	820	-	820
Effect of changes in demographic assumptions	-	21	-	21
Effect of experience adjustment	-	(133)	-	(133)
Return on plan assets excluding interest income	(1,049)	-	-	(1,049)
Amounts recognised in the statement of comprehensive income	(1,049)	708	-	(341)
Benefits paid from scheme assets	(70)	70	-	-
Deficit reduction employer contributions	27	-	-	-
Movements through cash	(43)	70	-	-
Balance at 31 January 2023	1,579	(1,730)	-	-
Administrative expenses	(6)	-	(6)	-
Interest on defined benefit scheme assets/(liabilities)	70	(76)	(6)	-
Amounts recognised in the consolidated income statement	**64**	**(76)**	**(12)**	**-**
Effect of changes in financial assumptions	-	108	-	108
Effect of changes in demographic assumptions	-	61	-	61
Effect of experience adjustment	-	(18)	-	(18)
Return on plan assets excluding interest income	(159)	-	-	(159)
Amounts recognised in the statement of comprehensive income	**(159)**	**151**	**-**	**(8)**
Benefits paid from scheme assets	(67)	67	-	-
Deficit reduction employer contributions	28	-	-	-
Movements through cash	**(39)**	**67**	**-**	**-**
Balance at 31 January 2024	**1,445**	**(1,588)**	**-**	**-**

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

AAI scheme

	Assets £m	Liabilities £m	Consolidated income statement £m	Other comprehensive income £m
Balance at 1 February 2022	49	(51)	-	-
Interest on defined benefit scheme assets/(liabilities)	1	(1)	-	-
Amounts recognised in the consolidated income statement	1	(1)	-	-
Effect of changes in financial assumptions	-	16	-	16
Return on plan assets excluding interest income	(9)	-	-	(9)
Amounts recognised in the statement of comprehensive income	(9)	16	-	7
Foreign exchange gain/(loss)	2	(2)	-	-
Benefits paid from scheme assets	(2)	2	-	-
Deficit reduction employer contributions	1	-	-	-
Movements through cash	(1)	2	-	-
Balance at 31 January 2023	42	(36)	-	-
Interest on defined benefit scheme assets/(liabilities)	1	(1)	-	-
Amounts recognised in the consolidated income statement	**1**	**(1)**	**-**	**-**
Effect of changes in demographic assumptions	-	(1)	-	(1)
Effect of experience adjustment	-	(1)	-	(1)
Amounts recognised in the statement of comprehensive income	**-**	**(2)**	**-**	**(2)**
Foreign exchange (loss)/gain	**(1)**	**1**	**-**	**-**
Benefits paid from scheme assets	(2)	2	-	-
Deficit reduction employer contributions	2	-	-	-
Movements through cash	**-**	**2**	**-**	**-**
Balance at 31 January 2024	**42**	**(36)**	**-**	**-**

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

AA PMP scheme

	Assets £m	Liabilities £m	Consolidated income statement £m	Other comprehensive income £m
Balance at 1 February 2022	-	(32)	-	-
Interest on defined benefit scheme liabilities	-	(1)	(1)	-
Amounts recognised in the consolidated income statement	-	(1)	(1)	-
Effect of changes in financial assumptions	-	8	-	8
Effect of changes in demographic assumptions	-	1	-	1
Effect of experience adjustment	-	(1)	-	(1)
Amounts recognised in the statement of comprehensive income	-	8	-	8
Benefits paid from scheme assets	(1)	1	-	-
Ongoing employer contributions	1	-	-	-
Movements through cash	-	1	-	-
Balance at 31 January 2023	-	(24)	-	-
Interest on defined benefit scheme liabilities	-	(1)	(1)	-
Amounts recognised in the consolidated income statement	-	(1)	(1)	-
Effect of changes in financial assumptions	**-**	1	**-**	1
Effect of changes in demographic assumptions	-	1	-	1
Amounts recognised in the statement of comprehensive income	**-**	**2**	**-**	**2**
Benefits paid from scheme assets	**(1)**	**1**	**-**	**-**
Ongoing employer contributions	1	-	-	-
Movements through cash	-	1	-	-
Balance at 31 January 2024	**-**	**(22)**	**-**	**-**

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

Fair value of plan assets

The tables below show the AAUK and AAI scheme assets split between those that have a quoted market price and those that are unquoted.

The fair value of the AAUK scheme assets and the return on those assets were as follows:

	2024		2023	
	Assets with a quoted market price £m	**Assets without a quoted market price £m**	Assets with a quoted market price £m	Assets without a quoted market price £m
Equities	**-**	**97**	-	88
Bonds/gilts[1]	**69**	**593**	10	641
Property	**-**	**169**	6	209
Hedge funds	**-**	**3**	1	60
Private equity	**-**	**135**	-	138
Cash/net current assets	**11**	**22**	46	14
Annuity policies	**-**	**346**	-	366
Total AAUK scheme assets	**80**	**1,365**	63	1,516
Return on AAUK plan assets (excluding admin expenses)	**(89)**		(990)	

[1] 2023 bond/gilt assets reallocated between quoted and unquoted. Asset total remains unchanged.

The above table displays the quoted and unquoted splits of the underlying investments.

The AAUK scheme assets are largely invested in pooled funds, with the market values provided by the scheme's custodian, Bank of New York Mellon Corporation ("BNYM"). Some of the pooled funds themselves are not listed on any publicly traded exchange and are therefore described as unquoted except where we are aware of a specific look-through to allow part of the assets within the fund to be described as quoted.

Of the £1,365m (2023: £1,516m) assets without a quoted market price at 31 January 2024, £346m (2023: £366m) is in relation to the buy-in policies held by the scheme. Under IAS 19, the fair value of the insurance policies is deemed to be the present value of the related defined benefit obligations. Hence a key area of judgement is the assumptions used to derive the value of the corresponding obligations.

Approximately £15m (2023: £19m) of unquoted assets allocated to private equity and £10m (2023: £10m) of unquoted assets allocated to property have been measured at amortised cost rather than fair value.

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

The fair value of the AAI scheme assets and the return on those assets were as follows:

	2024		2023	
	Assets with a quoted market price £m	Assets without a quoted market price £m	Assets with a quoted market price £m	Assets without a quoted market price £m
Equities	2	-	3	-
Bonds/gilts	30	-	29	-
Property	-	7	-	7
Hedge funds	2	-	3	-
Cash / net current assets	1	-	-	-
Total AAI scheme assets	35	7	35	7
Return on AAI plan assets (excluding admin expenses)	1		(8)	

Investment strategy

The AAUK scheme trustee determines its investment strategy after taking advice from a professional investment adviser. The AAUK scheme's investment strategy has been set following an asset/liability review which considered a wide range of investment opportunities available to the scheme and how they might perform in combination.

