



AA INTERMEDIATE CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2025

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 provision of insurance intermediary services authorised and regulated as a General Insurance Intermediary by the Financial Conduct Authority (“FCA”) and the management of The AA’s driving instructor franchise operations. 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.

A breakout year for The AA

FY25 has been a critical year for The AA, reinforcing our transition to a high performance culture and business. Recording our fourth consecutive year of customer, revenue and EBITDA growth under our current ownership demonstrates a strategy that is working and shows the consistency and depth of improvement in the business, in spite of the headwinds we have been facing.

We have further cemented our UK market leadership position with growth in total holdings¹ to 16.3m (up from 16.0m) across our Roadside and Insurance divisions.

Our core Roadside business is thriving, with sustained revenue growth from B2C membership and B2B customers, combined with increasing average revenue per user (ARPU). Our investment in digital advancements alongside strong operational management has delivered greater efficiency as well as excellent customer satisfaction with strong Net Promoter (NPS) and Trustpilot scores. Our Insurance business demonstrated resilience during a period of market volatility and system re-platforming, and we’re pleased with the improvement in the latter part of the year and strong momentum going into the new financial year. With all major re-platforming in The AA complete, our investment focus has now shifted towards building for the future through new propositions such as our market leading connected car product Vixa, our new Mobile Mechanics offer and a number of product innovations in core Roadside and Insurance. All this is underlining our ability to innovate and respond to evolving customer needs, which will drive performance, strengthen our market leadership, and unlock new opportunities.

At the same time, we have materially strengthened our financial position. Following the Stonepeak transaction, and through strong cash generation, we have made further progress on deleveraging.

This performance has been underpinned by a major shift in our culture, and we’ve seen last year’s record breaking colleague engagement scores growing again in FY25 as confidence and excitement in our plans grow.

Excellent performance in our core Roadside business

Our core Roadside business continues to perform well, with increased operational efficiency and continued customer satisfaction alongside growth in customer holdings of 3%, revenue growth of 8% and adjusted EBITDA growth of 9%.

In our Consumer business, the successful launch of risk-based pricing in new business alongside targeted promotions supported new business growth of B2C membership of 1%, offsetting a small decrease in retention, driven by macroeconomic pressures. Average income per customer grew 9%, driven by last years’ pricing action and increasing success in upselling.

In our business-to-business (B2B) division, we were glad to see the retention of all key accounts and are delighted to announce a new relationship with Chase Bank, supporting their Added Value account. We’ve also agreed provision of further customer contact and mobility services to three of our existing business partners, reflecting our strong and deepening relationships and the value we provide. As a result, our B2B holdings grew 3% and our average income per holding grew 4%.

Strong operational and customer service performance

This year, improvements to the risk profile of our customer base and initiatives to tackle service abuse, combined with more stable weather conditions, meant total workload remained flat despite increased customer volumes and an ageing car parc.

¹ Includes Roadside B2C and B2B holdings and brokered motor and home insurance policies in force.

Strategic report (continued)

Strong operational and customer service performance (continued)

The time between a customer alerting us to a breakdown and us attending fell by 12%, including a drop in the longest wait times our customers experience. A higher proportion of jobs were attended by our own patrol force, which, together with stronger patrol performance, unlocked an improvement in our repair rate of 4ppts. Our proportion of breakdowns supported remotely (by telephone) also increased from 2% to 3%.

We saw strong NPS improvements in our breakdown business from 65 to 70, alongside NPS improvements in our Customer Operations (+10 points), with our overall Group NPS increasing 7 points.

Digital convenience with human care supporting strong customer outcomes

As our NPS improvements demonstrate, our focus on “digital convenience, with human care” continues to benefit our customers as we expand and enhance our service.

Our Digital team has been hard at work relaunching our next-generation app, reaching 3.3m total users by end of FY25. We've updated the experience and functionality for our customers and delivered several service enhancements such as vehicle help videos, access to documents and integration to WhatsApp. I'm particularly pleased at how these features have resonated with our members, with the monthly active rate up 23% vs the previous year and Digital NPS reaching an outstanding 76.

We've also reached a key milestone in our online breakdown reporting of over 1m full end-to-end digital reports with c.50% of eligible customers reporting it online - with two further B2B partnerships now using this service this year. This has been further enhanced by our “Track my patrol” feature, helping customers understand where their patrols are and updating their estimated time of arrival. We've also made further improvements in our service functionality on the basics like unlocking payments on our chat service.

Successful re-platforming in Insurance supporting growth in H2 motor book

After a cautious start to the year during the final transition to our new platform, our Motor business returned to growth in H2. Meanwhile our home business continued to show healthy growth at 3%.

Taken together, our total broker policies ended the year flat vs. FY24, following positive action with our broker panel to attract new business in the face of an increase in customers shopping around at renewal, as the last phase of high year on year premium inflation flowed through the market.

Having shown resilience this year, our Insurance business has now returned to growth. Our new platform allows us to offer tiered products, allows us to ingest more data and gives us new digital capabilities. All this is already resulting in more tailored pricing, greater conversion rates and higher customer retention.

Growing momentum in wider Driving Services

Across our Driving Services businesses, we've seen strong momentum and two milestones in the successful expansion of our mobile servicing business, and our new Financial Services partnership with NatWest Group.

We continue to develop our service, maintenance and repair offer with the expansion of our mobile mechanics proposition to 30 mobile mechanics giving coverage of the UK's largest cities and now scaling quickly and providing further momentum to our business.

Shortly after the close of the financial year we announced we started a new partnership with NatWest to offer unsecured personal loans and instant access savings to retail customers via their Boxed proposition. This new partnership will enable us to offer slick digital journeys alongside a differentiated product range for our personal breakdown members and insurance customers, thereby demonstrating and expanding the range of benefits of a membership with The AA.

Strategic report (continued)

Connected car capability launching new products

Following our trial last year, our consumer focussed connected car proposition, Vixa, launched nationwide this year, representing an AA first, unique to the UK. The expansion of the service was completed alongside delivering new capability and features, with development momentum accelerating through FY25. The team have introduced 6 brand new features since launch in FY25 and extended our data models and insights into a new B2B oriented “Software as a service” proposition, given the importance of reducing fleet downtime and also see opportunities to help assist internal operations and efficiency.

Growing EV capabilities

Nearly all our patrols are now trained to level 2 of EV management, representing the largest and best skilled EV workforce in the UK. We have also ended the year quadrupling the number of alternative fuel vehicles in our fleet, for further details please see our accompanying ESG report, but I’m particularly pleased we were the first in the UK to launch a fully operational EV recovery truck.

A strengthened organisation

On 9th October 2024, over a thousand colleagues gathered in-person for an all-colleague event at Telford, with many more joining online, reflecting on our transformation over the last few years and showcasing our progress, and the exciting future ahead of us. It was a landmark moment for the organisation, and I thoroughly enjoyed spending time with so many colleagues and members of our leadership team. After witnessing the energised, optimistic feel in the room, I was unsurprised to find our colleague engagement score had further grown from our milestone “best in class” result last year, growing 5ppts to 75% and am delighted our Glassdoor scores have also grown to 4.4, ahead of our closest competitors.

Our move from Fanum House to our new Basingstoke office is the latest in our property moves aligning our office space with our new culture and modern ways of working. We held a farewell party to say goodbye to our historic home, opening a time capsule that was buried in 1975 revealing among many items, the company accounts from that time and various AA guide books. The move to our new building has been overwhelmingly positive, with the new space supporting a more dynamic pattern of working with multiple flexible spaces, a more comfortable environment and reduced utility usage, supporting our environmental targets.

In addition to our property investment, we have also invested in data, digital and AI capabilities, in order to create the conditions for improved productivity and accelerated growth, and further cementing our shift from an inward to an ambitious externally focused organisation.

Looking ahead

In summary, FY25 has been a breakout year for us with progress on multiple key initiatives, a consistent performance demonstrating greater resilience despite ongoing headwinds and building further confidence in our strategy. The strong momentum in our core business, increasing traction with our broader offer and increasing confidence and optimism around the connected, electric future sets a fantastic further foundation for FY26.

Looking ahead, we are entering an exciting new phase—one where our focus shifts from transformation to acceleration. With a strong foundation in place, a clear roadmap for growth, and an ambitious, disciplined approach to investment, we are ready to take The AA to the next level.

Strategic report (continued)

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 2025. 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

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, Prestige which provides service, maintenance and repair services through mobile mechanics and garages, KeyCare which offers policies covering lost and stolen keys and AA Media, a publisher which rates hotels, restaurants and attractions across the UK.

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.

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

	2025	2024
Roadside		
Paid personal holdings excluding free memberships (thousands)	3,298	3,263
Average income per paid personal member including insurance motor members (£)	218	200
Business holdings (thousands)	11,323	10,995
Average income per business holding (£)	25	24
Breakdowns attended (thousands)	3,499	3,480
Insurance		
Average income per policy (£)	47	51
Insurance policies (thousands)	1,719	1,727
Borrowings		
	Covenant	
Class B leverage ratio ¹	5.9x	6.7x
Senior Leverage ratio ²	5.3x	5.7x
Class A Free Cash Flow: Debt Service ³	>1.35x	2.7x

Ratios at 31 January 2025 have been calculated on an unrounded basis.

¹ Ratio of Net WBS Debt to AA Intermediate Co Limited group debt covenant EBITDA.

² Ratio of Net Senior Secured Debt to AA Intermediate Co Limited group debt covenant EBITDA.

³ Ratio of free cash flow to proforma debt service relating to the Senior Term Facility and Class A Notes.

During the year, we continued to demonstrate our highly resilient and recurring financial performance with accelerating Revenue, Adjusted and Reported EBITDA growth, and continued operating cash flow growth.

We have grown our B2C and B2B membership by 1% and 3% respectively and maintained our Insurance policies. Adjusted and Reported EBITDA has grown at 4% and 5% which is the fourth year of growth and is driven by improvement in our top line revenue of 7%.

From a financing perspective, the Group successfully refinanced £439m of Class A2 Notes during the year, well ahead of their scheduled repayment and in line with our ongoing maturity management programme. In addition, a further £15m of Class B3 notes were repaid due to headroom in our senior leverage ratio at the half year end.

Strategic report (continued)

Business performance review (continued)

The Group's capital structure continued to improve and our strengthened balance sheet will support future investment. On 26 July 2024, we completed the transaction which saw Stonepeak invest into the AA Limited Group. As part of Stonepeak's overall £450m investment, £167m was injected into the AA Limited Group of which £158m was injected into AA intermediate Co Limited to fund the redemption of £155m notional Class B3 Notes at a redemption price of 101.625%. The remaining £9m is being held at AA Limited for initiatives supporting the next phase of our growth strategy.

We are also pleased to announce a further redemption of £62m of B3 Notes at par in the first half of FY26.

Building on the positive momentum of the past four years, we have confidence in continued Adjusted and Reported EBITDA growth, and 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 maintain an AA of the future.

Group revenue

	2025 £m	2024 £m
Revenue		
Roadside	1,022	943
Insurance	120	124
Revenue	1,142	1,067

Our core Roadside business delivered significant top line growth with revenue up 8% from £943m to £1,022m driven by increasing income paid per member in both business to-consumer (B2C) and business-to-business (B2B), continued expansion of our driving school and service maintenance and repair (SMR) businesses and the acquisition of KeyCare.

In Insurance, despite maintaining broker policies and the continued growth of the Accident Assist business, the increase in market premiums resulted in deterioration in retention which led to revenue decreasing by 3% to £120m (2024: £124m).

Group Adjusted EBITDA

	2025 £m	2024 £m
Roadside	391	360
Insurance	6	20
Adjusted EBITDA¹	397	380
Roadside business division margin	38.3%	38.2%
Insurance business division margin	5.0%	16.1%
Adjusted EBITDA margin	34.8%	35.6%

¹Adjusted 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 adjustments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense.

Group Reported EBITDA

	2025 £m	2024 £m
Roadside	352	321
Insurance	6	20
Reported EBITDA²	358	341
Roadside business division margin	34.4%	34.0%
Insurance business division margin	5.0%	16.1%
Reported EBITDA margin	31.3%	32.0%

²Reported EBITDA is defined as Adjusted EBITDA excluding the adjustment for amortisation of insurance acquisition cash flows.

Strategic report (continued)

Business performance review (continued)

Group Adjusted EBITDA (continued)

Roadside Adjusted and Reported EBITDA increased by 9% and 10% respectively a result of increased Holdings, price increases in 2024 to address inflation earning through, improved operational efficiencies and the successful introduction of risk based pricing for new business allowing us to improve margins. A £6m provision was recognised in the year for a specific B2B onerous contract, which will be released over the remaining four years of the contract life.

Insurance Adjusted and Reported EBITDA decreased by £14m to £6m. Despite maintaining broker policies and the continued growth of the Accident Assist business, the increase in market premiums year-on-year resulted in a deterioration in retention, with more marketing spend on new customers to maintain volume.

