

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2025

Registered number: 02414212

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2025

The Directors present their Annual Report and audited financial statements of Automobile Association Insurance Services Limited ("the Company", or "AAISL") for the year ended 31 January 2025.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of AA Corporation Limited.

The principal activity of the Company is the provision of insurance intermediary services. The Company is authorised and regulated as a General Insurance Intermediary by the Financial Conduct Authority ("FCA").

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

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 Company to expand its product base and increase its offerings for both business and consumer customers, enhancing its position in the market.

For decision making and internal performance management, management's key performance metrics are revenue and Reported EBITDA. Reported EBITDA is profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation of intangible assets, adjusting operating items, share-based payments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense.

The Company's revenue increased by 11.3% to £295m (2024: £265m) during the current year. The Company saw growth in commissions due to higher volumes achieved in home. Motor commissions fell as a result of lower renewal volumes. Revenue for administration services provided to other Group undertakings rose in the year and the Company achieved further growth in its Accident Assist and Stay Mobile business lines.

Reported EBITDA increased by 15.4% to £135m (2024: £117m) in the year ended 31 January 2025, with growth in revenue exceeding growth in operating costs, which include aggregator fees, corporate fees recharged by Group and employee costs.

Management reviews the Company's results and performance both on a statutory and non-GAAP (non-statutory) basis. The Company's adjusted performance measures are non-GAAP (non-statutory) financial measures and are included in these financial statements as they are key financial measures used by management to evaluate performance. The measures enable management to more easily and consistently track the underlying operational performance of the Company. A reconciliation from Reported EBITDA to Operating Profit as presented in the income statement is shown below.

Reconciliation of Reported EBITDA to operating profit

As noted above, Reported EBITDA is calculated as operating profit before adjustments as shown in the table below:

	for the year ended 31 January	
	2025 £m	2024 £m
Reported EBITDA	135	117
Amortisation and depreciation	(18)	(10)
Adjusting operating items	(3)	(5)
Operating profit	114	102

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2025

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS (continued)

Operating profit increased by 11.8% to £114m (2024: £102m) during the current year reflecting the strong growth achieved across multiple business lines in the year.

During the year under review, the net solvency capital of the Company for regulatory purposes, represented by share capital plus retained earnings less intangible assets, increased to £243m (2024: £227m) due to the payment of a dividend of £70m (2024: £75m) offset by £86m (2024: £78m) profit for the year.

The Directors are satisfied with the performance of the Company in the year and expect the Company to continue to meet solvency requirements set by the FCA. There are currently no plans to alter the principal activities of the Company going forwards and the Company expects to continue to deliver profits while retaining its focus on high levels of customer service.

The Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006. The Company is part of the AA Limited group, the ultimate parent of which is Basing ConsortiumCo Limited during FY24. Decisions, policies and procedures that may affect stakeholders were implemented at an AA Limited group (the 'Group') level during the year and the Board oversees the application of these to the Company. For details of how this is accomplished within the Group, refer to pages 38 to 40 of AA Limited's Annual Report, with whom the Company shares a common executive management structure.

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.

RISK MANAGEMENT FRAMEWORK

Overall Responsibility

The Board of AA Limited is responsible for determining the level of risk that The AA is prepared to take, or that it is willing to accept, 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 44 to 45 of The AA Limited Annual Report and Accounts 2025.

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 agreed 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. Further details can be found on page 21 of The AA Limited Annual Report and Accounts 2025.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2025

RISK MANAGEMENT FRAMEWORK (continued)

Risk management framework

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

- 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 operated by the AA Group is comprised of the five pillars set out below.

Risk culture and governance	The processes and structures in place to demonstrate to the AA 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 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.

Principal Risks and Opportunities

The principal risks and uncertainties facing the Company are considered to be:

Credit risk

The Company is exposed to credit risk in relation to the intercompany balance due from a fellow subsidiary undertaking. The credit risk for the Company from external counterparties is limited as payment from customers is generally required before services are provided.

Potential impact

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.