Other factors were also taken into account such as the strength of the employer covenant, the long-term nature of the liabilities and the funding plan agreed with the employer.

The AAUK scheme trustee aims to achieve the scheme's investment objectives through investing in a diversified portfolio of growth assets which, over the long term, are expected to grow in value by more than low-risk assets like cash and gilts. This is done within a broad liability driven investing framework that also uses such cash and gilts in a capital efficient way. In combination, this efficiently captures the trustee risk tolerances and return objectives relative to the scheme's liabilities. A number of investment managers are appointed to promote diversification by assets, organisation and investment style.

To diversify sources of return and risk, the AAUK scheme invests in many asset classes and strategies, including equities, bonds and property funds which primarily rely on the upward direction of the underlying markets for returns, and also hedge funds which also invest in asset classes like equities, bonds and currencies, but in such a way that relies more on the skill of the investment manager to add returns while hedging against downward market moves.

The AAUK scheme trustee’s investment advisers carry out detailed ongoing due diligence on funds in all asset classes from both operational and investment capability standpoints, and any funds which are not expected to achieve their investment performance targets are replaced where possible.

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

Pension plan assumptions

The principal actuarial assumptions were as follows:

	AAUK		AAI		AAPMP	
	2024 %	2023 %	**2024 %**	2023 %	**2024 %**	2023 %
Pensioner discount rate	**4.8**	4.5	**3.3**	3.4	**4.8**	4.5
Non-pensioner discount rate	**5.0**	4.5	**3.4**	3.4	**4.8**	4.5
Pensioner RPI	**3.2**	3.1	**-**	-	**3.2**	3.1
Non-pensioner RPI	**3.0**	3.1	**-**	-	**3.2**	3.1
Pensioner CPI	**2.4**	2.3	**2.1**	2.3	**2.4**	2.3
Non-pensioner CPI	**2.3**	2.3	**2.1**	2.3	**2.4**	2.3
Rate of increase of pensions in payment (final salary sections) – pensioner	**3.0**	2.9	**-**	-	**-**	-
Rate of increase of pensions in payment (final salary sections) – non-pensioner	**2.9**	2.9	**-**	-	**-**	**-**
Rate of increase of pensions in payment (CARE section) – pensioner	**1.8**	1.7	**-**	-	**-**	**-**
Rate of increase of pensions in payment (CARE section) – non-pensioner	**1.7**	1.7	**-**	-	**-**	**-**
Pension increase for deferred benefits	**2.3**	2.3	**2.1**	2.3	**-**	**-**
Medical premium inflation rate	**-**	-	**-**	-	**7.2**	7.1

Mortality assumptions are set using standard tables based on scheme-specific experience where available and an allowance for future improvements. For January 2024, the assumptions used were in line with the SAPS (S3) series mortality tables with scheme-specific adjustments (January 2023 – SAPS (S3) series with scheme-specific adjustments) with future improvements in line with the CMI_2022 model with a 1.00% long-term rate of improvement and experience weightings of 10% above the core model (January 2023 – CMI_2021 model with a 1.25% long-term rate of improvement and experience weightings of 10% above the core model). The AAI scheme mortality assumptions are set using standard tables with scheme-specific adjustments.

The AA schemes' overall assumptions are that a non-pensioner male retiring in normal health currently aged 60 will live on average for a further 24 years (2023: 25 years) and a non-pensioner female retiring in normal health currently aged 60 will live on average for a further 27 years (2023: 28 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit liability by the amounts shown below:

	For the year ended 31 January 2024			**For the year ended 31 January 2023**		
	AAUK £m	**AAI £m**	**AAPMP £m**	**AAUK £m**	**AAI £m**	**AAPMP £m**
Increase of 1% in discount rate	**201**	**5**	**2**	234	6	3
Increase of 1% in RPI and CPI	**(169)**	**(2)**	**-**	(193)	(3)	-
Increase of 1% in CPI only	**(65)**	**(2)**	**-**	(79)	(3)	-
Increase of 1% in medical claims inflation	**-**	**-**	**(2)**	-	-	(3)
Increase of one year of life expectancy	**(49)**	**(1)**	**(2)**	(51)	(1)	1

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

Sensitivity analysis (continued)

An equivalent decrease in the assumptions at 31 January 2024 would have had a broadly equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The amounts shown above are the effects of changing the assumptions on the gross defined benefit liability, rather than on the net deficit. The de-risked investment strategy, the two insured annuity policies and high levels of hedging reduce the sensitivities of changing these assumptions on the net deficit considerably.

The weighted average duration of the defined benefit obligation at 31 January 2024 is around 15 years.

Pension scheme risks

The AAUK and AAI schemes have exposure to a number of risks because of the investments they make in following their investment strategy. Investment objectives and risk limits are implemented through the investment management agreements in place with the schemes' investment managers and monitored by the trustees of each scheme through regular reviews of the investment portfolios. In addition, under guidance from their investment advisers, the trustees of each scheme monitor estimates of key risks on an ongoing basis such as those shown below. A number of measures are taken to mitigate these risks where possible.

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This risk mainly relates to the schemes' bonds and is mitigated by carrying out due diligence and investing only in bond funds which are well diversified in terms of credit instrument, region, credit rating and issuer of the underlying bond assets. To reduce risk further, the underlying bond assets within a fund are ring-fenced, and the scheme diversifies across a number of bond funds.

Currency risk

The scheme is subject to currency risk because some of the scheme's investments are in overseas markets. The trustee hedges some of this currency risk by investing in investment funds which hold currency derivatives to protect against adverse fluctuations in the relative value of its portfolio positions as a result of changes in currency exchange rates.

Market price risk

This is the risk that the fair value or future cash flows of a financial asset such as equities will fluctuate because of changes in market prices (other than those arising from interest rate, inflation or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and investment managers.

Financial derivatives risk

The AAUK scheme does not directly hold any financial derivatives but instead invests in investment funds which hold the derivatives required to hedge the scheme's interest rate, inflation and currency risks. The scheme also permits some of the investment managers to use derivative instruments if these are being used to contribute to a reduction of risks or facilitate efficient portfolio management of their funds. The main risks associated with financial derivatives include: losses may exceed the initial margin; counterparty risk where the other party defaults on the contract; and liquidity risk where it may be difficult to close out a contract prior to expiry. These risks are managed by monitoring of investment managers to ensure that they use reasonable levels of market exposure relative to initial margin and positions are fully collateralised on a daily basis with secure cash or gilts collateral.