Group Adjusted and Reported EBITDA margins were down from 35.6% to 34.8% and 32.0% to 31.3% respectively, with strong Roadside Adjusted and Reported EBITDA margins offset by the greater investment in marketing spend within Insurance to support retention and new business.

Reconciliation of Adjusted and Reported EBITDA to Operating profit

	2025			2024		
	Roadside £m	Insurance £m	Group £m	Roadside £m	Insurance £m	Group £m
Adjusted EBITDA	391	6	397	360	20	380
Amortisation of acquisition costs	(39)	-	(39)	(39)	-	(39)
Reported EBITDA	352	6	358	321	20	341
Fulfilment finance costs (included within operating profit)			(1)			(1)
Share-based payments			(3)			(4)
Pension adjustment			(6)			(6)
Amortisation and depreciation			(119)			(109)
Operating profit before adjusting items			229			221
Adjusting operating items			(2)			(33)
Operating profit			227			188

In the current year, net adjusting operating items were £2m. This relates to £8m investment in strategic review projects, including the re-platforming of our insurance sales and administration system. In addition there were £2m of impairments to intangible assets and joint ventures. These were partially offset by £5m gain on sale of fixed assets and a £3m fair value gain on the portion of the AA Media joint venture held prior to acquisition.

Operating profit

Operating profit increased by £39m to £227m. This was predominantly attributable to the return to a typical level of adjusted operating items, after the one-off Stonepeak investment cost incurred in FY24. Excluding adjusting operating items, operating profit improved by £8m resulting from a strong trading result, but partly offset by the accelerated depreciation of software and property assets during the year.

Business combinations

Key Care Limited

On 1 February 2024, the Group completed the acquisition of Key Care Limited ('KeyCare'), a company incorporated in England and its subsidiary. The Group obtained control through acquiring 100% of voting equity interest for cash consideration of £10m.

Strategic report (continued)

Business performance review (continued)

Business combinations (continued)

Key Care Limited (continued)

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.

AA Media Limited

The Group previously held a 49% interest in AA Media Limited ('AA Media'), which was recognised as an investment in a joint venture. On 29 October 2024, the Group acquired the remaining 51% of voting equity interest for cash consideration of £5m to establish AA Media as a 100% owned subsidiary.

AA Media is a publisher which rates hotels, restaurants and attractions across the UK. The acquisition enables the Group to explore further opportunities to promote The AA brand and the chance for AA Media's offerings to play a part in the broader AA membership proposition.

Share schemes

Basing TopCo Limited, an indirect parent company of AA Intermediate Co Limited operates two management equity plans that grant senior management awards with vesting conditions linked to their continued employment. The second plan was introduced following the completion of Stonepeak's investment into The AA. These plans have been accounted for as an equity settled share-based payments, and where the participants directly benefit the AA Intermediate Co Limited Group, the share-based payment charges have 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 £3m charge has been recognised in the income statement in relation to these schemes for the year ended 31 January 2025.

Net finance costs

	2025 £m	2024 £m
Interest on external borrowings	140	145
Finance charges payable on lease liabilities	4	2
Interest income on bank deposits	(8)	(6)
Total ongoing cash finance costs	136	141
Ongoing amortisation of debt issue fees	6	6
Net finance expense on defined benefit pension schemes	7	7
Total ongoing non-cash finance costs	13	13
Total adjusting finance costs/(income)¹	11	(4)
Fulfilment interest costs (included in operating profit)	1	1
Total net finance costs	161	151

¹ Adjusting items relate to refinancing activities.

Net finance costs increased by £10m to £161m in the year. This was due to increased adjusting finance costs. Ongoing cash finance costs reduced by £5m to £136m primarily as a result of the Group reducing its Class B debt via cash redemptions (See Note 20).

Adjusting finance costs saw a net increase of £15m from FY24. In the current year the Group incurred £8m of early repayment penalties, £2m of write-offs of unamortised issue fees and £1m of debt management fees relating to the redemption of the A2 and B3 Notes.

Strategic report (continued)

Business performance review (continued)

Taxation

The tax charge for the year increased by £4m to £18m (2024: £14m). The tax charge consists of a current tax charge of £23m (2024: £23m) and a deferred tax credit of £5m (2024: £9m). The effective tax rate was 26.9% (2024: 36.8%). The current tax includes the impact of Corporate Interest Restriction. The current tax has remained at a similar level to 2024, despite the profit increase, largely as a result of the absence in the current year of the IFRS17 restatement that impacted on 2024.

Profit after tax

Despite the increase in net finance costs and tax expense, strong overall trading growth and decreased adjusting operating items meant that profit after tax increased to £49m (2024: £24m).

Pension liabilities

The net pension deficit has reduced by £39m at 31 January 2025 to £120m (2024: £159m) driven primarily by movements in the UK scheme, mainly due an improvement in financial conditions and changes to the latest mortality assumptions, partially offset by falls in hedging assets designed to move in line with movements in liabilities.

Cash flow and liquidity

	2025 £m	2024 £m
Adjusted EBITDA	397	380
Amortisation of insurance acquisition cashflows	(39)	(39)
Pension payments	(29)	(31)
Working capital	30	39
Other items	-	(1)
Adjusted operating cash flow	359	348
Tax paid	(20)	(17)
Capital expenditure	(72)	(78)
Proceeds from sale of fixed assets	7	4
Other investing activities	-	2
Payment of lease capital	(47)	(36)
Operating free cash flow after capital expenditure	227	223
Net interest paid	(138)	(144)
Operating free cash flow before adjusting operating items	89	79
Acquisitions of subsidiaries	(11)	-
Adjusting operating items	(20)	(19)
Free cash flow	58	60
Refinancing transactions and debt buyback	(28)	(72)
Net increase/(decrease) in cash and cash equivalents	30	(12)

The working capital and provisions inflow of £30m is primarily the result of increasing customer premiums in Insurance. This is offset by an increase in trade receivables driven by the timing of settlements from B2B customers.

Adjusted operating cash flows for the year were an inflow of £359m, an improvement of £11m over the prior year, reflecting strong trading performance and cash management in the year.

Capital expenditure was reduced from the prior year at £72m (2024: £78m) after significant previous re-platforming. This includes replacing core systems, new digital propositions and upgrades to our data and operational infrastructure. The increase in payment of lease capital is driven by growth in the Roadside business and expansion of our mobile mechanics and driving school offering. There has also been a catch up on renewing our fleet following a shortage of vehicles across the industry post COVID.

Strategic report (continued)

Business performance review (continued)

Cash flow and liquidity (continued)

Interest paid of £138m was £6m lower than the prior year, primarily linked to reduced interest costs on Class B3 Notes following the redemptions in the year.

Cash outflows relating to adjusting operating items of £20m (2024: £19m) comprises £8m (2024: £13m) relating to strategic initiatives, £11m transaction costs relating to the Stonepeak investment (2024: £3m), and £1m (2024: £nil) proactive wage correction relating to previous years. The prior year also included £1m related to the closure of the CARE section of the AA UK pension scheme and transitional agreement made with employees in that scheme and £2m cost of living payments.

Proceeds relating to profit on sale of fixed assets within adjusting operating items are shown within the proceeds from sale of fixed assets line item.

Refinancing outflows of £28m reflect the redemption of the £439m Class A2 Notes and redemption of £170m Class B3 Notes, offset by the issue of £435m Class A12 Notes and £158m cash received via issue of shares as a result of the Stonepeak investment. Early repayment penalties and fees for the redemption of the A2 and B3 Notes were £6m and £3m respectively. Issue costs relating to the A12 Notes were £3m.

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 2025, net debt was £2,079m, a reduction of £170m 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 2025.

On 22 May 2024, S&P Global Ratings upgraded the credit rating of the Group's Class A Notes from BBB- to BBB and reaffirmed 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 6.32% (2024: 6.22%) has been calculated using the interest rate and carrying values as at 31 January 2025.

While the majority of the Group's borrowings are long-term in nature, the outstanding Class B3 Notes of £110m at 31 January 2025 have a maturity of date of 31 January 2026 and the Group intends to repay these notes using surplus cash. 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).

As at 31 January 2025, the Group had £165m held under Senior Term Facilities due to mature on 10 March 2026. On 19 March the Group entered into two new debt arrangements, described on page 10, that enabled us to repay and cancel the existing Senior Term Facility commitments.

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 FY26.

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.

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.

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 actual Senior

Strategic report (continued)

Business performance review (continued)

Capital management and net debt (continued)

Leverage ratio as at 31 January 2025 was 5.3x (2024: 5.7x), providing the Group with ample headroom to make a further redemption against the outstanding B3 Notes in H1 FY26.

The Class B3 Notes impose additional restrictions on certain payments and dividend flows.

Key cash release metrics

	2025	2024
Senior Leverage ratio ¹	5.3x	5.7x
Excess cash flow ²	£263m	£278m
Fixed Charge Coverage ratio ³	2.4x	2.3x
Consolidated net income ⁴	£522m	£488m

Ratios at 31 January 2025 have been calculated on an unrounded basis.

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

Liquidity, Senior Term and Working Capital Facilities

On 10 February 2025, the Group renewed its £200m Liquidity Facility with an effective date of 5 March 2025. The Facility remains undrawn.

On 19 March 2025, the Group successfully refinanced its £165m Senior Term Facility and £56m Working Capital Facility ahead of their 10 March 2026 maturity date.

The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate Private Placement, both with maturity dates in March 2030. The new Senior Term Facility has a margin of 2.50% above SONIA and has been hedged through an interest rate swap.

A new Working Capital Facility for £56m has also been put in place at a margin of 2.50% above SONIA and is available until March 2030.

B3 conditional notice of redemption

On 14 April 2025, the Group issued a conditional notice of redemption for £62m of Class B3 Notes at par, subject to satisfaction of the condition precedent set out in that notice.

Financing arrangement

On 1 April 2025, the Group entered into a financing arrangement with Basing TopCo Limited, an indirect parent of AA Limited. Under this arrangement the Group may borrow up to £60m for the sole purpose of redeeming Class B3 Notes, to the extent any remaining outstanding on the 31 January 2026 maturity date.

At the date of signing of these financial statements no amounts have been drawn.

Risk management

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

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, to achieve its strategic objectives. The levels of risk are articulated through a series of risk appetite statements, and we monitor performance of the business relative to risk appetite through our risk governance framework. Further information about the corporate governance arrangements for The AA is set out in the Director's Report on pages 43-48 of the AA Limited Annual Report and Accounts 2025.

Strategic report (continued)

Risk management

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 at The AA operates as follows:

- First line of defence: the business units and support functions who 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, which is independent from operational management, and accountable for providing advisory support, oversight, and challenge to the first line of defence; and
- Third line of defence: The AA's Internal Audit function, which is accountable for providing independent assurance to the Board by performing ongoing reviews of the first and second lines of defence, as agreed with the Board Audit & Risk Committee.

The operation of the risk management framework is overseen by Committees established at Board and Group Executive Committee level as follows:

The Board has established an Audit, Risk and Compliance Committee ("ARCC") to provide oversight and challenge to management. The Committee assists the Board in its oversight of risk by assessing the effectiveness of the Group's financial controls and systems of risk management and control. The Committee also approves Risk Appetite on behalf of the Board, and reviews the operation of the business within the agreed limits and thresholds. Comprising at least two independent non-executive directors, the ARCC sits 4 times per year, with additional meetings convened by the Chair as required.

The Enterprise Risk and Compliance Committee ("ERCC") is chaired by the Chief Risk Officer, and its membership comprises the Group Executive Committee, including the Chief Executive Officer. The role of the ERCC is to provide oversight and ensure that key risks across The AA Group are managed within appetite and policy. It assists Senior Management, through challenge and review, in ensuring all identified risks, issues and control weaknesses are mitigated in an effective and proportionate manner, including consistent delivery of good customer outcomes and mitigation of the risk of foreseeable customer harm.

Risk management framework

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

- defined consistently;
- made visible;
- discussed and understood;
- owned and appropriate action taken to manage;
- used to identify opportunities; and
- Regularly reviewed to ensure we learn from our risk-taking.

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

Risk culture and governance	The processes and structures in place to demonstrate to the AA Intermediate Co Limited Board that effective risk management, oversight and assurance is in place for all key risks faced by The AA.
Strategy and objectives	The process to ensure that risk assessment is an integral consideration in strategy and objective-setting, including the direction the AA Intermediate Co Limited Board sets for taking, avoiding and considering opportunity from risk.
Risk identification and prioritisation	The process of recognising potential risks or uncertainties, evaluating their likelihood and impact, and prioritising them based on severity, urgency or impact.
Risk management and controls	A set of processes to review and assess the effectiveness of the risk and control environment. Our risk mitigation strategy is based on addressing high priority risks first.
Risk reporting and communication	The information and reporting in place to inform risk-based decision-making, and to support senior management and the Board in discharging their risk management oversight accountabilities effectively.