Mitigation

The AA Limited group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

Customer risk

The risk that we fail effectively to monitor, manage and develop the interaction between our colleagues, agents and our customers to ensure consistently fair treatment and good outcomes.

Potential impact

Products and services continually evolve in the market and, as customer needs change, there is a risk that products do not perform as customers expect or that they no longer deliver good customer outcomes.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2025

RISK MANAGEMENT FRAMEWORK (continued)

Principal Risks and Opportunities (continued)

Customer risk (continued)

Mitigation

We continually review and adapt our products and services to ensure we deliver consistently 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.

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.

Cyber security

The risk of failure to detect fraudulent or unauthorised modification of IT resources, physical or virtual theft of assets, and events that compromise critical data.

Potential impact

Cyber-attacks are an ever-increasing threat for businesses and could significantly impact our operations and 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.

Mitigation

We continue to operate a clearly defined cyber security strategy, and we have invested in resources to strengthen further 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.

People risk

The risk that we are unable to attract and retain the critical skills, knowledge and experience we need to deliver our services.

Potential impact

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.

Mitigation

Our people play a critical role in the success of our business and in our future growth. We invest in our learning and development programmes to retain and build talent within the organisation, and we have made some significant enhancements to our Employee Value Proposition in 2023 and we continue to review and enhance our Employee Value Proposition to ensure we adapt and respond to a changing environment.

Financial risk

The risk that the geopolitical environment, interest rate costs, inflationary pressures and the rising cost of living has a negative impact on consumer behaviour and on our ability to service debt.

Potential impact

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.

Mitigation

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2025

RISK MANAGEMENT FRAMEWORK (continued)

Emerging Risks

The most notable emerging risks and opportunities for the Company are summarised below. For more information see pages 25 to 26 of the AA Limited Annual Report and Accounts 2025.

Public policy uncertainty

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.

Potential impact

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.

Mitigation

We continue to actively engage with regulators, policy makers and other key stakeholders on the development of policy and regulation in the UK.

Global geopolitical instability

Geopolitical uncertainty remains high due to major policy shifts following government changes in major global economies, tariffs and the continued conflicts in Eastern Europe and the Middle East.

Potential impact

This risk could lead to increased costs for our business and other operational challenges.

Mitigation

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 that could be adversely impacted by geopolitical risk.

Artificial intelligence (AI) and technological change

Artificial intelligence, quantum computing and other technological advancements have the potential to transform the competitive landscape in the sectors in which we operate.

Potential impact

This risk could lead both to increased competition and heightened cybersecurity risk that could impact the financial performance our business.

Mitigation

We are trialling AI technology in priority areas around the business, and making AI-related training available to all colleagues.

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. Our full climate-related financial disclosure can be found on pages 27 to 32 of The AA Limited Annual Report and Accounts 2025.

ON BEHALF OF THE BOARD



J A PARK

DIRECTOR

29 MAY 2025

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

Registered number: 02414212

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2025

DIRECTORS

The Directors who held office during the year and up to the date of signing the Annual Report and Financial Statements were as follows:

J Connor

J A Park

D Rogers

H Johal

Company secretary

J E Cox

DIRECTORS' INDEMNITY

The Company 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Annual Report and Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, 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 Company will continue in business.

The Directors are responsible for safeguarding the assets of the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

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 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 Company's auditors are aware of that information.

GOING CONCERN

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities and review of the business" and "Risk management framework" sections on pages 1 to 5.

The Company has adequate financial resources due to the Company's own net current asset position. Automobile Association Insurance Services Limited is a wholly owned subsidiary of the AA Limited group ("Group") and is an obligor to its borrowings, hence the going concern status of the Company is linked to the wider Group, which at the reporting date has total borrowings of £2,069m (2024: £2,238m).

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.

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity date of 31 January 2026. On 31 July 2024 the Group used cash received as part of the Stonepeak investment into The AA to redeem £155m of Class B3 Notes. On 25 October 2024, the Group redeemed a further £15m of Class B3 Notes. As at the reporting 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 was 5.3x allowing the Group to redeem £62m of the outstanding in B3 Notes on 14 May 2025. 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 19 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 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 19 for details.