Liquidity risk

Alongside contributions received from the Group, the AAUK scheme's investments need to generate sufficient cash inflow to meet member benefits as they fall due. In addition, the AAUK scheme should also maintain enough liquid financial resources to support the financial derivatives used in, for example, the hedging strategy via the liability driven investment ("LDI") mandate. Holding insufficient liquid resources could risk the AAUK scheme being unable to realise investments at their expected value in a timely manner, which could lead to reductions in the funding position or a reduction in the level of hedging in place.

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

Pension scheme risks (continued)

Liquidity risk (continued)

The AAUK scheme aims to hedge the majority of both the interest rate risk and inflation risk (of the non-insured liabilities on the scheme-specific self-sufficiency measure) as part of a policy to reduce financial risks. As at 31 January 2024, the scheme had hedged around 65% of interest rate and inflation risk (of the non-insured liabilities on the scheme-specific self-sufficiency measure). The reduction from around 70% of interest rate risk and 80% of inflation risk at 31 January 2023 reflects alignment of the hedging approach consistently across interest rates and inflation, plus market movements affecting the LDI mandate. Hedging levels fluctuate regularly as market conditions evolve and the scheme trustees, along with their advisers, closely monitor these fluctuations. Where changes are needed to the level of hedging, the scheme trustees effect this, in consultation with the Group, with consideration to prevailing pricing and risk appetite.

Bulk annuity policies

The AAUK scheme holds two bulk annuity policies with a total fair value of £346m as at 31 January 2024. The bulk annuity policy purchased in August 2018 insured all the benefits payable under the scheme in respect of 2,510 pensioner and dependant members, while the bulk annuity policy purchased in September 2019 insured all the benefits payable under the scheme in respect of a further 1,790 pensioner and dependant members.

The Trustee has invested in such policies as the scheme will see all financial and demographic risks exactly matched for the covered members. The annuity policies were purchased in the name of the trustee and therefore remain assets of the AAUK scheme. Under IAS 19, these policies are considered to be qualifying insurance policies which exactly match the amount and timing of certain benefits payable under the scheme. The fair value of the insurance policies is therefore deemed to be the present value of the related defined benefit obligations.

The bulk annuity policies mean that the AAUK scheme has hedged the associated longevity risks on c.20% of the scheme’s IAS 19 liabilities.

While risks remain, the hedging strategy noted above, including the bulk annuity purchases, is important in controlling the Group’s exposure to future increases in the deficit.

Virgin Media/NtL judgment

In June 2023, the High Court judged that amendments made to the Virgin Media scheme were invalid because the scheme’s actuary did not provide the associated s37 certificate necessary. If upheld, the High Court’s decision could impact the AA UK Scheme as it was contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016. Initial investigations have been carried out by the AA UK Scheme Trustee in relation to the deeds amending the Scheme in the period affected by the judgment. The High Court’s decision is currently being appealed and therefore at this time no additional liabilities have been recognised as at 31 January 2024 but the Group will continue to monitor this position.

Notes to the consolidated financial statements (continued)

25 Financial assets and financial liabilities

The carrying amount of all financial assets and financial liabilities by class are as follows:

Financial assets

	2024 £m	2023 £m
Financial assets at fair value through other comprehensive income		
Derivative financial instruments (see Note 21)	**11**	15
Financial assets at amortised cost		
Loans to related parties (see Note 29)	**1**	4
Cash and cash equivalents (see Note 15)	**87**	99
Trade receivables (see Note 14)	**197**	163
Contract assets and other receivables (see Note 14)	**44**	35
Amounts owed by parent undertakings (see Note 16)	**1,209**	1,211
Other receivables – non-current (see Note 14)	**1**	6
Total financial assets	**1,550**	1,533

Loans to related parties comprised £1m (2023: £4m) of 5% fixed rate loan notes issued from AA Media Limited to the Group, redeemed at par in March 2024.

Financial liabilities

	2024 £m	2023 (restated)[1] £m
Financial liabilities at fair value through other comprehensive income		
Derivative financial instruments (see Note 21)	**1**	1
Financial liabilities at amortised cost		
Trade payables (see Note 17)	**147**	123
Other payables and accruals (see Note 17)[1]	**99**	100
Amounts due to parent undertakings (see Note 16)	**120**	70
Lease liabilities (see Note 27)	**72**	59
Borrowings (see Note 19)	**2,238**	2,309
Insurance contract liabilities (see Note 18)	**118**	108
Total financial liabilities	**2,795**	2,770

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Fair values

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and market observable inputs used in valuation techniques include interest rates.

The objective of using valuation techniques is to arrive at a fair value that reflects the price of the financial instrument at each year end at which the asset or liability would have been exchanged by market participants acting at arm's length.

Observable inputs are those that have been seen either from counterparties or from market pricing sources and are publicly available. The use of these depends upon the liquidity of the relevant market. When measuring the fair value of an asset or a liability, the Group uses observable inputs as much as possible.

Notes to the consolidated financial statements (continued)

25 Financial assets and financial liabilities (continued)

Fair values (continued)

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation as follows:

Level 1

Quoted market prices in an actively traded market for identical assets or liabilities. These are the most reliable.

Level 2

Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. The models incorporate various inputs including interest rate curves and forward rate curves of the underlying instrument.

Level 3

Inputs for assets or liabilities that are not based on observable market data.

If the inputs used to measure the fair values of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level as the lowest input that is significant to the entire measurements.

The fair values are periodically reviewed by the Group Treasury function. The following tables provide the quantitative fair value hierarchy of the Group's fuel and interest rate swaps, loan notes and financial investments.

The carrying values of all other financial assets and liabilities (including the Senior Term Facility) are approximate to their fair values.

		Fair value measurement using:		
	Carrying value £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
At 31 January 2024				
Financial assets measured at fair value				
Interest rate swap derivatives (Note 21)	11	11	-	-
Liabilities for which fair values are disclosed				
Loan notes (Note 20)	2,073	2,085	-	-
Forward fuel contracts (Note 21)	1	1	-	-
At 31 January 2023				
Financial assets measured at fair value				
Forward fuel contracts (Note 21)	1	1	-	-
Interest rate swap derivatives (Note 21)	14	14	-	-
Liabilities for which fair values are disclosed				
Loan notes (Note 20)	2,160	2,022	-	-
Forward fuel contracts (Note 21)	1	1	-	-

There have been no transfers between the levels and no non-recurring fair value measurements of assets and liabilities during the two years to 31 January 2024.

Notes to the consolidated financial statements (continued)

26 Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings as well as insurance contract liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include deposits with financial institutions, money market funds, insurance contract assets and trade receivables.