Strategic report (continued)

Risk management (continued)

Risk and control culture

The AA also has a range of activities in place to support an effective, embedded risk management and control culture throughout the Group. This includes:

- A clear link between the Group's values and sound risk management.
- Regular risk management education for all non-executive directors.
- Focused, mandatory training for all colleagues throughout the Group on key risk management and regulatory principles.
- Incorporation of risk criteria, including conduct and customer risks, in the development of products and services
- Incorporation of risk management metrics into senior colleagues' objectives, with a direct link to individual financial outcomes.

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

Customer risk	<i>Potential impact</i>
The risk that we fail to monitor, manage and develop the interaction between our colleagues, agents and our customers to ensure fair treatment and good outcomes	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.
	<i>Mitigation</i>
	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 most effectively.
Risk trend	
▶	The FCA Consumer Duty is now embedded as the cornerstone of our business through product development, training for our colleagues, vulnerable customer treatment and consumer duty-focused management information on both customer and product outcomes for Group Executive-level review and governance.

People risk	<i>Potential impact</i>
The risk that we are unable to attract and retain the critical skills, knowledge and experience we need to deliver our services	The evolving social and macro-economic environment has driven changes to the labour force, and colleague expectations regarding ways of working have also evolved, which leads to challenges in being able to attract and retain talent across the UK.
	<i>Mitigation</i>
	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 we continue to review and enhance our Employee Value Proposition to ensure we adapt and respond to a changing environment.
Risk trend	
▶	

Strategic report (continued)

Risk management (continued)

Principal risk and opportunities (continued)

<p>Health and Safety risk</p> <p>The risk we are unable to maintain the safety of our workforce and customers</p> <p>Risk trend</p> <p>▶</p>	<p><i>Potential impact</i></p> <p>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.</p> <p><i>Mitigation</i></p> <p>The AA has a robust and externally audited health and safety (H&S) management system. We regularly review our H&S risks to ensure that our control environment remains strong and effective. We have a dedicated team of H&S professionals, all of whom are members of the Institution of Occupational Safety and Health holding CMIOSH or Tech IOSH memberships.</p> <p>The team drive internal and industry standards. We are active members of PROTECT, the industry group working towards improving safety for those working at the roadside.</p>
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<p>Financial risk</p> <p>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 on our ability to service debt</p> <p>Risk trend</p> <p>▲</p>	<p><i>Potential impact</i></p> <p>This risk could lead to unfavourable refinancing terms, a shrinking customer base and/or increased cost base all of which could adversely impact the financial performance of the company.</p> <p><i>Mitigation</i></p> <p>The profile of this risk has changed through FY25 with inflation trending towards expected levels albeit with underlying inflationary pressures persisting. We continue to diversify our product offering and invest in innovation to adapt and respond to changing consumer behaviours. We have continued to work with our suppliers and third-party partners to manage our cost base and mitigate the impact of a high inflationary environment.</p>
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<p>Cyber security</p> <p>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</p> <p>Risk trend</p> <p>▶</p>	<p><i>Potential impact</i></p> <p>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 risk has heightened because of the increasingly elaborate attacks, including state sponsored cyber-attacks and the development of more sophisticated ransomware attacks.</p> <p><i>Mitigation</i></p> <p>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.</p>
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Strategic report (continued)

Risk management (continued)

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.

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

Risk Type	Examples
Political	<ul style="list-style-type: none"> • Current tax policy or future tax policy • Stability of government
Economic	<ul style="list-style-type: none"> • Interest rates or exchange rates • Inflation
Social	<ul style="list-style-type: none"> • Consumer behaviour • Brand and image
Technology	<ul style="list-style-type: none"> • Competing technology development • Machine learning and artificial intelligence
Legal	<ul style="list-style-type: none"> • Regulatory change • Legislative change
Environmental	<ul style="list-style-type: none"> • Climate change • Energy availability and cost

We report on our emerging risks to our Enterprise Risk and Compliance Committee and relevant Group company Boards The most notable emerging risks and opportunities for The AA are summarised below.

<p>Public policy uncertainty Category: Political</p>	<p>Given the change of Government in the UK and the economic pressures it is facing, changes to fiscal and public policy could both increase our cost base and impact demand for our products and services.</p> <p><i>Potential impact</i></p> <p>This risk could lead to new financial, regulatory or legal challenges for our businesses that could increase our cost base or impact the way we need to operate.</p> <p><i>Mitigation</i></p> <p>We continue to actively engage with regulators, policy makers and other key stakeholders on the development of policy and regulation in the UK.</p>
<p>Global geopolitical instability Category: Economic</p>	<p>Geopolitical uncertainty remains high due to major policy shifts following government changes in major global economies, tariffs and continued conflicts in Eastern Europe and the Middle East.</p> <p><i>Potential impact</i></p> <p>The risk could lead to increased costs for our business and other operational challenges.</p> <p><i>Mitigation</i></p> <p>We continue to engage with key stakeholders on these matters. We also proactively monitor and make long term purchasing decisions for significant cost base items like transport fuel that could be adversely impacted by geopolitical risk.</p>

Strategic report (continued)

Risk management (continued)

Emerging risks (continued)

<p>Electrical Vehicles (EVs) across the driving lifecycle</p> <p>Category:</p> <p>Technology</p>	<p>The first year of the government's Zero Emissions Vehicle (ZEV) Mandate has now completed and we had another record year for EV sales in the UK in 2024. At the other end of the lifecycle, we are starting to see an aging EV car park and this has the potential to impact other areas of our business.</p> <p><i>Potential impact</i></p> <p>This risk could lead to new operational and/or cost challenges for our business as we adapt to the changing needs of our customers.</p> <p><i>Mitigation</i></p> <p>We are training our front line colleagues to work on EVs and ensure we have good information sharing on EV-related developments across the group. We are also actively engaging with key external stakeholders on this topic whilst also introducing EVs into our own fleet in line with our Net Zero target.</p>
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<p>Artificial intelligence (AI) and technological change</p> <p>Category:</p> <p>Technology</p>	<p>Artificial intelligence, quantum computing and other technological advancements have the potential to transform the competitive landscape in the sectors in which we operate.</p> <p><i>Potential impact</i></p> <p>This risk could lead both to increased competition and heightened cybersecurity risk that could impact the financial performance our business.</p> <p><i>Mitigation activity</i></p> <p>We are trialling AI technology in priority areas around the business , and making AI-related training available to all colleagues.</p>
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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. Further information is included for The AA on pages 27-32 of the AA Limited Annual Report and Accounts 2025.

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 FY25.

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 FY25. 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.

Strategic report (continued)

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 2025 on pages 38-39.

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 Consortium Co 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 2025 on page 36.

The financial statements on pages 31 to 98 were approved by the Board of Directors on 14 April 2025 and signed on its behalf by:



T O Mackay

Director

Registered Office: Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG

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 2025.

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

Michael Wing, Director

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 Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG.

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 2025 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 are dedicated to fostering employee engagement across the entire business. The Board believes that having a shared purpose, strategic vision, and organisational culture throughout the organisation enables the best decision-making. This belief has continued to shape employee engagement initiatives and actions throughout the year and been the driving force to continually assess and monitor the organisational structure and values.

Communication and aligned between senior management and their colleagues about The AA's strategy, vision and achievements is achieved through regular emails, video calls, and posts on the Company's intranet. Interaction between employees and leaders of the Company is facilitated and encouraged through questions from the audience in video calls, comments on blogs and discussions with line management. In addition, we have clear and transparent policies that allow employees to raise concerns about misconduct and unethical practices at The AA, including but not limited to: a Whistleblowing Policy, a Conflicts of Interest Policy, and an Anti-Bribery and Allowable Gifts, Hospitality and Donations Policy. More information about our workforce engagement and our people can be found on page 35 of AA Limited's Annual Report and Accounts 2025.

The latest employee engagement survey, held in December 2024, had an employee engagement score of 75%, which is comfortably into the categorisation of "best in class" engagement. Read more about how the Board has engaged with our people in the stakeholder engagement summary on page 36 of AA Limited's Annual Report and Accounts 2025.

Employees with disabilities

The AA continue to actively support employees with disabilities. Supported by our Ability network, The AA launched the Hidden Disabilities Sunflower scheme across the business, reinforcing our commitment to creating an inclusive environment. The Sunflower is a symbol for people living with non-visible disabilities to indicate they might need additional support, understanding or time. With specialist training implemented across the business, the Sunflower scheme will enable our colleagues to support our customers and each other better, helping us achieve our goal of creating a safe and inclusive environment where everyone feels they belong.

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 (UK 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 UK 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 operations are highly cash generative with a large proportion of its revenues coming from recurring transactions. Net cash flows from operating activities in the year were £319m (2024: £312m). The significant customer loyalty demonstrated by high renewal rates and lengthy customer tenure underpins this. In addition to £117m (2024: £87m) of unrestricted cash balances at the reporting date, the Group has agreed undrawn credit facilities of £46m (2024: £46m).

The majority of the Group's borrowings are long term in nature, and the Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its Class A2 Notes which had a maturity date of 31 July 2025. As at 31 January 2025, the full £500m of A2 Notes have already been redeemed, through the issue of £435m Class A12 Notes on 22 May 2024, with the remainder repaid and cancelled using available cash. See Note 20 for details.

Directors' report (continued)

Going concern (continued)

For the Group's longer-term viability, 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 of interest. Deleveraging the business remains a central long-term aim of the business.

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity of date of 31 January 2026. On 31 July 2024 the Group used cash received as part of the Stonepeak investment to redeem £155m of Class B3 Notes. On 25 October 2024, the Group redeemed a further £15m of Class B3 Notes. As at the statement of financial position date, £110m of Class B3 Notes remained outstanding. The Group expects to redeem the remainder of B3 Notes ahead of maturity using cash held by the business.

The Group may only make payments against the balance of Class B3 Notes if its senior leverage ratio is below 5.5x. As at the reporting date the ratio is 5.3x allowing the Group to redeem £62m of the outstanding in B3 Notes in H1 of FY26. In the event this ratio increases above 5.5x at the next measurement date (31 July 2025), alternative financing arrangements have been secured via a committed facility with Basing TopCo Limited, an indirect parent of the Group. See Note 33 for further details. Under this arrangement the Group may borrow up to £60m for the purposes of redeeming any remaining Class B3 Notes. This cash would not be subject to the payment restrictions imposed by the senior leverage ratio. The Directors have made appropriate enquiries and are satisfied that Basing TopCo Limited, through its own committed facility with its investors, has access to sufficient liquidity to provide the Company with funding as required.

At the statement of financial position date, the Group had £165m held under Senior Term Facilities due to mature on 10 March 2026. On 19 March 2025, the Group successfully refinanced these facilities. The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. See Note 33 for details. After the Class B3 Notes the Group has no other debt maturing until the Class A8 Notes on 31 July 2027.

The Directors consider the going concern period as twelve months from the date of signing these financial statements and have reviewed detailed monthly cash flow forecasts for this period. In addition, the Directors have considered and confirm there are no significant or material events that have been identified beyond the going concern period that may cast significant doubt upon the continuing use of the going concern basis. The forecasts incorporate severe but plausible downside scenarios relating to business performance and covenant thresholds.

The Directors have concluded that the Group has sufficient funds to continue trading for this period and the foreseeable future without significant curtailment of operations. Therefore, the financial statements have been prepared using the going concern basis.

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 (2024: £nil) during the year.

Events after the reporting period

Details of events after the reporting period can be found in Note 33.

The financial statements on pages 31 to 98 were approved by the Board of Directors on 14 April 2025 and signed on its behalf by:



T O Mackay

Director

Registered Office: Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG.

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 2025 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 2025; 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 93% of revenue.

Key audit matters

- Recognition of revenue in respect of the Consumer roadside business (Group)
- Recognition of revenue in respect of the Business services roadside business (Group)
- Valuation of defined benefit pension scheme net liabilities (Group)
- Goodwill impairment assessment (Group)
- Investment in subsidiaries impairment assessment (Company)

Materiality

- Overall Group materiality: £10.5m (2024: £10.2m) based on approximately 3% of Reported EBITDA with adjustments.
- Overall Company materiality: £22.9m (2024: £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.
- Performance materiality: £7.9m (2024: £7.7m) (Group) and £17.2m (2024: £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.

