

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2026

Registered number: 01878835

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2026

The Directors submit the Strategic Report together with their Director's Report and the annual report and audited financial statements of Automobile Association Developments Limited ("the Company") for the year ended 31 January 2026.

PRINCIPAL ACTIVITIES AND REVIEW OF COMPANY'S BUSINESS

The Company is a wholly owned subsidiary of AA Corporation Limited. The principal activities of the Company are the provision of roadside assistance and the management of The AA's driving instructor franchise operations.

In the current year, the Company has shown a resilient performance despite prolonged macroeconomic pressures, with revenue and several key KPIs showing improvement. For further details on non-financial KPIs, please refer to pages 11 to 12 of the AA Limited Annual Report and Accounts 2026.

ROADSIDE

Roadside includes Business-to-consumer (B2C), Business-to-business (B2B) and Roadside Other, which mainly includes driving school business and revenue from warranties and inspections. Roadside performance is driven by our personal membership base and supported by our business customer base, underpinning the scale of our operations which is critical to our success. Our fleet attended 3.5m breakdowns in FY26, broadly in-line with the prior year.

For decision making and internal performance management, management's key performance metrics are revenue, Adjusted and Reported EBITDA, holdings and average income per holding. The metrics relating to holdings are monitored on a Group basis only.

	2026	2025
Revenue (£m)	795	765
Adjusted EBITDA ¹ (£m)	120	115
Adjusted EBITDA margin	15%	15%
Reported EBITDA ² (£m)	94	92
Reported EBITDA margin	12%	12%
Paid personal holdings excluding free memberships (000s) ³	3,332	3,298
Average income per paid personal holding excluding free memberships (£) ³	214	214 ⁴
Business holdings (000s) ³	11,122	11,323
Average income per Business holding (£) ³	26	25
Number of breakdowns ('000s) ³	3,498	3,499

¹ Adjusted EBITDA is defined as profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation of intangible assets, amortisation of insurance acquisition cash flows, adjusting operating items, share-based payments, pension adjustments, impairment of property, plant and equipment, impairment of intangible assets, impairment of investments, net finance costs and tax expense.

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

³ These are the AA Limited group-level KPIs used by the Company board to monitor performance, and therefore include income elements recognised in other subsidiaries in the Group.

⁴ Restated following a review of management information. Previously reported as £218.

The Roadside business delivered significant top line growth with revenue up 4% from £765m to £795m, driven by strong performance in our B2B division, growth in our Driving School and SMR businesses and improved B2C add-on sales. Adjusted EBITDA and Reported EBITDA margins remained level with FY25, reflecting disciplined cost control in the face of ongoing inflationary cost pressures.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

PRINCIPAL ACTIVITIES AND REVIEW OF COMPANY'S BUSINESS (continued)

Reconciliation of Adjusted and Reported EBITDA to Operating (Loss)/Profit

A reconciliation to Operating (loss)/profit as presented in the income statement is shown below.

	2026	2025
	£m	£m
Adjusted EBITDA	120	115
Amortisation of insurance acquisition cash flows	(26)	(23)
Reported EBITDA	94	92
Fulfilment finance costs (included within operating (loss)/profit)	(1)	(1)
Share-based payments	(8)	(2)
Pension adjustment	(6)	(6)
Amortisation and depreciation	(73)	(66)
Adjusting operating items	(14)	(3)
Operating (loss)/profit	(8)	14

Roadside Business to Consumer and Business to Business

In our Roadside business, we delivered growth in revenue, Adjusted and Reported EBITDA while maintaining Adjusted and Reported EBITDA margins. Paid membership holdings grew 1% to 3,332k (2025: 3,298k), underlining The AA's competitive strength in a mature and dynamic market. Customers are also responding well to new products such as a tyres add on, with around 1 in 4 customers now having at least one add-on.

In B2B, one client loss drove a decline in holdings at year end, however healthy organic growth in existing contracts and multiple new wins during the year helped offset year end holdings loss to -2%. Across the year, we have focussed on our greater share of wallet strategy, strengthening relationships by providing products to serve a wide range of aftersales needs beyond breakdown to our top B2B clients, for example quadrupling non-breakdown revenue from FY24 to FY26 with our OEM clients. A great example is our partnership with Volkswagen Group, where we have been a roadside assistance partner since 2014 and this year extended the relationship to include our onward mobility solution across their brand portfolio.

Developing business

Despite a challenging environment, with an ongoing backlog of new instructors seeking accreditation, Driving Schools continues to deliver positively for the Company. Overall franchise holdings increased by 6% to 3,559 instructors (2025: 3,358) and the average franchise fee rose by 7%.