The Group is exposed to market risk, credit risk, liquidity risk and insurance risk. The Group's senior management oversees the management of these risks, supported by the Group Treasury function. The Group Treasury function ensures that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group Treasury function. It is the Group's policy not to trade in derivatives for speculative purposes.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices set by the market. The key market risk that the Group is exposed to is future interest rate rises with respect to borrowings. The Group has policies and limits approved by the Board for managing the interest rate risk exposure.

The Group's policy is to fully hedge all of its exposure to variable interest rates. The Group therefore takes out interest rate swaps to the value of its variable rate instruments.

The Group seeks to manage the impact of variable fuel prices through managing its procurement contracts with suppliers and by hedging the indexed element of diesel costs using Contracts for Difference. The Group has currently hedged 100% of forecast diesel usage for the year ended 31 January 2025 and c.50% of forecast usage for the year ended 31 January 2026. The only manner in which ineffectiveness will arise in this hedge is if the roadside operations use less than the notional amount of fuel that has been hedged against.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2024 £m	2023 £m
Fixed rate instruments		
Financial assets	**1**	4
Financial liabilities	**(2,145)**	(2,219)
Net exposure to fixed rate instruments	**(2,144)**	(2,215)
Variable rate instruments		
Financial liabilities	**(165)**	(149)
Net exposure to variable rate instruments	**(165)**	(149)

Sensitivity of fixed-rate instruments

The Group does not account for any fixed-rate financial assets and financial liabilities at fair value through profit or loss and does not use derivative instruments in fair value hedges. Consequently, having regard to fixed rate instruments, a change in market interest rates at the reporting date would not affect profit or loss.

Sensitivity of variable rate instruments

An increase of 50 basis points in interest rates at 31 January 2024 would have increased equity by £nil (2023: £nil) and would have had no impact on profit or cash because the variable rate on the Senior Term Facility, which was drawn during the current year, is hedged by an interest rate swap.

Notes to the consolidated financial statements (continued)

26 Financial risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its financial assets, outstanding derivatives and trade and other receivables. The Group assesses its counterparty exposure in relation to the investment of surplus cash and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty, in accordance with approved treasury policies.

The credit risk for the Group is limited as payment from customers is generally required before services are provided.

Credit risk in relation to deposits and derivative counterparties is managed by the Group Treasury function in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to mitigate financial loss through any potential counterparty failure.

Credit loss allowances for intercompany receivables are determined by assessing the ability of fellow subsidiaries to settle balances payable to other Group entities. If there is an indication that a subsidiary cannot settle their liabilities a provision for the expected unrecoverable amount is recognised. No requirement for a provision was identified as at 31 January 2024 (2023: £nil).

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at each reporting date is the carrying amount except for derivative financial instruments. The Group's maximum exposure for financial derivative instruments is noted under liquidity risk.

The ageing analysis net of trade receivables is as follows:

	Total £m	Current £m	< 30 days £m	30 - 60 days £m	60+ days £m
2024	**197**	**165**	**8**	**4**	**20**
2023	163	138	9	5	11

The ageing analysis of gross trade receivables is as follows:

	Total £m	Current £m	< 30 days £m	30 - 60 days £m	60+ days £m
2024	**199**	**166**	**8**	**5**	**20**
2023	168	140	10	5	13

The movements in the provision for the collective impairment of receivables are as follows:

	2024 £m	2023 £m
At 1 February	**5**	4
Charge for the year	**1**	2
Utilised	**-**	(1)
Released	**(1)**	-
Reclassification[1]	**(3)**	-
At 31 January	**2**	5

[1] 2023 IFRS 15 credit note provision excluded from IFRS 9 expected credit loss balance.

Liquidity risk

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and headroom on its working capital facilities.

Notes to the consolidated financial statements (continued)

26 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below analyses the maturity of the Group's financial liabilities on a contractual undiscounted cash flow basis and includes any associated debt service costs. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date.

At 31 January 2024:

	Less than 1 year £m	1 - 2 years £m	2-5 years £m	Over 5 years £m	Total £m
Loans and borrowings	**142**	**843**	**1,365**	**399**	**2,749**
Lease liabilities	**29**	**22**	**23**	**5**	**79**
Other payables and accruals	**99**	**-**	**-**	**-**	**99**
Trade payables	**147**	**-**	**-**	**-**	**147**
	417	**865**	**1,388**	**404**	**3,074**

At 31 January 2023 (restated)[1]:

	Less than 1 year £m	1 - 2 years £m	2-5 years £m	Over 5 years £m	Total £m
Loans and borrowings	109	656	1,425	552	2,742
Lease liabilities	25	19	15	15	74
Other payables and accruals[1]	100	-	-	-	100
Trade payables	123	-	-	-	123
	357	675	1,440	567	3,039

[1] Prior year comparatives have been restated on the adoption of IFRS 17. See Note 32 for further details.

Insurance risk

See Note 18 for details on the management of insurance-related risks.

Capital management

The Group considers its capital to be represented by Net Debt.

	2024 £m	2023 £m
Total net debt	**2,249**	2,285
Total capital	**2,249**	2,285

The Group's objectives when managing capital have been:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to put service, innovation and data at the heart of the AA;
- to deliver targeted and strategic investment in our people, our products, our systems and operations;
- to reduce Group borrowings and associated interest costs.

Notes to the consolidated financial statements (continued)

26 Financial risk management objectives and policies (continued)

Capital management (continued)

The Group monitors capital using Net Debt to debt covenant EBITDA ratios. The key ratios are Senior Secured Debt to debt covenant EBITDA, and Net Debt to debt covenant EBITDA as calculated below:

		2024 £m	2023 £m
Class A Notes		**1,819**	1,895
Senior Term Facility		**165**	150
Less: AA Intermediate Co Limited group cash and cash equivalents		**(87)**	(99)
Net Senior Secured Debt[1]		**1,897**	1,946
Class B Notes		**280**	280
Lease obligations for covenant reporting[2]		**52**	31
Net Whole Business Securitisation (WBS) Debt[3]		**2,229**	2,257
IFRS 16 lease adjustment for WBS lease obligations[4]		**20**	28
Total Net Debt		**2,249**	2,285
AA Intermediate Co Limited debt covenant EBITDA[5]		**335**	336
	Covenant		
Class B leverage ratio[6]		**6.7x**	6.7x
Senior Leverage ratio[7]		**5.7x**	5.8x
Class A Free Cash Flow: Debt Service[8]	>1.35x	**2.7x**	2.9x

[1] Principal amounts of the Senior Term Facility and Class A Notes less AA Intermediate Co Limited group cash and cash equivalents.

[2] The lease obligations for covenant reporting value is presented based on frozen GAAP pre-IFRS 16, as required by the debt documents. The figure above is therefore different to the lease liabilities value shown in the consolidated statement of financial position.