Recognition of revenue in respect of the Business services roadside business is a new key audit matter this year. Adoption of IFRS 17 and restatement of comparatives, which was a key audit matter last year, is no longer included because of the fact it is no longer the first year of adoption. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of revenue in respect of the Consumer roadside business (Group)</i></p> <p>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.</p> <p>The Group has recognised revenue of £637m in respect of the Consumer roadside business.</p> <p>There are known issues with the underlying policy management system used in the Consumer roadside business and the way in which it records the revenue transactions. A set of manual provisions are held and updated in order to appropriately record the revenue.</p> <p>We focused on whether revenue from these policies was correctly recognised, and whether the correcting provisions held are complete. Given the known issues, there is an increased completeness risk that there are undetected errors in the policy management system calculations that are not reflected within the correcting provisions.</p>	<p>We assessed the design and implementation of the Consumer 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.</p> <p>For a sample of Consumer 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.</p> <p>In addition to the above, we performed substantive testing procedures over the completeness of the provisions through the following procedures: sample testing policies and tracing any identified differences to the corresponding provision held, obtaining an understanding of key 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 material issues. We have also followed up from the prior year on any releases and utilisations of the provisions held to ensure that these are properly accounted for.</p> <p>We found no material misstatements from our testing performed.</p>

Recognition of revenue in respect of the Business services roadside business (Group)

Refer to Note 1.3(n) and 1.3(o) 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 £280m in respect of the Business services roadside business.

There are some known issues with the Business services roadside contracts management process, where signed contracts, amendments or price variation agreements were not available for latest contract terms or to evidence agreed prices changes. This creates a heightened risk that revenue billed and recognised could be at an incorrect amount, if not contractually supported.

We focused on whether revenues billed were supported by a contractual agreement and/ or a corresponding price variation agreement and that revenue had been appropriately recognised according to the latest terms.

We assessed the design and implementation of the Business services 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 Business services roadside contracts, including both pay-for-use and insured customers, we performed detailed testing of revenue transactions.

For pay-for-use customers, we agreed the revenue recognised for a sample of transactions to the underlying invoice and contractual agreement including price variation agreements where applicable. We also obtained support to confirm the appropriateness of call out volumes and use rate figures, as well as agreeing the amounts recognised through to cash receipt.

For insured customers, we agreed the revenue recognised for a sample of transactions to the underlying invoice and contractual agreement including price variation agreements where applicable. For our sample we also obtained support to confirm the appropriateness of the volumes declared each month and third party confirmations for all risk rates applied to the contracts. We used the confirmed risk rates per the contract to derive the rate per unit, applying this to the declared volumes, we recalculated for our sample the revenue recognised. We also agreed the amounts recognised through to cash receipt.

We found no material misstatements from our testing performed.

Valuation of defined benefit pension scheme net liabilities (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 £120m, comprising gross assets of £1,431m and gross liabilities of £1,551m.

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 postretirement 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 2025. 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 £1,173m of goodwill allocated to cash generating units (CGU) Roadside Assistance, Insurance Services, AA Cars, Driveteck and AA Media. 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 was that the goodwill balance allocated across the CGUs in the Group, excluding AA Media which was acquired in the year, 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 plan 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.

<p><i>Investment in subsidiaries impairment assessment (Company)</i></p> <p>Refer to Notes 1.3(b), 1.3(d) and 2 to the Company financial statements.</p> <p>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 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.</p> <p>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.</p> <p>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.</p>	<p>We obtained an understanding of the impairment process and assessed the design and implementation of the corresponding controls.</p> <p>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.</p> <p>We considered the requirements of IAS 36 and agreed with the Directors' determination that no impairment be recognised in the current year.</p> <p>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.</p>
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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 43 reporting units, of which the following are considered significant due to risk or size: Automobile Association Developments Limited, Automobile Association Insurance Services Limited, AA Corporation Limited, AA Intermediate Co Limited and AA Bond Co Limited. In addition, one reporting unit 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 largely 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
<i>Overall materiality</i>	£10.5m (2024: £10.2m).	£22.9m (2024: £21.4m).
<i>How we determined it</i>	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
<i>Rationale for benchmark applied</i>	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 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 £9.5m. 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% (2024: 75%) of overall materiality, amounting to £7.9m (2024: £7.7m) for the Group financial statements and £17.2m (2024: £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 £0.52m (Group and Company audits) (2024: £0.50m) 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 2025 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 and testing those journals highlighted (if any).
- Incorporating elements of unpredictability into the audit procedures performed.
- Reviewing the disclosures in the Annual Report 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
14 April 2025

Consolidated income statement for the year ended 31 January 2025

	Note	Year ended 31 January 2025 £m	Year ended 31 January 2024 £m
Insurance revenue	18c	553	511
Other revenue		589	556
Total income	2	1,142	1,067
Insurance service expenses	18c	(202)	(212)
Other operating expenses		(713)	(667)
Operating profit	3	227	188
Other finance income	5	8	13
Other finance costs	6	(168)	(163)
Profit before tax		67	38
Tax expense	8	(18)	(14)
Profit for the year		49	24

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

Consolidated statement of comprehensive income for the year ended 31 January 2025

	Note	Year ended 31 January 2025 £m	Year ended 31 January 2024 £m
Profit for the year		49	24
Other comprehensive income/(expense) on items that may be reclassified to the consolidated income statement in subsequent years			
Changes in fair value of cash flow hedges		2	2
Reclassification from cash flow hedge reserve		(7)	(8)
Tax effect	8	1	1
		(4)	(5)
Other comprehensive income/(expense) on items that will not be reclassified to the consolidated income statement in subsequent years			
Remeasurement gains/(losses) on defined benefit schemes	24	23	(8)
Tax effect	8	(6)	2
		17	(6)
Total other comprehensive income/(loss)		13	(11)
Total comprehensive income for the year		62	13

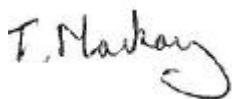
The accompanying notes are an integral part of this consolidated statement of comprehensive income.

Consolidated statement of financial position as at 31 January 2025

	Note	January 2025 £m	January 2024 £m
Assets			
Cash and cash equivalents	15	117	87
Trade and other receivables within 1 year	14	287	268
Amounts owed by other group undertakings	16	1,207	1,209
Financial assets at amortised cost within 1 year	25	-	1
Current tax receivable		5	6
Inventories	13	4	4
Trade and other receivables after 1 year	14	1	1
Derivative financial instruments after 1 year	21	6	11
Deferred tax assets	8	14	16
Investments in joint ventures and associates	12	5	5
Right-of-use assets	11	113	74
Property, plant and equipment	10	29	28
Goodwill and other intangible assets	9	1,368	1,358
Total assets		3,156	3,068
Liabilities			
Trade and other payables	17	(346)	(313)
Amounts due to other group undertakings	16	(118)	(120)
Lease liabilities due within 1 year	27	(34)	(26)
Provisions due within 1 year	22	(7)	(5)
Borrowings and loans due within 1 year	19	(109)	-
Insurance contract liabilities	18a	(114)	(118)
Lease liabilities due after 1 year	27	(72)	(46)
Derivative financial instruments after 1 year	21	(1)	(1)
Borrowings and loans due after 1 year	19	(1,960)	(2,238)
Provisions due after 1 year	22	(17)	(7)
Defined benefit pension scheme net liabilities	24	(120)	(159)
Total liabilities		(2,898)	(3,033)
Net assets		258	35
Equity			
Share capital	23	361	361
Share premium	23	158	-
Cash flow hedge reserve		8	12
Retained earnings		(269)	(338)
Total equity		258	35

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

The financial statements on pages 31 to 90 were approved by the Board of Directors on 14 April 2025 and signed on its behalf by:



T O Mackay
Director

Consolidated statement of changes in equity for the year ended 31 January 2025

Attributable to the equity holders of the parent

	Note	Share capital £m	Share premium £m	Cash flow hedge reserve £m	Retained earnings £m	Total £m
At 1 February 2023		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
Profit for the year		-	-	-	49	49
Cash flow hedges fair value changes		-	-	2	-	2
Reclassification from cash flow hedge reserve		-	-	(7)	-	(7)
Remeasurement gains on defined benefit schemes		-	-	-	23	23
Tax effect		-	-	1	(6)	(5)
Total comprehensive income		-	-	(4)	66	62
Issue of shares	23	-	158	-	-	158
Equity-settled share-based payments	30	-	-	-	3	3
At 31 January 2025		361	158	8	(269)	258

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 2025

	Note	Year ended 31 January 2025 £m	Year ended 31 January 2024 £m
Operating activities			
Profit before tax		67	38
Amortisation, depreciation	9,10,11	119	109
Net finance costs	5,6	161	151
Difference between pension charge and cash contributions		(23)	(25)
Other adjustments to profit before tax		(3)	3
Working capital and provisions:			
Increase in trade and other receivables		(16)	(38)
Increase in trade and other payables		28	82
Increase in provisions		10	1
Changes in insurance contract liabilities		(4)	8
Total working capital and provisions adjustments		18	53
Net cash flows generated from operating activities before tax		339	329
Tax paid		(20)	(17)
Net cash flows generated from operating activities		319	312
Investing activities			
Capital expenditure		(72)	(78)
Proceeds from sale of fixed assets		7	4
Acquisition of subsidiaries, net of cash acquired		(11)	-
Investment in joint venture		(1)	(1)
Receipt of principal from financial asset at amortised cost		1	3
Interest received		8	6
Net cash flows used in investing activities		(68)	(66)
Financing activities			
Refinancing transactions:			
Proceeds from borrowings	20	435	537
Issue costs on borrowings	20	(3)	(5)
Debt management and early repayment fees	6	(9)	-
Repayment of borrowings	20	(609)	(604)
Equity contribution via issue of shares	23	158	-
Total refinancing transactions		(28)	(72)
Interest paid on borrowings		(141)	(147)
Payment of lease capital		(47)	(36)
Payment of lease interest		(5)	(3)
Net cash flows used in financing activities		(221)	(258)
Net increase/(decrease) in cash and cash equivalents		30	(12)
Cash and cash equivalents at the beginning of the year		87	99
Cash and cash equivalents at the end of the year	15	117	87

Consolidated statement of cash flows for the year ended 31 January 2025 (continued)

Other adjustments to profit before tax outflow of £3m (2024: £3m inflow) includes a profit on sale of fixed assets of £5m (2024: £2m profit) and gain of £3m in respect of the AA Media Limited ('AA Media') joint venture held prior to acquisition, offset by share-based payment charge of £3m (2024: £4m), impairment of investment in joint ventures of £1m (2024: £1m) and impairment of intangible assets of £1m (2024: £nil).

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 2025 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 operations are highly cash generative with a large proportion of its revenues coming from recurring transactions. Net cash flows from operating activities in the year were £319m (2024: £312m). The significant customer loyalty demonstrated by high renewal rates and lengthy customer tenure underpins this. In addition to £117m (2024: £87m) of unrestricted cash balances at the reporting date, the Group has agreed undrawn credit facilities of £46m (2024: £46m).

The majority of the Group's borrowings are long term in nature, and the Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its Class A2 Notes which had a maturity date of 31 July 2025. As at 31 January 2025, the full £500m of A2 Notes have already been redeemed, through the issue of £435m Class A12 Notes on 22 May 2024, with the remainder repaid and cancelled using available cash. See Note 20 for details.

For the Group's longer-term viability, 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 of interest. Deleveraging the business remains a central long-term aim of the business.

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity of date of 31 January 2026. On 31 July 2024 the Group used cash received as part of the Stonepeak investment to redeem £155m of Class B3 Notes. On 25 October 2024, the Group redeemed a further £15m of Class B3 Notes. As at the statement of financial position date, £110m of Class B3 Notes remained outstanding. The Group expects to redeem the remainder of B3 Notes ahead of maturity using cash held by the business.

The Group may only make payments against the balance of Class B3 Notes if its senior leverage ratio is below 5.5x. As at the reporting date the ratio is 5.3x allowing the Group to redeem [£62m] of the outstanding in B3 Notes in H1 of FY26. In the event this ratio increases above 5.5x at the next measurement date (31 July 2025), alternative financing arrangements have been secured via a committed facility with Basing TopCo Limited, an indirect parent of the Group. See Note 33 for further details. Under this arrangement the Group may borrow up to £60m for the purposes of redeeming any remaining Class B3 Notes. This cash would not be subject to the payment restrictions imposed by the senior leverage ratio. The Directors have made appropriate enquiries and are satisfied that Basing TopCo Limited, through its own committed facility with its investors, has access to sufficient liquidity to provide the Company with funding as required.

At the statement of financial position date, the Group had £165m held under Senior Term Facilities due to mature on 10 March 2026. On 19 March 2025, the Group successfully refinanced these facilities. The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. See Note 33 for details. After the Class B3 Notes the Group has no other debt maturing until the Class A8 Notes on 31 July 2027.

The Directors consider the going concern period as twelve months from the date of signing these financial statements and have reviewed detailed monthly cash flow forecasts for this period. In addition, the Directors have considered and confirm there are no significant or material events that have been identified beyond the going concern period that may cast significant doubt upon the continuing use of the going concern basis. The forecasts incorporate severe but plausible downside scenarios relating to business performance and covenant thresholds.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and accounting policies (continued)

1.2 Basis of preparation (continued)

a) Going concern (continued)

The Directors have concluded that the Group has sufficient funds to continue trading for this period and the foreseeable future without significant curtailment of operations. Therefore, the financial statements have been prepared using the going concern basis.