After the Class B3 Notes the Group has no other debt maturing until the Class A8 Notes on 31 July 2027.

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2025

GOING CONCERN (continued)

The Company 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 the Group over 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 Company 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.

DIVIDENDS

A dividend of £70m was paid during the year in respect of FY24 (2024: £75m paid in respect of FY23).

The Directors propose the payment of a final dividend in FY26 of £80m in respect of FY25.

INDEPENDENT AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The financial statements on pages 13 to 29 have been approved by the Board on 29 May 2025 and signed on its behalf by:



J A PARK

DIRECTOR

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

Registered number: 02414212

Independent auditors' report to the members of Automobile Association Insurance Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Automobile Association Insurance Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2025 and of its profit for the year then ended;
- 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
- 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 Statement of Financial Position as at 31 January 2025; the Income Statement and the Statement 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 Company 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.

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 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to 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 Company and its 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

going concern basis of accounting unless the Directors either intend to liquidate 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 Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK 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. 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 reduce expenditure thereby improving the financial performance of the Company, and the potential for management bias in accounting estimates such as those relating to the administration and arrangement fee. 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 Company 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.
- 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.
- Review of Board minutes and relevant meeting minutes, including those with the Audit, Risk and Compliance Committee, for matters relating to any instances of non-compliance with laws and regulations and fraud matters.

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

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.

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.

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Helen Grainger (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
29 May 2025

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2025

	Note	2025 £m	2024 £m
Commission and other income		270	242
Instalment income		25	23
REVENUE		295	265
Cost of sales		(36)	(31)
GROSS PROFIT		259	234
Administrative and marketing expenses		(145)	(132)
OPERATING PROFIT	3	114	102
Finance Income	6	1	-
PROFIT BEFORE TAX		115	102
Income tax expense	7	(29)	(24)
PROFIT FOR THE FINANCIAL YEAR		86	78

There is no other comprehensive income or expenditure other than those passing through the income statement, therefore no separate statement of comprehensive income is presented.

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2025

	Note	2025 £m	2024 £m
NON-CURRENT ASSETS			
Intangible assets	8	58	58
Property, plant and equipment	9	1	2
Right of use assets	10	2	3
Investment in subsidiaries	15	10	-
Deferred tax asset	7	2	1
		<u>73</u>	<u>64</u>
CURRENT ASSETS			
Trade and other receivables	11	463	427
Cash and cash equivalents		7	9
		<u>470</u>	<u>436</u>
TOTAL ASSETS		<u>543</u>	<u>500</u>
CURRENT LIABILITIES			
Trade and other payables	12	(232)	(204)
Current tax payable		(7)	(8)
		<u>(239)</u>	<u>(212)</u>
NON-CURRENT LIABILITIES			
Lease liabilities due after 1 year	16	(3)	(3)
		<u>(3)</u>	<u>(3)</u>
TOTAL LIABILITIES		<u>(242)</u>	<u>(215)</u>
NET ASSETS		<u>301</u>	<u>285</u>
EQUITY			
Called up share capital	13	19	19
Retained earnings		282	266
TOTAL EQUITY		<u>301</u>	<u>285</u>

These financial statements were approved by the board of Directors and signed on its behalf by:



J A PARK
DIRECTOR
29 MAY 2025

Automobile Association Insurance Services Limited

Registered number: 02414212

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2025

	Note	Share capital £m	Retained earnings £m	Total equity £m
At 1 February 2023		19	263	282
Profit for the financial year		-	78	78
Dividends paid	13	-	(75)	(75)
At 31 January 2024		19	266	285
Profit for the financial year		-	86	86
Dividends paid	13	-	(70)	(70)
At 31 January 2025		19	282	301

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRESENTATION OF FINANCIAL STATEMENTS

Automobile Association Insurance Services Limited is a private company limited by shares, incorporated and domiciled in England and Wales, UK.

The financial statements are prepared in Sterling and are rounded to the nearest £m.

GOING CONCERN

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities and review of the business" and "Risk management framework" sections on pages 1 to 5.