[3] Net WBS Debt represents the borrowings and cash balances within the WBS structure headed by AA Intermediate Co Limited. This includes the principal amounts of the Senior Term Facility, Class A Notes, Class B3 Notes and lease obligations for covenant reporting less AA Intermediate Co Limited group cash and cash equivalents.

[4] Difference between lease obligations for covenant reporting based on frozen GAAP and the lease liabilities value shown in the consolidated statement of financial position having adopted IFRS 16 from 1 February 2019.

[5] AA Intermediate Co Limited group debt covenant EBITDA including discontinued operations as required by the debt documents being Reported EBITDA based on frozen GAAP and accounting principles.

[6] Ratio of Net WBS Debt[3] to AA Intermediate Co Limited group debt covenant EBITDA.

[7] Ratio of Net Senior Secured Debt[1] to AA Intermediate Co Limited group debt covenant EBITDA.

[8] Ratio of free cash flow to proforma debt service relating to the Senior Term Facility and Class A Notes.

The Senior Term Facility and Class A Notes have interest cover covenants attached to them. The Group was in compliance with all covenants throughout the year and as at 31 January 2024.

The Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on the relevant regulators' requirements. In addition, the Group is required to hold on deposit a calculated amount of 'excess cash' under the terms of its debt documents when within an accumulation period.

The Class A Notes only permit the release of cash providing the senior leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The Class B3 Note restrictions generally only permit the release of cash providing the fixed charge cover ratio after payment is more than 2:1 and providing that the aggregate payments do not exceed 50% of the accumulated consolidated net income.

Further details on our policies and processes for managing capital as well as the thresholds set for the covenants above are set out in the Financial Review.

Notes to the consolidated financial statements (continued)

27 Commitments and contingencies

Lease commitments

The Group has lease contracts for property, plant, equipment and vehicles. The movement in the total liability associated with these contracts is as follows:

	2024 £m	2023 £m
At 1 February	**59**	45
Additions	**58**	42
Disposals	**(8)**	-
Finance charges	**2**	2
Payments of capital	**(36)**	(28)
Payments of interest	**(3)**	(2)
At 31 January	**72**	59

Future minimum lease payments under lease contracts together with the present value of the net minimum lease payments are as follows:

	2024		2023	
	Present value of payments £m	Minimum payments £m	Present value of payments £m	Minimum payments £m
Within one year	**26**	**29**	23	25
Between one and five years	**42**	**45**	30	34
After five years	**4**	**5**	6	15
Total minimum lease payments	**72**	**79**	59	74
Less amounts representing finance charge	**-**	**(7)**	-	(15)
Present value of minimum lease payments	**72**	**72**	59	59

Where the future minimum lease payments are in excess of any expected rental income due, the corresponding right-of-use asset is impaired by this excess.

The above does not include payments in relation to commitments to right-of-use assets under leases which will be effective in subsequent years. The minimum lease payments for leases effective in subsequent years are as follows:

	2024	2023
	Minimum payments £m	Minimum payments £m
Within one year	**7**	4
Between one and five years	**37**	11
After five years	**25**	-
Total minimum lease payments	**69**	15

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1m: £1m intangible assets and £nil of fixed assets (2023: £10m: £8m intangible assets and £2m of fixed assets).

Notes to the consolidated financial statements (continued)

28 Subsidiary undertakings

The subsidiary undertakings of the Company, all of which are wholly owned except where stated, are listed in Note 8 of the Company financial statements.

29 Related party transactions

Transactions with key management personnel:

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

A loan of £45k was made to a member of key management personnel in the year at an interest rate of 1.3% per annum from Automobile Association Developments Limited in relation to the Management Equity Plan. This is in addition to the £235k forwarded in 2023 and the total balance receivable as at 31 January 2024 is £270k.

The following tables provide the total value of transactions that have been entered into with associates and joint ventures during each financial year:

Transactions with associates

Associate	Nature of transaction	**2024 £m**	2023 £m
ARC Europe SA	Registration and call handling fees	**2**	2

At 31 January 2024, the Group had an outstanding balance payable to ARC Europe SA of £nil (2023: £nil) comprising trade payables in respect of the above transactions.

Transactions with joint ventures

Joint venture	Nature of transaction	**2024 £m**	2023 £m
Drvn Solutions Limited	Goods supplied by Drvn Solutions Limited	**-**	1

At 31 January 2024, the Group had an outstanding balance receivable from AA Media Limited of £1m comprising fixed rate loan notes (2023: £4m).

The outstanding balances with other Basing ConsortiumCo Limited group companies are as follows:

Entity	**Relationship**	**2024 £m**	2023 £m
AA Mid Co Limited	Immediate parent	**1,205**	1,206
AA Technical Services Limited	Fellow subsidiary	**1**	3
Longacre Claims Limited	Fellow subsidiary	**1**	1
AA Underwriting Insurance Company Limited	Fellow subsidiary	**(112)**	(70)
AA Limited	Indirect parent	**(8)**	-
Basing TopCo Limited	Indirect parent	**2**	1
		1,089	1,141

Cross-company guarantees

The Company is an obligor to the bank loans and bond debt of the AA Intermediate Co Limited group. At 31 January 2024, the principal outstanding on the AA Intermediate Co Limited group debt was £2,264m (2023: £2,325m).

The Group has an interest in a partnership, AA Pension Funding LP, which is fully consolidated in the Group financial statements. The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnership (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to the Group financial statements. Separate financial statements for the partnership are not required to be, and have not been, filed at Companies House.

Notes to the consolidated financial statements (continued)

30 Share-based payments

	2024 £m	2023 £m
Equity-settled share-based payments:		
Share-based payments – Management Equity Plan	**1**	-
Total equity-settled share-based payments	**1**	-
Cash-settled share-based payments:		
Share-based payments – Long Term Incentive Plan	**3**	2
Total cash-settled share-based payments	**3**	2
Total share-based payments expense	**4**	2

AA Limited Cash Long Term Incentive Plan

AA Limited, an indirect parent of the Group, operates a Long-Term Incentive Plan ("cash LTIP"), granting benefits to key members of senior management. These benefits vest based on certain performance conditions.

A vesting date of 31 January 2026 has been assumed for this scheme and it is expected to be settled in cash.

On the basis of the above, the cash LTIP has been accounted for in line with IFRS 2, with the fair value of the cash LTIP liability, based on investment return multiples, being recognised over the expected life of the scheme and remeasured at each reporting date.

The vesting charge for the current year is £3m and is presented as a cash-settled share-based payments expense (2023: £2m).