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.

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
AA 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
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 following amendments were applicable to the Group from 1 February 2024:

- Amendments to IAS 1, 'Presentation of financial statements' on non-current liabilities with covenants; and
- IFRIC agenda decision on IFRS 8 'Operating segments' on specified items of revenue and expense.

As a result of the adoption of the amendments to IAS 1 and IFRS 8, the Group provided new disclosures relating to the covenant requirements of its borrowings (see Note 20) and its material expense categories in operating segments (see Note 2) respectively.

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 2025 but have not been applied by the Group in these Financial Statements. These are set out below (effective dates are UK effective dates).

- Annual Improvements to IFRS Accounting Standards – Amendments to:
 - i) IFRS 9 Financial Instruments (effective date 1 January 2026);
 - ii) IFRS 10 Consolidated Financial Statements (effective date 1 January 2026); and
 - iii) IAS 7 Statement of Cash flows (effective date 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (effective date 1 January 2027).

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

Notes to the consolidated financial statements (continued)

1 Basis of preparation and accounting policies (continued)

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.

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.

Notes to the consolidated financial statements (continued)

1 Basis of preparation and accounting policies (continued)

1.3 Material accounting policies (continued)

e) Software and development costs (continued)

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.

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

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 consolidated 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 Intermediate Co 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 year or years 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.

Provisions for onerous contracts are recognised when the unavoidable costs of meeting the contractual obligations outweigh the economic benefits.

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.

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)

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.

For insurance contract liabilities, management have determined that the level of disclosure that provides the most useful information is at the level which products are managed together. This is 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.

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 consolidated income statement. The loss component is then amortised over the coverage period to offset incurred claims in insurance service expense.

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.

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 and other estimates (continued)

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).

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.

Within each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether individual groups contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous.

Accident Assist revenue

When the Group is engaged for accident assist services, the Group has an obligation to arrange for the provision of hire, repair, recovery and necessary associated services by a third party to the customer. The Group has determined that they are acting as agent for these services as the Group does not control the services by the third parties before they are transferred to the customer and accident assist revenue is presented net of these costs.

Notes to the consolidated financial statements (continued)

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, Prestige which provides service, maintenance and repair services through mobile mechanics and garages, KeyCare which offers policies covering lost and stolen keys and AA Media, a publisher which rates hotels, restaurants and attractions across the UK.
- *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.

	2025 £m	2024 £m
Revenue		
Roadside business division	1,022	943
Insurance business division	120	124
Revenue	1,142	1,067

	2025 Roadside £m	2025 Insurance £m	2025 Group £m	2024 Roadside £m	2024 Insurance £m	2024 Group £m
Reported EBITDA	352	6	358	321	20	341
Fulfilment finance costs (included within operating profit)			(1)			(1)
Share-based payments			(3)			(4)
Pension adjustment			(6)			(6)
Amortisation and depreciation			(119)			(109)
Operating profit before adjusting items			229			221
Adjusting operating items			(2)			(33)
Operating profit			227			188

Operating profit by segment has been replaced by Reported EBITDA by segment in FY25 to better reflect one of the Group's key segmental performance measures as presented to the chief operating decision maker.

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

Notes to the consolidated financial statements (continued)

2 Segmental information and revenue disaggregation (continued)

The segmental results presented include the following material expense categories:

	Roadside business division £m	Insurance business division £m	Total £m
2025			
Employee costs	284	98	382
Amortisation of insurance acquisition cash flows	39	-	39
2024			
Employee costs	270	85	355
Amortisation of insurance acquisition cash flows	39	-	39

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.

Disaggregation of revenue:

	2025 £m	2024 £m
Roadside business division		
Consumer (B2C)	637	591
Business services (B2B)	280	256
Roadside other ¹	105	96
Total Roadside	1,022	943
Insurance business division		
Brokering activities	105	105
Insurance other ¹	15	19
Total Insurance	120	124
Revenue	1,142	1,067

¹ Roadside other comprises the Group's Driving Schools, Drivetech, Prestige, Keycare and Media 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.

Insurance business division revenue includes £24m (FY24: £23m) which is recognised under the effective interest method. Please see corresponding accounting policy in Note 1.3(o) for further details.

Notes to the consolidated financial statements (continued)

2 Segmental information and revenue disaggregation (continued)

Reconciliation of insurance and other revenue by segment:

	2025 £m	2024 £m
Roadside business division		
Insurance revenue	553	511
Other revenue	469	432
Total roadside business division	1,022	943
Insurance business division		
Other revenue	120	124
Total insurance business division	120	124
Total revenue		
Total insurance revenue	553	511
Total other revenue	589	556
Total revenue	1,142	1,067

3 Operating profit

Operating profit is stated after charging:

	2025 £m	2024 £m
Amortisation of owned intangible assets (see Note 9)	65	60
Depreciation of owned tangible fixed assets (see Note 10)	11	14
Depreciation of right-of-use assets (see Note 11)	43	35
Amortisation of insurance acquisition cashflows (see Note 18c)	39	39
Share-based payments (see Note 30)	3	4
Pension service charge adjustment (see Note 24)	6	6
Adjusting operating items (see Note 4)	2	33
	169	191

Auditors' remuneration

	2025 £m	2024 £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

The fee for the audit of these financial statements was £47k (2024: £45k). In addition, fees for non-audit services provided by the Company's auditors were £0.2m (2024: £0.2m), relating to audit-related assurance services.

Notes to the consolidated financial statements (continued)

4 Adjusting operating items

	2025 £m	2024 £m
Transaction fees related to investment	-	15
Strategic review projects	8	13
Closure costs of the CARE section of the AA UK pension scheme and the transitional agreement made with employees in that scheme	-	1
Other adjusting operating items	(6)	4
Total adjusting operating items	2	33

Strategic review projects of £8m (2024: £13m) relates to transformation and organisational redesign as well as costs relating to one-off projects such as re-platforming of an insurance sales and administration system, and acquisition and integration costs of Keycare and AA Media.

Other adjusting operating items of £6m comprise gains of £5m on sale of fixed assets and a fair value gain of £3m in respect of the AA Media joint venture held prior to the acquisition, see Note 31 for further information. These gains are partially offset by £1m impairment of intangible assets and £1m impairment of investment in joint ventures.

In the prior year £15m of transaction fees arose relating to the investment from Stonepeak into the AA Limited Group. Strategic review projects of £13m related to transformation and organisational redesign and consisted mainly of consultancy costs relating to one-off projects. Other adjusting operating items of £4m comprised £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 were 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 related to a single £4m scheme paid over the prior two years.

5 Finance income

	2025 £m	2024 £m
Interest income on bank deposits	8	6
Total ongoing cash finance income	8	6
Gain on below par redemption of loan notes	-	7
Total adjusting cash finance income¹	-	7
Total finance income	8	13

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

In the prior 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

	2025 £m	2024 £m
Interest on external borrowings	149	153
Reclassification from cash flow hedge reserve to the consolidated income statement	(9)	(8)
Finance charges payable on lease liabilities	4	2
Total ongoing cash finance costs	144	147
Ongoing amortisation of debt issue fees	6	6
Net finance expense on defined benefit pension schemes	7	7
Total ongoing non-cash finance costs	13	13
Debt management and early repayment fees	9	1
Total adjusting cash finance costs¹	9	1
Unamortised debt issue fees written off following repayment of borrowings (see Note 20)	2	2
Total adjusting non-cash finance costs¹	2	2
Total other finance costs	168	163
Fulfilment interest costs (included in insurance service expenses)	1	1
Total finance costs	169	164

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

During the current year, in order to redeem its Class A2 Notes, the Group issued £435m of Class A12 Notes. The issues of the Class A12 Notes were not a modification of any existing debt and the associated issue fees were capitalised. The Group also redeemed £170m of Class B3 Notes using a combination of cash received as part of the Stonepeak investment into The AA and existing cash held. See Note 20 for details.

The Group incurred adjusting finance costs of £11m consisting of £9m early repayment penalties and other debt management fees following repayment of the A2 and B3 Notes and £2m write-offs of unamortised issue fees associated with the B3 Notes.

7 Employee costs

	2025 £m	2024 £m
Wages and salaries	315	288
Social security costs	32	31
Other pension costs	32	32
Share-based payments expense (see Note 30)	3	4
	382	355

2025 wages and salaries costs includes £3m of staff costs incurred in respect of strategic review projects within adjusted operating items (see Note 4). In the prior year wages and salaries included £2m of one-off cost-of-living payments and £2m of proactive wage correction relating to previous years both within adjusted operating items (see Note 4).

Notes to the consolidated financial statements (continued)

7 Employee costs (continued)

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

	2025 number	2024 number
Operational	5,706	5,741
Management and administration	1,449	1,379
	7,155	7,120

Directors' remuneration

	2025 £m	2024 £m
Aggregate remuneration in respect of qualifying services	1	1
	1	1
Emoluments of highest paid Director:		
	2025 £m	2024 £m
Aggregate remuneration in respect of qualifying services	1	1
	1	1

Retirement benefits are not accruing for any Directors under a defined benefit scheme (2024: nil), or a money purchase scheme (2024: nil). There are no Directors that are members of the defined benefit pension schemes (2024: one)

One Director exercised share options in the current year (2024: nil). The number of shares exercised was 532,401 (2024: nil).

£1m has been received by Directors under long-term incentive schemes in respect of qualifying services in the current year (2024: £nil).

Two Directors have received shares in respect of qualifying services under long-term incentive schemes in the current year (2024: 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:

	2025 £m	2024 £m
Short-term employee benefits	7	6
Share-based payments (see Note 30)	1	1
Total compensation paid to key management personnel	8	7

Notes to the consolidated financial statements (continued)

8 Tax

The major components of the income tax expense are:

	2025 £m	2024 £m
Consolidated income statement		
Current income tax		
Current income tax charge	23	24
Adjustment in respect of prior years	-	(1)
	23	23
Deferred tax		
Origination and reversal of temporary differences	(5)	(11)
Adjustment in respect of prior years	-	2
	(5)	(9)
Tax expense in the consolidated income statement	18	14

	2025 £m	2024 £m
Consolidated statement of comprehensive income		
Deferred tax on changes in fair value of cash flow hedges	(1)	(1)
Deferred tax on remeasurements of defined benefit pension liability	6	(2)
Income tax expensed/(credited) directly to other comprehensive expense	5	(3)

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

	2025 £m	2024 £m
Profit before tax	67	38
Tax at rate of 25% (2024: 24.03%)	17	9
Adjustments in respect of prior years	-	1
Expenses not deductible/(chargeable) for tax purposes:		
- Corporate Interest Restriction disallowance	3	2
- Transaction costs	-	3
- Business combinations	(1)	-
- Reversal of deferred gains not taxable	(2)	-
- Other non-deductible expenses/non-taxed income	1	(1)
Income tax expense reported in the consolidated income statement at effective rate of 26.9% (2024: 36.8%)	18	14

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	
	2025 £m	2024 £m	2025 £m	2024 £m
Accelerated depreciation for tax purposes	18	17	(3)	(3)
Rollover relief	-	(2)	(2)	-
Pension	(12)	(3)	3	3
Revaluation of cash flow hedges	(1)	(3)	(1)	-
Share-based payments	2	1	(1)	(1)
Short-term temporary differences	7	6	(1)	(8)
Deferred tax credit			(5)	(9)
Net deferred tax assets	14	16		

Reconciliation of net deferred tax assets

	2025 £m	2024 £m
At the beginning of the year	16	4
Tax credit recognised in the consolidated income statement	5	9
Tax (expense)/credit recognised in other comprehensive expense	(5)	3
Deferred tax liabilities arising from business combinations	(2)	-
At the end of the year	14	16

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.

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 (2024: £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 £22m (2024: £11m, deferred tax equivalent £3m) on which a deferred tax asset of £6m has not been recognised due to the uncertainty of future reversal.

The effective tax rate is 26.9% which differs from the standard rate of corporation tax. This rate is higher as a result of impact of Corporate Interest Restriction disallowance.

The effective rate for 2024 was 36.8% which differs from the standard rate of corporation tax. This rate is higher as a result of significant disallowable transaction costs and the impact of Corporate Interest Restriction disallowance.

Pillar two

The Group is subject to the global minimum top-up tax under Pillar Two legislation and the first year to which top-up taxes could apply is the year from 1 February 2024 to 31 January 2025. The Group has not recognised a current tax expense related to the top-up tax (2024: £nil).

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two as provided in the amendments to IAS 12 issued in May 2023.

The Group is monitoring developments as Pillar Two is fully implemented in relevant territories, and as further guidance is published.