The Company has adequate financial resources due to the Company's own net current asset position. Automobile Association Insurance Services Limited is a wholly owned subsidiary of the AA Limited group ("Group") and is an obligor to its borrowings, hence the going concern status of the Company is linked to the wider Group, which at the reporting date has total borrowings of £2,069m (2024: £2,238m).

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.

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity date of 31 January 2026. On 31 July 2024 the Group used cash received as part of the Stonepeak investment into The AA to redeem £155m of Class B3 Notes. On 25 October 2024, the Group redeemed a further £15m of Class B3 Notes. As at the reporting 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 was 5.3x allowing the Group to redeem £62m of the outstanding in B3 Notes on 14 May 2025. 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 19 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 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 19 for details.

After the Class B3 Notes the Group has no other debt maturing until the Class A8 Notes on 31 July 2027.

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 Company 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 the Group over 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 Company 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The financial statements are under the historical cost model and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

- IAS 1 paragraphs 10(d) and 10(f), (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',
- IFRS 7 'Financial Instruments Disclosures',
- IAS 8 paragraphs 30 and 31, (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective),
- IFRS 13 paragraphs 91 – 99 'Fair Value measurement',
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers',
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation),
- IFRS 3 "Business Combinations disclosures".

2.2 Critical accounting estimates and judgements

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

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 on-going basis.

The principal estimates and judgements that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue – Administration and arrangement fee (AAF)

Since June 2015, the Company has charged a separate fee, the AAF, to reflect its role in providing intermediary mediation services to consumer customers buying roadside assistance products. Management identified two performance obligations for the AAF. Firstly, arranging the policy, which is generally deemed to be complete on inception of the policy and the associated income is recognised upfront. The second performance obligation is that related to the on-going administration associated with the policy where the revenue is spread over the life of the policy. Management have exercised judgement in allocating revenue against these two performance obligations in proportion to the costs incurred. This has been based on historic analysis of related costs and timings of recognition and therefore involves a degree of estimation.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.2 Critical accounting estimates and judgements (continued)

Intangibles

The Company has significant software development programmes and there is judgement in relation to which programmes and costs to capitalise under IAS 38. Additionally, there is an estimate in respect of the future usage period of software on which the Company bases the useful economic life of related assets. A reduction in the useful economic life of software of one year would result in an increase in the amortisation charge of between 20% to 30% (see Note 8).

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:

Accident Assist revenue

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

Trade and intercompany receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime expected loss allowance to trade 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.

2.3 Material accounting policies

a) Software and development costs

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 Company are software and development costs. Software and development costs are amortised over 5 years.

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

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

Following initial recognition of the development expenditure as an asset, the cost model is applied. The asset is carried at cost less any accumulated amortisation and impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over its useful life.

Software-as-a-Service arrangements are service contracts providing the Company 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.3 Material accounting policies (continued)

b) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated 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 on a straight-line basis 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:

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.

c) Investments in joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are carried in the statement of financial position at cost, including direct acquisition costs, as adjusted by post-acquisition changes in the Company's share of the net assets less any impairment losses.

d) Revenue

Revenue is measured at the fair value of the consideration receivable less any discounts and excluding value added tax and other sales related taxes. Refunds issued for goods and services relating to the current year are netted against revenue.

Fees received under contracts with breakdown policyholders for arrangement and administration services are allocated against the related performance obligations in proportion to the costs incurred. The arrangement fees are recognised upfront and ongoing administration fees are recognised over the life of the policy. This stream is accounted for under IFRS 15.

Fees received for accident assist services are recognised net of the associated cost of recovery and repair as the Company does not control the services by third parties before they are transferred to the customer and so is considered to be acting as an agent in these transactions. This stream is accounted for under IFRS 15.

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

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

For all other 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.

All revenue arises from one class of business within the United Kingdom. Revenue by destination is not materially different from turnover by origin.

e) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are made on a discounted basis where the time value of money is expected to be material.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.3 Material accounting policies (continued)

f) 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 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.

g) Financial assets and liabilities

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.