In the AA Intermediate Co group this scheme is accounted for as equity-settled because AA Limited bears the ultimate liability for the reward. Where the participants directly benefit the AA Limited Intermediate Co group, the share-based payment charge has been accounted for within the Group. The charge for the year ended 31 January 2024 was £3m (2023: £2m).

Management Equity Plan (MEP)

Basing TopCo Limited, an indirect parent of the Group, operates a management equity plan which grants senior management awards with vesting conditions linked to their continued employment. This plan has been accounted for as an equity settled share-based payment, and where the participants directly benefit the AA Intermediate Co group, the share-based payment charge has been accounted for within the Group. The charge for the year ended 31 January 2024 was £1m (2023: £nil).

The fair value of awards under the plan was 5.3p each.

The fair value of the shares were calculated using a Monte Carlo simulation model. Key inputs to the model were as follows:

- Equity value – Based on the Basing TopCo Limited group's equity value inclusive of preference shares
- Expected term – Vesting date of March 2026 has been assumed
- Exercise price – Based on equity value of Basing TopCo Limited taking into account the ratchet mechanism inbuilt to the plan
- Volatility – 30% has been used following the review of a broad set of quoted comparators
- Risk free rate – 0.59% based on UK Government bond rates for 5 year period as at first grant date

Notes to the consolidated financial statements (continued)

30 Share-based payments (continued)

The number of shares awarded were as follows:

	2023 Share awards outstanding	New awards	Leavers	2024 share awards outstanding
MEP	**36,715,945**	**1,240,063**	**-**	**37,956,008**

31 Assets classified as held for sale

The sale of the property held for sale at 31 January 2023 was completed in May 2023. The proceeds on completion were in line with the held for sale value as at 31 January 2023. The assets classified as held for sale were:

	2024 £m	2023 £m
Property, plant and equipment – property	**-**	2
	-	2

32 Prior year restatements

Retained earnings as at the transition date of 1 February 2022 have increased by £25m due to the increased deferral of acquisition cash flows, partly offset by the recognition of a loss component on onerous contracts and the tax impact of these adjustments.

Revenue, cost of sales and marketing and administration expenses have been split between insurance and non-insurance components.

The remeasurement impact in insurance expenses is as a result of:

- Reversal of IFRS 4 acquisition cost deferral.
- New methodology for deferral of acquisition cashflows, with an increase in the scope of costs that can be deferred. Partially offset by increased amortisation of costs now deferred.
- Movement in the loss component recognised on Roadside policies.

Elements of deferred income relating to insurance contracts have been reclassified to form part of new insurance contract balances. IFRS 4 deferred acquisition costs have also been reclassified.

Tax balances recalculated based on revised results.

Notes to the consolidated financial statements (continued)

32 Prior year restatements (continued)

The following table shows the impact of IFRS 17 adoption on the primary financial statements. Note that only affected line items are disclosed:

	Previously reported	Impact of remeasurement	Impact of reclassification	Restated
	£m	£m	£m	£m
1 February 2022				
Consolidated statement of financial position				
Deferred acquisition costs	*15*	*-*	*(15)*	**-**
Trade and other receivables	224	-	(15)	**209**
Total assets	3,087	-	(15)	**3,072**
Insurance contract liabilities	-	33	(158)	**(125)**
Deferred income	*(222)*	*-*	*177*	***(45)***
Other payables	*(17)*	*-*	*(4)*	***(21)***
Trade and other payables	(430)	-	173	**(257)**
Deferred tax liability	(57)	(8)	-	**(65)**
Total liabilities	(2,927)	25	15	**(2,887)**
Retained earnings	(205)	25	-	**(180)**
Total equity	160	25	-	**185**
31 January 2023				
Consolidated income statement				
Insurance revenue	-	-	485	**485**
Other revenue	994	-	(485)	**509**
Cost of sales	(406)	-	406	**-**
Marketing and administration expenses	(392)	-	392	**-**
Insurance service expenses	-	7	(216)	**(209)**
Other operating expenses	-	-	(582)	**(582)**
Operating profit	190	7	-	**197**
Profit before tax	63	7	-	**70**
Tax expense	(5)	(2)	-	**(7)**
Profit after tax	58	5	-	**63**

Notes to the consolidated financial statements (continued)

32 Prior year restatements (continued)

	Previously reported £m	Impact of remeasurement £m	Impact of reclassification £m	Restated £m
31 January 2023				
Consolidated statement of financial position				
Deferred acquisition costs	*13*	-	*(13)*	**-**
Trade and other receivables	236	-	(13)	**223**
Deferred tax asset	14	(10)	-	**4**
Total assets	3,054	(10)	(13)	**3,031**
Insurance contract liabilities	-	40	(148)	**(108)**
Deferred income	*(221)*	-	*171*	***(50)***
Other payables	*(25)*	-	*(10)*	***(35)***
Trade and other payables	(447)	-	161	**(286)**
Total liabilities	(3,066)	40	13	**(3,013)**
Retained earnings	(390)	30	-	**(360)**
Total equity	(12)	30	-	**18**
Consolidated statement of cash flows				
Profit before tax	63	7	-	**70**
Increase in trade and other receivables	(19)	-	(6)	**(25)**
Increase in trade and other payables	3	-	17	**20**
Increase in provisions	(2)	-	(1)	**(3)**
Changes in insurance contract liabilities	-	-	(17)	**(17)**
Total working capital and provisions adjustments	(18)	-	(7)	**(25)**
Net cash flows from operating activities before tax	252	7	(7)	**252**

Notes to the consolidated financial statements (continued)

32 Prior year restatements (continued)

Segmental impacts

	Previously reported £m	Impact of remeasurement £m	Impact of reclassification £m	Restated £m
31 January 2023				
Roadside business division				
Revenue	878	-	-	**878**
Operating profit before adjusting items	207	7	14	**228**
Insurance business division				
Revenue	116	-	-	**116**
Operating profit before adjusting items	13	-	(14)	**(1)**
Total Group				
Revenue	994	-	-	**994**
Operating profit before adjusting items	220	7	-	**227**
Adjusting operating items	(30)	-	-	**(30)**
Operating profit	190	7	-	**197**

33 Ultimate parent undertaking and controlling party

The Group is a wholly owned subsidiary of AA Mid Co Limited, a company registered in England and Wales, UK whose registered office is Fanum House, Basing View, Basingstoke, RG21 4EA.

The ultimate parent undertaking and controlling party is Basing ConsortiumCo Limited, whose registered office is 3rd Floor 44 Esplanade, St Helier, JE4 9WG, Jersey.

The parent of the largest group to consolidate these financial statements is AA Limited, whose registered office is Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA. The parent of the smallest group to consolidate these financial statements is AA Intermediate Co Limited, whose registered address is the same.