Notes to the consolidated financial statements (continued)

9 Goodwill and other intangible assets

	Goodwill £m	Customer relationships and reacquired rights £m	Software £m	Total £m
Cost				
At 1 February 2023	1,197	11	403	1,611
Additions	-	-	65	65
Disposals	-	-	(1)	(1)
At 31 January 2024	1,197	11	467	1,675
Additions	-	-	60	60
Acquisition of subsidiaries	9	7	-	16
Disposals	-	-	(56)	(56)
At 31 January 2025	1,206	18	471	1,695
Accumulated amortisation and impairment				
At 1 February 2023	33	4	221	258
Amortisation	-	1	59	60
Disposals	-	-	(1)	(1)
At 31 January 2024	33	5	279	317
Amortisation	-	2	63	65
Impairment	-	-	1	1
Disposals	-	-	(56)	(56)
At 31 January 2025	33	7	287	327
Net book value				
At 31 January 2025	1,173	11	184	1,368
At 31 January 2024	1,164	6	188	1,358

On 1 February 2024, the Group completed the 100% acquisition of Key Care. As a result of the transaction, goodwill of £5m was recognised. On 29 October 2024, the Group completed the 100% acquisition of AA Media, in which the Group had an existing 49% holding. As a result of the transaction, goodwill of £4m was recognised. See Note 31 for more detail on the acquisitions.

Within software, £23m (2024: £26m) relates to assets under construction which are not amortised. This includes £nil (2024: £10m) relating to an insurance sales and administration policy platform being introduced in stages. The net book value includes £30m (2024: £20m) relating to an insurance sales and administration policy platform currently being amortised, with a remaining useful life of 5 years.

Software additions comprise £24m (2024: £20m) in relation to internally developed assets and £36m (2024: £45m) in relation to separately acquired assets.

Amortisation costs are split across other operating expenses (£61m, 2024: £56m) and insurance service expenses (£4m, 2024: £4m) in the consolidated income statement.

Disposals in the year relate to fully amortised software assets that have been retired following insurance sales and administration the platform upgrade.

A decrease in the useful economic life of the software assets of one year would increase the associated amortisation charge by c.£16m (2024: c.£15m). An increase of one year would reduce the charge by c.£11m (2024: c.£10m).

Notes to the consolidated financial statements (continued)

9 Goodwill and other intangible assets (continued)

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.

The carrying value of goodwill by CGU is as follows:

	2025 £m	2024 £m
Roadside Assistance	879	874
Insurance Services	240	240
AA Cars	25	25
Drivetech	25	25
AA Media	4	-
	1,173	1,164

The Group has performed impairment testing at 31 January 2025 and 31 January 2024. 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 2025, the Group used the five-year plan, covering the five years up to 31 January 2030. For the purposes of the impairment test, terminal values have been calculated using a 1.91% growth assumption (2024: 1.79%). 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 11.2% (2024: 11.0%) and a terminal year rate of 11.9% (2024: 11.0%). The equivalent post-tax rate was 8.4% (2024: 8.2%) and the terminal rate was 8.9% (2024: 8.2%).

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.

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 2023	7	73	80
Additions	-	7	7
Disposals	-	(3)	(3)
At 31 January 2024	7	77	84
Additions	-	12	12
Disposals	(7)	(26)	(33)
At 31 January 2025	-	63	63
Accumulated depreciation and impairment			
At 1 February 2023	7	38	45
Charge for the year	-	14	14
Disposals	-	(3)	(3)
At 31 January 2024	7	49	56
Charge for the year	-	11	11
Disposals	(7)	(26)	(33)
At 31 January 2025	-	34	34
Net book value			
At 31 January 2025	-	29	29
At 31 January 2024	-	28	28

Disposals represent fully depreciated items retired following the business transferring to its new head office and additional items identified for removal following the implementation of a new controls procedure.

Within plant & equipment, £2m (2024: £nil) relates to assets under construction which are not depreciated.

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 2023	32	102	134
Additions	2	55	57
Disposals	(8)	(27)	(35)
At 31 January 2024	26	130	156
Additions	16	67	83
Disposals	-	(39)	(39)
At 31 January 2025	42	158	200
Accumulated depreciation			
At 1 February 2023	8	66	74
Charge for the year	3	32	35
Disposals	(1)	(26)	(27)
At 31 January 2024	10	72	82
Charge for the year	5	38	43
Disposals	-	(38)	(38)
At 31 January 2025	15	72	87
Net book value			
At 31 January 2025	27	86	113
At 31 January 2024	16	58	74

Within additions is £2m (2024: £1m) related to end-of-life provisions.

Within property additions is £16m relating to the new head office of the business.

Notes to the consolidated financial statements (continued)

12 Investments in joint ventures and associates

	2025			2024		
	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
Revaluation	3	-	3	-	-	-
Disposal	(3)	-	(3)	-	-	-
Impairment	(1)	-	(1)	(1)	-	(1)
At 31 January	1	4	5	1	4	5

The Group previously held a 49% interest in AA Media, which was recognised as an investment in a joint venture. On 29 October 2024, the Group acquired the remaining 51% of voting equity interest to establish AA Media as a 100% owned subsidiary. The investment in the joint venture was revalued to its fair value immediately prior to the disposal of the joint venture for inclusion of the entity in the results as a subsidiary. See Note 31 for further information.

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

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.

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

	2025 £m	2024 £m
Finished goods	4	4
	4	4

Other operating costs included £36m (2024: £32m) of inventories recognised as an expense.

Notes to the consolidated financial statements (continued)

14 Trade and other receivables

	2025 £m	2024 £m
Non-Current		
Other receivables	1	1
	1	1
Current		
Trade receivables	225	197
Prepayments	32	27
Contract assets	26	37
Other receivables	4	7
Total	287	268

Trade receivables include £125m (2024: £110m) relating to amounts due from insurance broking customers.

15 Cash and cash equivalents

	2025 £m	2024 £m
Ring-fenced cash at bank and in hand – available	117	87
Cash and cash equivalents as presented in consolidated statement of financial position	117	87

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.

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.

	2025 £m	2024 £m
Amounts owed by parent undertakings	1,207	1,209
Amounts due to parent undertakings	(118)	(120)

Notes to the consolidated financial statements (continued)

17 Trade and other payables

	2025 £m	2024 £m
Current		
Trade payables	154	147
Other taxes and social security costs	19	9
Accruals	78	69
Deferred income	67	58
Other payables	28	30
	346	313

Trade payables include £104m (2024: £77m) 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, £45m (2024: £38m) was included within deferred income at the beginning of the year.

Included in deferred income is £13m (2024: £12m) which will be released over a period more than 12 months from the statement of financial position date.

18 Insurance contracts

a) Summary of insurance contract liabilities

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

As at	31 January 2025			31 January 2024		
	Remaining coverage £m	Incurred claims £m	Total £m	Remaining coverage £m	Incurred claims £m	Total £m
Insurance contracts						
Roadside						
Insurance contracts	(160)	-	(160)	(160)	-	(160)
Asset for insurance acquisition cashflows			46			42
Total insurance contract liabilities			(114)			(118)

b) Assets for insurance acquisition cash flows

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

	£m
At 1 February 2023	40
Amounts incurred during the year	32
Amount derecognised and included in the measurement of insurance contracts	(30)
At 31 January 2024	42
Amounts incurred during the year	35
Amount derecognised and included in the measurement of insurance contracts	(31)
At 31 January 2025	46

Notes to the consolidated financial statements (continued)

18 Insurance contracts (continued)

c) Insurance contract liabilities

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	
As at 1 February 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)
Insurance revenue	553	-	-	553
Insurance service expenses				
Incurred claims and other insurance service expenses	-	3	(162)	(159)
Amortisation of insurance acquisition cash flows	(39)	-	-	(39)
Losses on onerous contracts	-	(4)	-	(4)
Total insurance service expense	(39)	(1)	(162)	(202)
Total changes in the consolidated income statement	514	(1)	(162)	351
Premiums received	(552)	-	-	(552)
Insurance acquisition cash flows paid	8	-	-	8
Transferred from insurance acquisition cash flows asset	31	-	-	31
Claims and other insurance service expenses paid	-	-	162	162
Total cash flows	(513)	-	162	(351)
As at 31 January 2025	(157)	(3)	-	(160)

The maximum credit exposure for 2025 in respect of Roadside is £nil (2024: £nil).

Notes to the consolidated financial statements (continued)

18 Insurance contracts (continued)

d) Insurance acquisition cash flow profile

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 2025	21	12	8	4	1	46
31 January 2024	20	11	7	3	1	42

e) 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 2026 and c.50% of forecast usage for the year ended 31 January 2027 (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

	2025 £m	2024 £m
Current liabilities		
Borrowings (see Note 20)	109	-
Non-current liabilities		
Borrowings (see Note 20)	1,960	2,238
	2,069	2,238

20 Borrowings

	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	Total as at 31 January 2025 £m	Total as at 31 January 2024 £m
Senior Term Facility 2021	10 March 2026	3.49%	150	(1)	1	150	150
Senior Term Facility 2023	10 March 2026	7.17%	15	-	-	15	15
Class A2 Notes	31 July 2025	6.27%	-	-	-	-	439
Class A8 Notes	31 July 2027	5.50%	325	(3)	2	324	323
Class A9 Notes	31 July 2028	3.25%	270	(4)	2	268	268
Class A10 Notes	31 July 2029	7.38%	385	(16)	4	373	370
Class A11 Notes	31 January 2028	8.45%	400	(4)	2	398	397
Class A12 Notes	31 July 2031	6.85%	435	(3)	-	432	-
Class B3 Notes	31 January 2026	6.50%	110	(10)	9	109	276
		6.32%	2,090	(41)	20	2,069	2,238

Notes to the consolidated financial statements (continued)

20 Borrowings (continued)

On 6 March 2024 the Group renewed its £200m Liquidity Facility. The facility remains undrawn.

The £150m Senior Term Facility commitments 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.

The additional £15m Senior Term Facility commitments were transacted with a swap that 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.

At 31 January 2025 all other borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 6.32% has been calculated using the effective interest rate and principal values on 31 January 2025.

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

On 22 May 2024 the Group issued £435m of Class A12 Notes with an interest rate of 6.85% and a maturity date of 31 July 2031. On 23 May 2024, £429m of the issue proceeds were used to settle a tender offer of Class A2 Notes. The remaining £6m of A12 proceeds were held in a Mandatory Prepayment Account.

On 31 July 2024 the outstanding £10m of A2 Notes were redeemed using the £6m of A12 proceeds in the Mandatory Prepayment Account and existing cash held.

On 31 July 2024 the Group redeemed £155m of Class B3 Notes at a redemption price of 101.625% using cash received as part of the Stonepeak investment into The AA.

On 25 October 2024 the Group redeemed a further £15m of Class B3 Notes at a redemption price of 101.625% using existing cash held.

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 A12 Notes this period is 6 months. For the Class A11 Notes this period is 3 months. There is no premium to pay on any redemption of the Class B3 Notes.

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. Below this ratio the Group is restricted from making payments against other debt types or from moving cash out of the AA Intermediate Co Limited group via dividend. A default event would not occur unless the ratio fell below 1.10x, at which point the Class A Notes would become immediately due and payable.

The actual Class A free cash flow to debt service ratio as at 31 January 2025 was 2.7x (2024: 2.7x) and management are satisfied that the risk of a default event occurring is remote.

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 2025 was 5.3x (2024: 5.7x). The Class B3 Notes impose additional restrictions on certain payments and dividend flows.

Notes to the consolidated financial statements (continued)

20 Borrowings (continued)

On 22 May 2024, S&P Global Ratings upgraded the credit rating of the Group's Class A Notes from BBB- to BBB and reaffirmed the Class B3 Notes at B+.

The movement in debt in the year was as follows:

	2025 £m	2024 £m
At 1 February	2,238	2,309
Proceeds from borrowings	435	537
Repayment of borrowings	(609)	(604)
Debt issue fees capitalised	(3)	(5)
Amortisation of debt issue fees	8	8
Gain on below par redemption	-	(7)
At 31 January	2,069	2,238

21 Derivative financial instruments

	2025 £m	2024 £m
Non-current assets		
Interest rate swap	6	11
Non-current liabilities		
Forward fuel contracts	(1)	(1)
	5	10

The forward fuel contracts are shown and settled on a net basis. On a gross basis, the asset is £nil (2024: £nil) and the liability is £1m (2024: £1m).

In the current year, the net position of the forward fuel contracts is a liability of £1m (2024: £1m).