We continue to develop our service, maintenance and repair offer with the expansion of our mobile mechanics proposition, tripling our mobile mechanics with job volumes increasing as customer awareness and understanding of the service continues to build. We see Mobile Mechanics as a natural extension of The AA's established roadside capability, leveraging our technical expertise, digital platform and unmatched patrols infrastructure.

Pension

The net pension deficit has increased by £1m at 31 January 2026 to £126m (2025: £125m) driven primarily by movements in the UK scheme. Employer contributions of £25m were offset by operating costs of £6m, net interest expense of £5m and net movements through other comprehensive income of £15m.

The net loss through other comprehensive income represents a £20m net gain on assets and liabilities from changing financial and demographic assumptions, set against a £35m loss on experience, driven by updated data from the 31 March 2025 triennial valuation and changing long-term inflationary assumptions. See Note 24 for details.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

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 Company'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 the 2026 financial year.

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 Group" or "The AA"), the ultimate parent of which was Basing ConsortiumCo Limited during the 2026 financial year. Decisions, policies and procedures that may affect stakeholders were implemented at 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 AA Limited and Basing ConsortiumCo Limited groups.

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, the opposition and regulators, industry (including the supply chain), investors and customers.

Board considerations

The Board considers how the Company currently engages with each of the key stakeholders listed above, as well as its future engagement strategy. This ensures 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 2026.

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. 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.

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 48 to 50 of the AA Limited Annual Report and Accounts 2026.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

RISK MANAGEMENT FRAMEWORK (continued)

Risk Governance

The AA operates a three lines of defence model to ensure that its risks and opportunities are identified, assessed, monitored and managed in line with its agreed risk appetite:

- 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;
- 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 four times per year, with additional meetings convened by the Chair as required.

Executive Risk Governance evolved in FY26, in line with industry best practice, to move from a single Risk and Compliance Committee to form an Executive Risk Committee and a Group Conduct and Compliance Committee:

The Executive Risk Committee ("ERC") is chaired by the Chief Risk Officer, and its membership comprises the Group Executive Committee, including the Chief Executive Officer. The role of the ERC 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.

The Group Conduct and Compliance Committee ("GCCC") has been established in 2025 and is chaired by the Chief Risk Officer. The role of the GCCC is to review and challenge where appropriate, whether the group businesses are meeting their regulatory obligations generally, and acting to deliver consistently good customer outcomes in line with the FCA Principles for Business ("PRIN"), and PRIN 12 specifically relating to Consumer Duty. It provides oversight and challenge of the business' performance against the FCA's four Consumer Duty outcomes (Products and Services, Price and Value, Consumer understanding and Consumer Support), and the associated cross-cutting rules, as well as the firm's adherence to the standards required under PROD 4 of the FCA's Product Intervention and Product Governance Sourcebook.

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 is comprised of the five pillars set out below.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

RISK MANAGEMENT FRAMEWORK (continued)

Risk and control 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.

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 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 Risks 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

The risk that the AA fails to ensure fair treatment and deliver good customer outcomes.

Risk trend



Potential impact

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

Mitigation

We continually review and adapt our products and services to ensure we deliver consistently good outcomes. We have strengthened governance to monitor the delivery of good customer outcomes and fair treatment.

The FCA Consumer Duty is 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

RISK MANAGEMENT FRAMEWORK (continued)

Principal Risks and Opportunities (continued)

People risk

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

Risk trend



Potential impact

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 our future growth. We invest in developing talent at all levels of the organisation and creating a culture where our people thrive and grow. We continuously review our Employee Value Proposition (“EVP”) to ensure we adapt and respond to a changing environment, enabling us continuously to attract and retain the best talent.

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 business critical data by the AA and AA’s data processors.

Risk trend



Potential impact

Cyber-attacks remain a persistent threat to the AA and key third parties and could disrupt critical services, degrade operational capability, and compromise confidentiality, integrity and availability of business-critical data. The external threat environment continues to evolve (including ransomware and state-aligned activity). However, our current control posture and ongoing investment mean the assessed risk trend remains stable for FY26.

Mitigation

We operate a clearly defined cyber security strategy and continue targeted investment to strengthen preventive, detective, and recovery controls. We benchmark our control environment against recognised standards (including NIST CSF and ISO 27001) and track benchmarking outcomes year-on-year (e.g., maturity/coverage scores, audit findings closure rates, and control effectiveness measures) to evidence improvement and identify residual gaps. An independent third party performs an annual review to provide assurance that controls remain effective and that remediation actions are prioritised and delivered to plan.