Copies of the consolidated AA Limited financial statements are available from the website www.theaacorporate.com/investors.

34 Events after the reporting period

Keycare acquisition

On 1 February 2024 the Group acquired a 100% share in Key Care Ltd ("Keycare") for total consideration of £10m cash. Keycare is an insurance business offering insurance policies for lost and stolen keys operating in the UK and the Republic of Ireland. The acquisition enables the Group to expand its product base and increase its offerings for both business and consumer customers, enhancing its position in the market.

Liquidity facility renewal

In February 2024, the Group renewed its £200m liquidity facility which remains undrawn.

A12 issue

On 22 May 2024 the Group issued £435m of A12 Notes with a maturity date of 31 July 2031. A portion of the A12 proceeds were used to settle a tender offer of the A2 Notes on 23 May 2024, and the remaining balance is held in a mandatory prepayment account to be used to repay the outstanding A2 Notes.

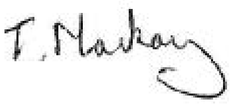
Company statement of financial position as at 31 January 2024

	Note	2024 £m	2023 £m
Non-current assets			
Investments in subsidiaries	**2**	**1,661**	1,661
Current assets			
Amounts owed by subsidiary undertakings	**3**	**476**	476
Total assets		**2,137**	2,137
Current liabilities			
Amounts due to parent undertakings	**4**	**(1,756)**	(1,756)
Total liabilities		**(1,756)**	(1,756)
Net assets		**381**	381
Equity			
Called up share capital	**5**	**361**	361
Retained earnings		**20**	20
Total equity		**381**	381

The result for the financial year of the Company is £nil (2023: £nil).

The accompanying notes are an integral part of this Company statement of financial position.

The financial statements on pages 89 to 96 were approved by the Board of Directors on 6 June 2024 and signed on its behalf by:



T O Mackay
Director

Company statement of changes in equity for the year ended 31 January 2024

	Share capital £m	Retained earnings £m	Total equity £m
At 1 February 2022	361	20	381
Result for the year	-	-	-
At 31 January 2023	361	20	381
Result for the year	-	-	-
At 31 January 2024	**361**	**20**	**381**

The accompanying notes are an integral part of this Company statement of changes in equity.

Notes to the Company financial statements

1 Presentation of financial statements and Company accounting policies

1.1 Presentation of financial statements

AA Intermediate Co Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in England and Wales, UK. The address of the Company's registered office is Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. The financial statements are prepared under the historical cost convention and on a going concern basis. See also Note 1.2(b) of the consolidated financial statements.

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2024. The financial statements are prepared in sterling and are rounded to the nearest million pounds (£m).

1.2 Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- IAS 1 paragraph 10(d) (statement of cash flows)
- IAS 1 paragraph 16 (statement of compliance with all IFRS)
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements)
- IAS 1 paragraph 111 (cash flow statement information)
- IAS 1 paragraphs 134-136 (capital management disclosures)
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment'
- IAS 7, 'Statement of cash flows'
- IAS 8 paragraphs 30 and 31
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- IFRS 7, 'Financial Instruments: Disclosures'

The Company did not identify any new accounting standards coming into effect in either the current financial year or the financial year ending 31 January 2024 with an expected material impact on the financial statements.

1.3 Material accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

a) Foreign currencies

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date or if appropriate at the forward contract rate. All differences are taken to the income statement.

Notes to the Company financial statements (continued)

1.3 Material accounting policies (continued)

b) Investments in subsidiaries

Investments in subsidiaries are held at cost less impairment.

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless they arise on a previously revalued fixed asset.

The recoverable amount of fixed assets is the greater of their fair value less costs to sell or value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the rate of return expected on an investment of equal risk. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

c) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. They are classified according to the substance of the contractual arrangements entered into. The Company recognises loss allowances for expected credit losses ("ECLs") on relevant financial assets.

d) Critical accounting estimates and judgements

Estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are principal estimates and assumptions made by the Company.

Management has exercised judgement in applying the Company's accounting policies and in making critical estimates. The underlying assumptions on which these judgements are based are reviewed on an ongoing basis and include the assumptions for future growth of cash flows to support the value in use calculations for the investment impairment review.

Investments

The Group tests the investment balances for impairment triggers annually and where a trigger is noted, a full quantitative assessment is performed. The recoverable amounts of the investments have been determined based on value in use calculations which require the use of estimates. Management has prepared discounted cash flow forecasts based on the latest strategic plan.

In performing its impairment testing on its investment in subsidiaries, the Company prepared a traditional value in use model as described in IAS 36 which was also used in prior years. This comprises an enterprise value model which deducts net debt as at 31 January 2024 and discounts estimates of future cash flows at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. IAS 36 considers that the appropriate discount rate for a value in use calculation should take into account weighted average cost of capital, incremental borrowing rate and other market borrowing rates in making such an estimate and the Company uses a discount rate calculated on this basis.

Estimates of future cash flows do not include cash inflows or outflows from financing activities or income tax receipts or payments as these are already taken into account in the discount rate.

Notes to the Company financial statements (continued)

1.3 Material accounting policies (continued)

d) Critical accounting estimates and judgements (continued)

Investments (continued)

As the Company is a holding company within the WBS ringfence, it and its subsidiary investments will continue operating as a group in the event that there was a failure to refinance the Group's class B notes. However, companies above the level of AA Mid Co Limited could face a significantly higher level of risk in those circumstances. The alternative value in use valuation approach used at an AA Limited level is therefore not considered to be an appropriate valuation methodology for the Company to use in its own investment impairment testing.

On this basis, the Company has made the critical accounting judgement to continue to perform impairment testing of its investment in subsidiaries using the traditional enterprise value model which deducts net debt, as outlined above.

Management has performed sensitivity analysis as part of its impairment assessment on the Company's investments in subsidiaries (see Note 2 for details).

Intercompany receivables

The assessment of credit loss allowances for intercompany receivables requires judgement to assess the collectability of intercompany balances. There is also estimation uncertainty in respect to the expected credit loss rates applied to such balances, which may differ to the actual outcome. Formal intercompany loan balances are reviewed on a case-by-case basis for impairment.

2 Investments in subsidiaries

	2024 £m	2023 £m
Investment in subsidiary at cost		
At 1 February and 31 January	**1,661**	1,661

The Company has performed impairment testing at 31 January 2024 to compare the recoverable amount of the investments in subsidiaries to their carrying value.

The impairment test was principally performed on the directly held subsidiary which is supported by cash flow projections of the underlying AA Acquisition Co Limited group. The recoverable amount of the investment was determined based on a value in use calculation using cash flow projections from the Group's five-year plan. For the year ended 31 January 2024, the Company used the five-year plan, adjusted for expected changes, covering the five years up to 31 January 2029.