Notes to the consolidated financial statements (continued)

22 Provisions

	Property leases £m	Onerous contract £m	Self-funded insurance liabilities £m	Other £m	Total £m
At 1 February 2023	3	-	6	2	11
Utilised during the year	-	-	(7)	-	(7)
Income statement charge for the year	-	-	6	1	7
Addition to right-of-use assets	1	-	-	-	1
At 31 January 2024	4	-	5	3	12
Utilised during the year	-	-	(8)	(1)	(9)
Reclassification ¹	2	-	-	-	2
Income statement charge for the year	-	6	10	1	17
Addition to right-of-use assets	1	-	-	1	2
At 31 January 2025	7	6	7	4	24
Current	1	1	2	3	7
Non-current	6	5	5	1	17
At 31 January 2025	7	6	7	4	24
Current	-	-	3	2	5
Non-current	4	-	2	1	7
At 31 January 2024	4	-	5	3	12

¹Reclassification of property lease provision recognised in accruals in prior year.

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 15 years to fully pay out all amounts provided for. The provision has been calculated at a risk-free rate.

The onerous contract provision relates to a specific B2B contract, for which a provision of £6m has been recognised in the year. The provision will be released over the remaining four years of the contract life.

The self-funded insurance liabilities relates to 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.

Other provisions include a £3m provision (2024: £2m) in relation to a warranty for vehicle part replacements and £1m (2024: £1m) relating to vehicle end of life provisions.

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

	2025 £m	2024 £m
Allotted, called up and fully paid		
360,893,050 (2024: 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.

During the year one ordinary share of £1 was issued at a premium of £158m.

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 2025 by independent qualified actuaries.

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

	As at 31 January 2025			
	AAUK £m	AAI £m	AAPMP £m	Total £m
Present value of the defined benefit obligation in respect of pension plans	(1,504)	(33)	(14)	(1,551)
Fair value of plan assets	1,393	38	-	1,431
(Deficit)/surplus	(111)	5	(14)	(120)

	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)

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

The AA UK pension scheme was in deficit as at 31 January 2025. The movement since 31 January 2024 was mainly due to a decrease in the defined benefit obligation due to an improvement in financial conditions, changes to the latest mortality assumptions and change in commutation factors during the period, 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 AA UK 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 £17m 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 AA UK 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 AA UK 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 scheme (our principal defined benefit plan), the AAI 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 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 3.3% and a discount rate assumption of 5.3%, 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 £29m (2024: £30m) in deficit reduction employer contributions to its defined benefit plans (AAUK and AAI) in the year ending 31 January 2025. The Group recognised a charge in the consolidated income statement of £26m in respect of defined contribution pension scheme costs in the year (2024: £26m).

In July 2024, the Group completed a full accounting valuation of the AAPMP with a valuation date of 31 January 2024. This updated the previous full accounting valuation of the AAPMP that was performed as at 31 January 2021 and was projected forward to relevant reporting dates.

The 31 January 2024 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 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)	-	-
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	-	74	-	74
Effect of changes in demographic assumptions	-	8	-	8
Effect of experience adjustment	-	9	-	9
Return on plan assets excluding interest income	(68)	-	-	(68)
Amounts recognised in the statement of comprehensive income	(68)	91	-	23
Foreign exchange (loss)/gain	(1)	1	-	-
Benefits paid from scheme assets	(81)	81	-	-
Ongoing employer contributions	-	-	-	-
Deficit reduction employer contributions	29	-	-	-
Movements through cash	(52)	81	-	-
Balance at 31 January 2025	1,431	(1,551)	-	-

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 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)	-	-
Administrative expenses	(6)	-	(6)	-
Interest on defined benefit scheme assets/(liabilities)	69	(76)	(7)	-
Amounts recognised in the consolidated income statement	63	(76)	(13)	-
Effect of changes in financial assumptions	-	73	-	73
Effect of changes in demographic assumptions	-	10	-	10
Effect of experience adjustment	-	(1)	-	(1)
Return on plan assets excluding interest income	(66)	-	-	(66)
Amounts recognised in the statement of comprehensive income	(66)	82	-	16
Benefits paid from scheme assets	(78)	78	-	-
Deficit reduction employer contributions	29	-	-	-
Movements through cash	(49)	78	-	-
Balance at 31 January 2025	1,393	(1,504)	-	-

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 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 financial assumptions	-	(1)	-	(1)
Return on plan assets excluding interest income	-	(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)	-	-
Interest on defined benefit scheme assets/(liabilities)	2	(2)	-	-
Amounts recognised in the consolidated income statement	2	(2)	-	-
Effect of changes in financial assumptions	-	1	-	1
Return on plan assets excluding interest income	(2)	-	-	(2)
Amounts recognised in the statement of comprehensive income	(2)	1	-	(1)
Foreign exchange (loss)/gain	(1)	1	-	-
Benefits paid from scheme assets	(3)	3	-	-
Movements through cash	(3)	3	-	-
Balance at 31 January 2025	38	(33)	-	-

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 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)	-	-
Effect of experience adjustment	-	10	-	10
Effect of changes in demographic assumptions	-	(2)	-	(2)
Amounts recognised in the statement of comprehensive income	-	8	-	8
Balance at 31 January 2025	-	(14)	-	-

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:

	2025		2024	
	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	-	186	-	97
Bonds/gilts	58	565	69	593
Property	-	84	-	169
Hedge funds	-	15	-	3
Private equity	-	140	-	135
Cash/net current assets	7	13	11	22
Annuity policies	-	325	-	346
Total AAUK scheme assets	65	1,328	80	1,365
Return on AAUK plan assets (excluding admin expenses)		3		(89)

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

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

The AAUK scheme assets are largely invested in pooled funds, with the market values provided by the scheme's custodian, Barnett Waddingham. 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 £1,328m (2024: £1,365m) assets without a quoted market price at 31 January 2025, £325m (2024: £346m) 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 £8m (2024: £15m) of unquoted assets allocated to private equity and £9m (2024: £10m) of unquoted assets allocated to property have been measured at amortised cost rather than fair value.

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

	2025		2024	
	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	-	2	-
Bonds/gilts	29	-	30	-
Property	-	3	-	7
Hedge funds	2	-	2	-
Cash / net current assets	2	-	1	-
Total AAI scheme assets	35	3	35	7
Return on AAI plan assets (excluding admin expenses)		-		1

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 balance sheet assumptions were as follows:

	AAUK		AAI		AAPMP	
	2025 %	2024 %	2025 %	2024 %	2025 %	2024 %
Pensioner discount rate	5.3	4.8	3.2	3.3	5.3	4.8
Non-pensioner discount rate	5.5	5.0	3.6	3.4	5.3	4.8
Pensioner RPI	3.3	3.2	-	-	3.3	3.2
Non-pensioner RPI	3.1	3.0	-	-	3.3	3.2
Pensioner CPI	2.7	2.4	2.1	2.1	2.7	2.4
Non-pensioner CPI	2.5	2.3	2.1	2.1	2.7	2.4
Rate of increase of pensions in payment (final salary sections) – pensioner	3.1	3.0	-	-	-	-
Rate of increase of pensions in payment (final salary sections) – non-pensioner	3.0	2.9	-	-	-	-
Rate of increase of pensions in payment (CARE section) – pensioner	1.9	1.8	-	-	-	-
Rate of increase of pensions in payment (CARE section) – non-pensioner	1.8	1.7	-	-	-	-
Pension increase for deferred benefits	2.5	2.3	2.1	2.1	-	-
Medical premium inflation rate	-	-	-	-	7.3	7.2

Mortality assumptions are set using standard tables based on scheme-specific experience where available and an allowance for future improvements. For January 2025, the assumptions used for the AAUK Scheme were in line with the SAPS (S3) series mortality tables with scheme-specific adjustments and for the AAPMP were in line with the SAPS (S4) series mortality tables for males and SAPS Light (S4_L) series mortality tables for females (January 2024 – both used SAPS (S3) series with scheme-specific adjustments). Future improvements were set in line with the CMI_2023 model with a 1.00% long-term rate of improvement and experience weightings of 0% for 2020 and 2021 and 100% for 2022 and 2023 (January 2024 – CMI_2022 model with a 1.00% 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 (2024: 24 years) and a non-pensioner female retiring in normal health currently aged 60 will live on average for a further 27 years (2024: 27 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 2025			For the year ended 31 January 2024		
	AAUK £m	AAI £m	AAPMP £m	AAUK £m	AAI £m	AAPMP £m
Increase of 1% in discount rate	174	5	1	201	5	2
Increase of 1% in RPI and CPI	(141)	(2)	-	(169)	(2)	-
Increase of 1% in CPI only	(49)	(2)	-	(65)	(2)	-
Increase of 1% in medical claims inflation	-	-	(2)	-	-	(2)
Increase of one year of life expectancy	(45)	(1)	(2)	(49)	(1)	(2)

Notes to the consolidated financial statements (continued)

24 Pensions (continued)

Sensitivity analysis (continued)

An equivalent decrease in the assumptions at 31 January 2025 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 2025 is around 14 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 2025, the scheme had hedged around 80% of interest rate and inflation risk (of the non-insured liabilities on the scheme-specific self-sufficiency measure).

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 £325m as at 31 January 2025 (2024: £346m). 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. In July 2024, the Court of Appeal upheld the June 2023 decision and no further appeal has been sought through the Supreme Court. The judgement 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.

The Association of Consulting Actuaries, Association of Pension Lawyers and the Society of Pension Professionals issued a joint statement in December 2024, confirming that an industry working group has been providing information to help the Department for Work and Pensions understand the "adverse impact" of this ruling and to request intervention from the Secretary of State to implement regulations that would enable the retrospective validation of amendments. In addition, the upcoming *Pensions Trust* case will examine further issues concerning the Virgin Media judgement.

Investigations have been carried out by the AAUK scheme Trustee in relation to the deeds amending the scheme in the period affected by the judgement. Based on the results of this investigation, and in light of the ongoing industry debate, management have concluded that the possibility of additional provisioning being required under IAS 19 is currently remote. Management and the scheme Trustees will continue to monitor developments in the matter.

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

	2025 £m	2024 £m
Financial assets at fair value through other comprehensive income		
Derivative financial instruments (see Note 21)	6	11
Financial assets at amortised cost		
Loans to related parties (see Note 29)	-	1
Cash and cash equivalents (see Note 15)	117	87
Trade receivables (see Note 14)	225	197
Contract assets and other receivables (see Note 14)	30	44
Amounts owed by parent undertakings (see Note 16)	1,207	1,209
Other receivables – non-current (see Note 14)	1	1
Total financial assets	1,586	1,550

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

Financial liabilities

	2025 £m	2024 £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)	154	147
Other payables and accruals (see Note 17)	106	99
Amounts due to parent undertakings (see Note 16)	118	120
Lease liabilities (see Note 27)	106	72
Borrowings (see Note 20)	2,069	2,238
Insurance contract liabilities (see Note 18a)	114	118
Total financial liabilities	2,668	2,795

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.

	Carrying value £m	Fair value measurement using:		
		Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
At 31 January 2025				
Financial assets measured at fair value				
Interest rate swap derivatives (Note 21)	6	6	-	-
Liabilities for which fair values are disclosed				
Loan notes (Note 20)	1,904	1,960	-	-
Forward fuel contracts (Note 21)	1	1	-	-
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	-	-

Loan notes in the above is total borrowings excluding Senior Term Facilities.

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 2025.

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:

	2025 £m	2024 £m
Fixed rate instruments		
Financial assets	-	1
Financial liabilities	(2,010)	(2,145)
Net exposure to fixed rate instruments	(2,010)	(2,144)
Variable rate instruments		
Financial liabilities	(165)	(165)
Net exposure to variable rate instruments	(165)	(165)

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 2025 would have increased equity by £nil (2024: £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 2025 (2024: £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
2025	225	183	12	4	26
2024	197	165	8	4	20

The ageing analysis of gross trade receivables is as follows:

	Total £m	Current £m	< 30 days £m	30 - 60 days £m	60+ days £m
2025	229	183	12	5	29
2024	199	166	8	5	20

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

	2025 £m	2024 £m
At 1 February	2	5
Charge for the year	2	1
Utilised	-	-
Released	-	(1)
Reclassification ¹	-	(3)
At 31 January	4	2

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 2025:

	Less than 1 year £m	1 - 2 years £m	2-5 years £m	Over 5 years £m	Total £m
Loans and borrowings	244	287	1,596	480	2,607
Lease liabilities	40	32	32	20	124
Other payables and accruals	106	-	-	-	106
Trade payables	154	-	-	-	154
	544	319	1,628	500	2,991

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

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.

	2025 £m	2024 £m
Total net debt	2,079	2,249
Total capital	2,079	2,249

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:

	2025 £m	2024 £m
Class A Notes	1,815	1,819
Senior Term Facility	165	165
Less: cash and cash equivalents	(117)	(87)
Net Senior Secured Debt ¹	1,863	1,897
Class B Notes	110	280
Lease obligations for covenant reporting ²	75	52
Net Whole Business Securitisation (WBS) Debt ³	2,048	2,229
IFRS 16 lease adjustment for WBS lease obligations ⁴	31	20
Total Net Debt	2,079	2,249
AA Intermediate Co Limited debt covenant EBITDA ⁵	350	335
	Covenant	
Class B leverage ratio ⁶	5.9x	6.7x
Senior Leverage ratio ⁷	5.3x	5.7x
Class A Free Cash Flow: Debt Service ⁸	>1.35x	2.7x

Ratios at 31 January 2025 have been calculated on an unrounded basis.