Trade and other 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 Company applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance to trade receivables and loan receivables (as loans receivable are trading in nature).

Amounts due from Group undertakings have no repayment terms and bear no interest. They are classified as current, recognised at fair value and subsequently held at amortised cost. 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.

Trade payables

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

The Company has no financial assets or liabilities measured at fair value through other comprehensive income or fair value through profit and loss.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity less than three months.

i) Adjusting operating items

Adjusting operating items are events or transactions that fall within the operating activities of the Company 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.3 Material accounting policies (continued)

i) Adjusting operating items (continued)

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 Company performance and which, by virtue of their size or incidence, have been separately disclosed in the financial statements.

j) Share-based payments

The Company operates share-based payment incentive schemes for certain key management personnel the Company. Share-based payment arrangements in which the Company receives goods or services as consideration for the Group's equity instruments are accounted for as equity-settled share-based payment transactions. The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost (see Note 17), with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. 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.

k) Insurance aggregator fees

Insurance aggregator fees are the costs related to the acquisition of customers from insurance comparison websites. These costs are expensed to the income statement in full at the commencement of the insurance policy and presented in the income statement within cost of sales.

l) Investment in Group undertakings

Investments in Group undertakings are valued individually at the lower of cost less any provision for impairment or net realisable value. Income from investments is recognised in the income statement when it is receivable.

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.

m) 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 Company 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 Company's benefits. The Company does not take the short-term exemption over the accounting for lease extensions.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 OPERATING PROFIT

Operating profit is stated after charging:

	2025 £m	2024 £m
Amortisation and depreciation (Note 8,9,10)	18	10
Adjusting operating items (Note 4)	<u>3</u>	<u>5</u>

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2025 amounted to £0.4m (2024: £0.3m). No non-audit services were provided directly to Automobile Association Insurance Services Limited (2024: none).

4 ADJUSTING OPERATING ITEMS

	2025 £m	2024 £m
Strategic review projects	(1)	-
Recharge of Group adjusting operating costs	<u>(2)</u>	<u>(5)</u>
	<u>(3)</u>	<u>(5)</u>

Strategic review projects of £1m (2024: nil) relates to the re-platforming of an insurance sales and administration system.

5 EMPLOYEE COSTS

Employee costs during the year were as follows:

	2025 £m	2024 £m
Wages and salaries	51	49
Social security costs	5	5
Other pension costs	<u>4</u>	<u>4</u>
	<u>60</u>	<u>58</u>

Employee costs relate to those recharged from Automobile Association Developments Limited, a fellow Group company. The average number of employees directly employed during the year was nil (2024: nil).

Directors' remuneration

	2025 £m	2024 £m
Aggregate remuneration in respect of qualifying services	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>
The amounts paid in respect of the highest paid Director were as follows:		
Aggregate remuneration in respect of qualifying services	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

H Johal, D Rogers and J Connor are only Directors of the Company and are not a Director of any other company within the Basing ConsortiumCo group. The cost of their remuneration is borne by the Company. J A Park is a Director of fellow subsidiaries but was remunerated by the Company.

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 disclosure above.

No retirement benefits are accruing for any Director under a defined benefit scheme (2024: none) or under a money purchase scheme (2024: none).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 EMPLOYEE COSTS (continued)

Directors' remuneration (continued)

Two Directors exercised share options in the current year (2024: nil). The number of shares exercised was 722,544 (2024: nil).

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

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

6 FINANCE INCOME

	2025 £m	2024 £m
Interest income on available cash	1	-
	<u>1</u>	<u>-</u>

7 TAX

The major components of the income tax expense are:

	2025 £m	2024 £m
Current tax:		
- Current tax on income in the year	30	25
- Adjustments to tax charge in respect of prior years	-	-
	<u>30</u>	<u>25</u>
Deferred tax:		
- Origination and reversal of temporary differences	(1)	(1)
- Adjustments to tax charge in respect of prior years	-	-
	<u>(1)</u>	<u>(1)</u>
Total income tax expense	<u>29</u>	<u>24</u>

The current tax includes £23m (2024: £18m) in respect of payments for Group losses.