For the purposes of the impairment test, terminal values have been calculated using a 1.79% growth assumption (2023: 1.95%). Cash flows have been discounted at a pre-tax rate reflecting the time value of money and the risks specific to these cash flows. This has been determined as a pre-tax rate of 11.0% (2023: 11.7%). The equivalent post-tax rate was 8.2% (2023: 8.8%).

The cash flow projections are forecast using historical trends overlaid with business-led assumptions such as contract wins, sales volumes, prices, working capital adjustments and capex investment requirements, which include the impact of climate change, together with operational KPIs such as number of personal members, number of business customers, insurance policies in force, renewal rates and average repair times. These allow the business to forecast profits, working capital and capital expenditure requirements.

For the climate-driven impacts, the Group has assessed its most material climate risks against varied climate scenarios to develop an appropriate cost estimate for inclusion in the cash flow projections.

Material risks considered include the costs associated with fleet decarbonisation, increased fuel and energy costs for the operational fleet and for properties, weather-related roadside cost increases and increased costs from low emissions zone regulation.

Notes to the Company financial statements (continued)

2 Investments in subsidiaries (continued)

The value in use calculation used is the most sensitive to the assumptions used for growth and to the discount rate. Changes to these assumptions would impact the value of the headroom calculated. However, neither a 1% increase in the discount rate in the current year nor a 1% reduction in the terminal value growth rate would result in an impairment in the current year. In any case, management believes that neither of these scenarios reflect the most likely true outcome and accordingly, no impairment has been recognised in the current year.

3 Amounts owed by subsidiary undertakings

	2024 **£m**	2023 £m
Amounts owed by subsidiary undertakings	**476**	476
	476	476

The amounts owed by parent and subsidiary undertakings are unsecured, have no repayment terms and bear no interest.

4 Amounts due to parent undertakings

	2024 **£m**	2023 £m
Amounts owed to parent undertakings	**1,756**	1,756
	1,756	1,756

The amounts owed to parent and subsidiary undertakings are unsecured, have no repayment terms and bear no interest.

5 Called up share capital

	2024 **£m**	2023 £m
Allotted, called up and fully paid		
360,893,049 (2023: 360,893,049) ordinary shares of £1 each	**361**	361
	361	361

The voting rights of the holders of all ordinary shares are the same and all ordinary shares rank pari passu on a winding up.

6 Auditors’ remuneration

The fee for the audit of these financial statements was £45k (2023: £43k). Fees for audit services are settled on behalf of the Company by AA Corporation Limited, a subsidiary undertaking.

7 Employee costs

The Company had no employees or employee costs in the current or prior year. Directors’ remuneration is disclosed in Note 7 of the Group financial statements.

All Directors of the Company are also Directors of other subsidiaries of the ultimate parent undertaking (Basing ConsortiumCo Limited). These Directors are remunerated by another company that is part of the Basing ConsortiumCo Limited group.

As the Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as Directors of the ultimate parent undertaking and fellow subsidiary companies, their full remuneration has been reflected in the Group disclosure.

Notes to the Company financial statements (continued)

8 Subsidiary undertakings

All subsidiaries are wholly owned (except where stated) and incorporated and registered where stated below.

All subsidiaries are consolidated in the Group financial statements.

The principal subsidiary undertakings of the Company at 31 January 2024 are:

Name	Country of incorporation / registered office key	Class of shares held
AA Acquisition Co Limited[1,3]	England and Wales, UK / A	Ordinary
AA Bond Co Limited[2, 3]	Jersey / B	Ordinary
AA Corporation Limited	England and Wales, UK / A	Ordinary
AA Financial Services Limited	England and Wales, UK / A	Ordinary
AA Senior Co Limited	England and Wales, UK / A	Ordinary
A A The Driving School Agency Limited[1]	England and Wales, UK / A	Ordinary
Automobile Association Developments Limited	England and Wales, UK / A	Ordinary
Automobile Association Insurance Services Limited	England and Wales, UK / A	Ordinary
Drivetech (UK) Limited[1]	England and Wales, UK / A	Ordinary
Prestige Fleet Servicing Limited[1]	England and Wales, UK / A	Ordinary
Used Car Sites Limited[1]	England and Wales, UK / A	Ordinary

The other subsidiary undertakings of the Company at 31 January 2024 are:

Name	Country of incorporation / registered office key	Class of shares held
A.A. Pensions Trustees Limited	England and Wales, UK / A	Ordinary
AA Brand Management Limited	England and Wales, UK / A	Ordinary
AA Ireland Pension Trustees DAC	Ireland / C	Ordinary
AA Pension Funding GP Limited[1]	Scotland, UK / D	Ordinary
AA Pension Funding LP[4]	Scotland, UK / D	Membership Interest
Automobile Association Holdings Limited	England and Wales, UK / A	Ordinary and Deferred redeemable non-voting special dividend
Automobile Association Insurance Services Holdings Limited	England and Wales, UK / A	Ordinary
Automobile Association Services Limited	England and Wales, UK / A	Limited by guarantee
Accident Assistance Services Limited[1]	England and Wales, UK / A	Ordinary
Intelligent Data Systems (UK) Limited[1]	England and Wales, UK / A	Ordinary
Personal Insurance Mortgages and Savings Limited	England and Wales, UK / A	Ordinary
The Automobile Association Limited[2]	Jersey / B	Ordinary

[1] These entities are exempt from the requirements of the Companies Act 2006 relating to the audit of financial statements under s479A-C.

[2] This company also has a UK branch establishment.

[3] Directly owned by the Company; all other subsidiaries are indirectly held.

[4] This partnership is fully consolidated into the Group financial statements and the Group has taken advantage of the exemption (as confirmed by regulation 7 of the Partnerships (Accounts) Regulations 2008) not to prepare or file separate financial statements for this entity.

Registered office key

Registered office	Key
Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England	A
Third Floor, 44 Esplanade, St. Helier, Jersey, JE4 9WG	B
6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland	C
Building 1, 9 Haymarket Square, Edinburgh, Scotland, EH3 8RY	D

Notes to the Company financial statements (continued)

9 Ultimate parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary of Basing BidCo Limited, a company incorporated and domiciled in Jersey.

The ultimate controlling party and parent undertaking is Basing ConsortiumCo Limited, whose registered office is 3rd Floor, 44 Esplanade, St Helier, JE4 9WG, Jersey.

The parent of the largest group to consolidate these financial statements is AA Limited, whose registered office is Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA. The parent of the smallest group to consolidate these financial statements is AA Intermediate Co Limited, whose registered address is the same.