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 Debt³ to AA Intermediate Co Limited group debt covenant EBITDA.

⁷ Ratio of Net Senior Secured Debt¹ 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 2025.

The Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on the relevant regulators' requirements.

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 Notes impose additional restrictions on certain payments and dividend flows. 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 Business performance 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:

	2025	2024
	£m	£m
At 1 February	72	59
Additions	83	58
Disposals	(1)	(8)
Finance charges	4	2
Payments of capital	(47)	(36)
Payments of interest	(5)	(3)
At 31 January	106	72

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

	2025		2024	
	Present value of payments £m	Minimum payments £m	Present value of payments £m	Minimum payments £m
Within one year	34	40	26	29
Between one and five years	56	64	42	45
After five years	16	20	4	5
Total minimum lease payments	106	124	72	79
Less amounts representing finance charge	-	(18)	-	(7)
Present value of minimum lease payments	106	106	72	72

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:

	2025	2024
	Minimum payments £m	Minimum payments £m
Within one year	6	7
Between one and five years	25	37
After five years	3	25
Total minimum lease payments	34	69

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £3m: £2m intangible assets and £1m of fixed assets (2024: £1m: £1m intangible assets and £nil 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:

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	2025 £m	2024 £m
ARC Europe SA	Registration and call handling fees	2	2

At 31 January 2025, the Group had an outstanding balance payable to ARC Europe SA of £nil (2024: £nil) comprising trade payables in respect of the above transactions.

Transactions with joint ventures

Joint venture	Nature of transaction	2025 £m	2024 £m
Drvn Solutions Limited	Goods supplied by Drvn Solutions Limited	-	-

At 31 January 2024, the Group had an outstanding balance receivable from AA Media of £1m comprising fixed rate loan notes. This balance was redeemed at par in March 2024.

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

Entity	Relationship	2025 £m	2024 £m
AA Mid Co Limited	Immediate parent	1,205	1,205
AA Technical Services Limited	Fellow subsidiary	2	1
Longacre Claims Limited	Fellow subsidiary	-	1
AA Underwriting Insurance Company Limited	Fellow subsidiary	(114)	(112)
AA Limited	Indirect parent	(4)	(8)
Basing TopCo Limited	Indirect parent	-	2
		1,089	1,089

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 2025, the principal outstanding on the AA Intermediate Co Limited group debt was £2,090m (2024: £2,264m).

Partnership interests

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

	2025 £m	2024 £m
Equity-settled share-based payments:		
Share-based payments – Management Equity Plan 1	-	1
Share-based payments – Management Equity Plan 2	1	-
Share-based payments – Long Term Incentive Plan	2	3
Total share-based payments expense	3	4

Management Equity Plan 1 (MEP1)

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 2025 was £nil (2024: £1m).

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

- Equity value – Based on the Company's equity value inclusive of preference shares
- Expected term – Vesting date of January 2028 is 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

	2024 Share awards outstanding	New awards	Vested	Leavers	2025 share awards outstanding
MEP1	28,935,866	1,696,616	(6,214,595)	(1,198,730)	23,219,157

Following the completion of the Stonepeak investment into The AA the expected term of the scheme was amended in accordance with IFRS 2 from March 2026 to January 2028 and the benefit arising under the scheme will accrue over the revised lifespan.

Management Equity Plan 2 (MEP2)

A second management equity plan was introduced in the year. 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 2025 was £1m (2024: £nil).

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

- Equity value – Based on the Company's equity value inclusive of preference shares
- Expected term – Vesting date of January 2028 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 – 3.85% 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)

Management Equity Plan 2 (MEP2) (continued)

The number of shares awarded were as follows:

	2024 Share awards outstanding	New awards	Vested	Leavers	2025 share awards outstanding
MEP2	-	18,368,599	-	-	18,368,599

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.

During the year, the vesting expected vesting date was revised to January 2028 (2024: January 2026) 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.

In addition, during the year eligible participants were granted an additional award in recognition of the extended period of the original scheme. This award is expected to be settled in cash and is also subject to performance conditions.

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 2025 was £2m (2024: £3m).

31 Business combinations

The Group performed two acquisitions in the year. The total consideration and amount recognised for each class of assets and liabilities is as follows:

	Key Care Limited £m	AA Media Limited £m
Consideration		
Cash consideration	10	5
Fair value of previously held interest ¹	-	3
Fair value of total consideration	10	8
Net assets acquired		
Intangible assets ²	4	3
Cash and cash equivalents	1	3
Other assets	2	1
Deferred tax liabilities	(1)	(1)
Other liabilities	(1)	(2)
Total net assets acquired	5	4
Goodwill on acquisition	5	4

¹The Group previously held a 49% interest in AA Media as a joint venture.

²Intangible assets for KeyCare represents customer relationships. Intangible assets for AA Media include £2m relating to customer relationships and £1m for reacquired brand rights.

Notes to the consolidated financial statements (continued)

31 Business combinations (continued)

Acquisition costs for both transactions were recognised in adjusting operating items.

Key Care Limited

On 1 February 2024, the Group completed the acquisition of Key Care Limited ('KeyCare'), a company incorporated in England and its subsidiary. The Group obtained control through acquiring 100% of voting equity interest.

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.

Amounts included in other assets are recognised at fair value. Gross contractual amounts receivable total £1m and are considered to be fully recoverable.

The goodwill amount recognised is attributable to the future benefit of the Group being able to integrate KeyCare offerings with its existing products. No amount of goodwill recognised is deductible for tax purposes.

AA Media Limited

The Group previously held a 49% interest in AA Media, which was recognised as an investment in a joint venture. On 29 October 2024, the Group acquired the remaining 51% of voting equity interest to establish AA Media as a 100% owned subsidiary.

AA Media is a publisher which rates hotels, restaurants and attractions across the UK. The acquisition enables the Group to explore opportunities to promote The AA brand and the chance for AA Media's offerings to play a part in the broader AA membership proposition.

Amounts included in other assets are recognised at fair value. Gross contractual amounts receivable total £1m and are considered to be fully recoverable.

The goodwill amount recognised is attributable to the future benefit of the Group being able to integrate AA Media offerings with its existing products. No amount of goodwill recognised is deductible for tax purposes.

Acquisition-related costs incurred as part of the business combination are included in adjusting operating items, see Note 4 for further information.

From the date of acquisition, the acquired businesses have contributed the following revenue and profit before taxation attributable to the equity holders of the Group:

	Key Care Limited	AA Media Limited
	£m	£m
Revenue	4	1
Profit before tax	1	-
Profit after tax	1	-

Had the AA Media acquisition occurred on the first day of the year ended 31 January 2025, the acquired business would have contributed the following revenue and profit before taxation attributable to the equity holders of the Group:

	AA Media Limited
	£m
Revenue	6
Profit before tax	1
Profit after tax	-

There were no acquisitions in the year ended 31 January 2024.

Notes to the consolidated financial statements (continued)

32 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 Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG.

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 Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG. 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.

33 Events after the reporting date

Liquidity, Senior Term and Working Capital Facilities

On 10 February, the Group renewed its £200m Liquidity Facility with an effective date of 5 March 2025. The Facility remains undrawn.

On 19 March, the Group successfully refinanced its £165m senior term facility and £55.7m Working Capital Facility ahead of their 10 March 2026 maturity date.

The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. The new Senior Term Facility has a margin of 2.50% above SONIA and has been hedged through an interest rate swap.

A new Working Capital Facility for £56m has also been put in place at a margin of 2.50% above SONIA and is available until March 2030.

B3 conditional notice of redemption

On 14 April, the Group issued a conditional notice of redemption for £62m of Class B3 Notes at par, subject to satisfaction of the condition precedent set out in that notice.

Financing arrangement

On 1 April 2025, the Group entered into a financing arrangement with Basing TopCo Limited, an indirect parent of AA Limited. Under this arrangement the Group may borrow up to £60m for the sole purpose of redeeming Class B3 Notes, to the extent any remaining outstanding on the 31 January 2026 maturity date.

At the date of signing of these financial statements no amounts have been drawn.

Company statement of financial position as at 31 January 2025

	Note	2025 £m	2024 £m
Non-current assets			
Investments in subsidiaries	2	1,661	1,661
Current assets			
Amounts owed by subsidiary undertakings	3	634	476
Total assets		2,295	2,137
Current liabilities			
Amounts due to parent undertakings	4	(1,756)	(1,756)
Total liabilities		(1,756)	(1,756)
Net assets		539	381
Equity			
Called up share capital	5	361	361
Share premium	5	158	-
Retained earnings		20	20
Total equity		539	381

The result for the financial year of the Company is £nil (2024: £nil).

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

The financial statements on pages 91 to 98 were approved by the Board of Directors on 14 April 2025 and signed on its behalf by:



T O Mackay
Director

Company statement of changes in equity for the year ended 31 January 2025

	Called Up Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 February 2023	361	-	20	381
Result for the year	-	-	-	-
At 31 January 2024	361	-	20	381
Result for the year	-	-	-	-
Issue of shares	-	158	-	158
At 31 January 2025	361	158	20	539

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 Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG.

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 2025. 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 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 Presentation of financial statements and Company accounting policies (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, 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. The following are principal estimates and assumptions made by the Company.

Management have 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. Management considers that there are no principal estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following are other principal estimates and assumptions made by the Company, 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:

Investments

The recoverable amounts of the investments have been determined based on the higher of fair value less cost to sell or value in use calculations which require the use of estimates. When calculating value in use, management has prepared discounted cash flow forecasts based on the latest strategic plan. Terminal values are calculated using a growth assumption and cash flows are discounted at a rate reflecting the time value of money and the risk specific to these cash flows. If a historical impairment has taken place, management will consider if a reversal is required with reference to the recoverable amount.

The cash flow projections are forecast using historical trends overlaid with business-led assumptions such as contract wins, sales volumes, prices and working capital movement assumptions, together with operational KPIs such as number of personal members, number of business customers, insurance policies in force, renewal rates and average repair times, along with an assessment of the impact of climate change, however future government or industry wider changes could reduce the present forecasts. These allow the business to forecast profits, working capital and capital expenditure requirements (see Note 2 for details).

Notes to the Company financial statements (continued)

1 Presentation of financial statements and Company accounting policies (continued)

1.3 Material accounting policies (continued)

d) Critical accounting estimates, judgements and other estimates (continued)

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

	2025 £m	2024 £m
Investment in subsidiary at cost		
At 1 February and 31 January	1,661	1,661

Due to the current macroeconomic environment the Company has performed impairment testing at 31 January 2025 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 2025, the Company used the five-year plan, adjusted for expected changes, covering the five years up to 31 January 2030.

For the purposes of the impairment test, terminal values have been calculated using a 1.91% growth assumption (2024: 1.79%). 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 11.2% (2024: 11.0%). The equivalent post-tax rate was 8.4% (2024: 8.2%).

Based on the projections of the value in use model there was a sufficient amount of headroom above the carrying value of the investments and therefore no indicators of impairment.

3 Amounts owed by subsidiary undertakings

	2025 £m	2024 £m
Amounts owed by subsidiary undertakings	634	476
	634	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

	2025 £m	2024 £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.

Notes to the Company financial statements (continued)

5 Called up share capital and share premium

	2025 £m	2024 £m
Allotted, called up and fully paid		
360,893,050 (2024: 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.

During the year one ordinary share of £1 was issued at a premium of £158m.

6 Auditors' remuneration

The fee for the audit of these financial statements was £47k (2024: £45k). 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 2025 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
Key Care Limited	England and Wales, UK / C	Ordinary
Key Care Assistance Limited	Ireland / D	Ordinary
AA Media Limited	England and Wales, UK / A	Ordinary

The other subsidiary undertakings of the Company at 31 January 2025 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 / E	Ordinary
AA Pension Funding GP Limited ¹	Scotland, UK / F	Ordinary
AA Pension Funding LP ⁴	Scotland, UK / F	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.

Notes to the Company financial statements (continued)

8 Subsidiary undertakings (continued)

Registered office key

Registered office	Key
Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG	A
Third Floor, 44 Esplanade, St. Helier, Jersey, JE4 9WG	B
2-3 Quayside House, Quayside, Salts Mill Road, Shipley, West Yorkshire, BD18 3ST	C
77 Camden Street, Lower Dublin, 2 D02XE80	D
6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland	E
Building 1, 9 Haymarket Square, Edinburgh, Scotland, EH3 8RY	F

9 Ultimate parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary of AA MidCo Limited, a company incorporated and domiciled in the United Kingdom.

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 Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG. The parent of the smallest group to consolidate these financial statements is AA Intermediate Co Limited, whose registered address is the same.