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

	2025 £m	2024 £m
Profit before tax	<u>115</u>	<u>102</u>
Tax at rate of 25% (2024: 24.03%)	29	25
Effects of:		
Other permanent differences	-	(1)
Income tax expense reported in the income statement	<u>29</u>	<u>24</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 TAX (continued)

Deferred tax

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2025 £m	2024 £m	2025 £m	2024 £m
Capital gains rolled over	-	-	-	(1)
Other short-term temporary differences	2	1	(1)	-
Deferred tax (credit)			(1)	(1)
Deferred tax assets	2	1		
			2025 £m	2024 £m
Deferred tax assets as at 1 February			1	-
Tax credit recognised in the income statement			1	1
Deferred tax assets at 31 January			2	1

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off deferred tax assets and deferred tax liabilities relating 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.

Pillar two

The Company 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 Company has not recognised a current tax expense related to the top-up tax (2024: £nil).

The Company 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.

8 INTANGIBLE ASSETS

	Software £m
Cost	
At 1 February 2024	77
Additions	16
Disposals	(4)
At 31 January 2025	89
Accumulated amortisation	
At 1 February 2024	(19)
Charge for year	(16)
Disposals	4
At 31 January 2025	(31)
Net book value	
At 31 January 2025	58
At 31 January 2024	58

Within software £6m (2024: £16m) relates to assets under construction that are not amortised. This includes nil (2024: £10m) relating to an insurance sales and administration policy platform.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 INTANGIBLE ASSETS (continued)

Software additions comprise £7m (2024: £6m) in relation to internally developed assets and £9m (2024: £21m) in respect of separately acquired assets.

Amortisation costs are included within administrative and marketing expenses in the income statement.

A decrease in the useful economic life of the software assets of one year would increase the associated amortisation charge by c.£4m (2024: c.£4m). An increase of one year would reduce the charge by c.£3m (2024: c.£2m).

9 PROPERTY, PLANT AND EQUIPMENT

	Equipment and vehicles £m
Cost	
At 1 February 2024	3
At 31 January 2025	3
Accumulated depreciation	
At 1 February 2024	(1)
Charge for the year	(1)
At 31 January 2025	(2)
Net book value	
At 31 January 2025	1
At 31 January 2024	2

10 RIGHT OF USE ASSETS

This note provides information for leases where the Company 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
Cost	
At 31 January 2024	3
At 31 January 2025	3
Accumulated amortisation	
At 31 January 2024	-
Charge for the year	(1)
At 31 January 2025	(1)
Net book value	
At 31 January 2025	2
At 31 January 2024	3

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 TRADE AND OTHER RECEIVABLES

	2025 £m	2024 £m
Current		
Trade receivables	38	36
Loan receivables	128	110
Amounts owed by Group undertakings	285	262
Prepayments	6	6
Contract assets	5	13
Other receivable	1	-
	<u>463</u>	<u>427</u>

Amounts owed by Group undertakings are unsecured, have no repayment terms and bear no interest.

Loan receivables relates to amounts due from insurance broking customers.

12 TRADE AND OTHER PAYABLES

	2025 £m	2024 £m
Current		
Trade payables	112	85
Amounts owed to Group undertakings	63	78
Accruals	12	7
Contract liabilities	35	28
Other taxation and social security	9	5
Other payables	1	1
	<u>232</u>	<u>204</u>

Included in trade payables are amounts of £104m (2024: £77m) relating to amounts due to underwriters external to the AA Limited group in respect of insurance broking activities.

Included in amounts owed to Group undertakings are amounts of £62m (2024: £60m) relating to amounts due to underwriters within the AA Limited group in respect of insurance broking activities. Amounts owed to Group undertakings are unsecured, have no repayment terms and bear no interest.

13 CALLED UP SHARE CAPITAL

	2025 £m	2024 £m
Allotted, called up and fully paid		
19,000,000 (2024: 19,000,000) ordinary shares of £1 each	<u>19</u>	<u>19</u>

During the year, a dividend of £70m (2024: £75m) was paid to the parent entity, AA Corporation Limited, at 368p (2024: 395p) per qualifying ordinary share.

The Directors propose the payment of a final dividend of £80m (2024: £70m).

14 INVESTMENT IN JOINT VENTURES

The carrying value of investment in joint venture undertakings is £nil (2024: £nil).

Joint venture

Name	Country	Nature
AA Law Limited (49% interest held) ¹	England and Wales, UK	Insurance services

¹ The Company exercises joint control with Lyons Davidson LLP over AA Law Limited through its equal representation on the Board. AA Law Limited has A and B ordinary shares.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

15 INVESTMENT IN SUBSIDIARIES

	Shares in subsidiary undertakings £m
Cost	
At 1 February 2024	-
Additions	10
At 31 January 2025	10

The carrying value of investment in subsidiary undertakings is £10m (2024: £nil).

On 1 February 2024, the Company completed the acquisition of Key Care Limited ("KeyCare"), a company incorporated in England and its subsidiary, Key Care Assistance Limited, incorporated in Ireland.

The Company obtained control through acquiring 100% of voting equity interest for cash consideration of £10m.

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 Company to expand its product base and increase its offerings for both business and consumer customers, enhancing its position in the market.

Key Care Limited ¹	England and Wales, UK / A	Ordinary
Key Care Assistance Limited	Ireland / B	Ordinary

¹ Directly owned by the Company; all other subsidiaries are indirectly held.

Registered office key

Registered office	Key
2-3 Quayside House, Quayside, Salts Mill Road, Shipley, West Yorkshire, BD18 3ST	A
77 Camden Street, Lower Dublin, 2 D02XE80	B

16 COMMITMENTS AND GUARANTEES

The Company has lease contracts for property. 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	-	1	-	-
Between one and five years	2	2	2	2
After five years	1	1	1	2
Total minimum lease payments	3	4	3	4
Less amounts representing finance charge	-	(1)	-	(1)
Present value of minimum lease payments	3	3	3	3

Where a property is no longer used by the Company for operational purposes, tenants are sought to reduce the Company's exposure to lease payments. 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 COMMITMENTS AND GUARANTEES (continued)

Capital commitments

At the year end, the Company had capital commitments of £1m: £1m intangible assets and £nil of fixed assets (2024: £1m: £1m intangible assets and £nil of fixed assets).

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).

The covenants governing the bank loans and bond debt of the AA Intermediate Co Limited group place restrictions on the Group's ability to distribute cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts. We do not anticipate the bank loans or bond debt being called upon in the 12 months after the signing of these financial statements.

17 SHARE BASED PAYMENTS

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 Company this scheme is accounted for as equity-settled because AA Limited bears the ultimate liability for the reward. Where the participants directly benefit the Company, the share-based payment charge has been accounted for within the Company.

The vesting charge for the current year is £nil (2024: £nil) and is presented as a cash-settled share-based payments expense.

Management Equity Plan 1 (MEP1)

Basing TopCo (an indirect parent of the Company) 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 Automobile Association Insurance Services Limited, the share-based payment charge has been accounted for within the Company. The charge for the year ended 31 January 2025 was £nil (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 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

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 SHARE BASED PAYMENTS (continued)

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 Company, the share-based payment charge has been accounted for within the Company. The charge for the year ended 31 January 2025 was £nil (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

18 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA Corporation Limited, a Company registered in England and Wales, UK.

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

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

19 EVENTS AFTER THE REPORTING PERIOD

Liquidity, Senior Term and Working Capital Facilities

On 10 February 2025, the AA Limited group ("Group") renewed its £200m Liquidity Facility with an effective date of 5 March 2025. The facility remains undrawn.

On 18 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.

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.

B3 redemption

On 14 May 2025, the Group redeemed a further £62m of Class B3 Notes at par.

Final dividend

On 14 May 2025 the Directors approved the payment of a final dividend of £80m to parent company AA Corporation Limited in respect of FY25.