Health and Safety risk *Potential impact*

The risk of failing to maintain the health, safety and wellbeing of our customers, colleagues, contractors, suppliers and third parties

Risk trend



Vehicles breaking down at the roadside is inherently dangerous – maintaining a safe environment for our members and for our workforce is of utmost importance to our business.

Mitigation

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.

The team drives internal and industry standards. We are active members of PROTECT, the industry group working towards improving safety for those working at the roadside.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

RISK MANAGEMENT FRAMEWORK (continued)

Principal Risks and Opportunities (continued)

Technology risk

The risk of failure of business systems, applications and infrastructure which affect the business's ability to function. Technology risk is included this year because of its materiality to the Company's risk profile; its inclusion reflects the significance of the risk to the business rather than a change in the underlying risk trend compared with FY25.

Risk trend



Potential impact

Our technology platforms underpin service delivery to members and insurance customers. A significant system outage or infrastructure failure could disrupt operations, impact customer service, lead to financial loss, regulatory scrutiny and reputational damage. Increasing reliance on technology and third-party hosted solutions heightens this risk.

Mitigation

We continue to invest in strengthening and modernising our technology estate to improve resilience and performance. Key systems are supported by monitoring, redundancy, disaster recovery and business continuity arrangements, which are regularly tested. Technology performance and risks are overseen through formal governance and reported to senior management and the Board.

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.

Risk trend



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 changed through FY26, with inflation trending downward over the year, albeit with underlying price pressures persisting across most cost categories. The risk has increased at the start of FY27 with the ongoing conflict in Iran expected to raise inflation, altering consumer behaviour and spending habits, which could negatively impact B2C growth and retention. Rising inflation would also negatively impact unhedged costs for the Group and increase the price at which it can refinance its debt. 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 inflation.

Intercompany credit risk

The Company is exposed to credit risk in relation to the intercompany balance due from a fellow subsidiary undertaking.

Risk trend



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. The credit risk for the Company from external counterparties for instalment loan receivables is limited as amounts due from customers are individually immaterial, and the Company performs credit-worthiness checks before allowing customers to pay by instalment.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 JANUARY 2026

RISK MANAGEMENT FRAMEWORK (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 delivering long-term value to its 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 and geopolitical environment
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>Artificial intelligence (AI) and technological change</p> <p>Category: Technology</p>	<p>Description Artificial intelligence and other emerging technologies are evolving rapidly and are reshaping the competitive landscape in the sectors where we operate.</p>	<p>Potential impact Faster adoption of AI across our markets may increase competitive pressure, raise customer expectations and shorten product innovation cycles. AI also introduces risks related to data protection and governance, third party dependency, model risk management (including performance, bias and explainability), regulatory compliance, and cyber security. If not effectively managed, these risks could adversely affect operational performance, customer outcomes, reputation and financial results.</p> <p>Mitigation Over the past 12 months we have moved from targeted trials to controlled, broader deployment of AI in priority business areas to improve efficiency and customer experience. We have strengthened governance through clear AI usage principles, defined oversight and accountability, use case approval and risk assessment, and colleague training. We continue to invest in secure architecture, monitoring and incident response, and third-party due diligence to support responsible adoption.</p>
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AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

RISK MANAGEMENT FRAMEWORK (continued)

Emerging Risks (continued)

Global geopolitical instability Category: Economic	Description Geopolitical uncertainty remains high due to major policy shifts following global government policy changes, conflicts and ongoing disruption in major global economies, which may contribute to fuel supply disruption and pricing volatility.	Potential impact This risk could lead to increased costs for our business, disruption in our supply chains, reduced fuel availability, fuel price volatility 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 like transport fuel that could be adversely impacted by geopolitical risk.
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Electric vehicles (EVs) across the driving lifecycle Category: Technology	Description The continued growth in EV adoption, supported by the Government's Zero Emissions Vehicle (ZEV) Mandate, is reshaping the vehicle parc across the UK. Alongside record new EV sales, we are now seeing an increasing number of older EVs in circulation, changing the profile of breakdowns and service requirements.	Potential impact The evolving EV parc may alter types of breakdowns (although tyres and 12v battery faults are common across EV and ICE vehicles), repair and towing complexity, creating different operational pressures. As vehicle technology advances, customer expectations and technical requirements will continue to evolve across roadside, repair and insurance services. Mitigation We continue to invest in specialist EV training for our patrol and frontline colleagues to build technical capability and maintain safe working practices. We actively monitor EV-related trends and share insights across the Group to inform product and operational planning. We also engage with industry stakeholders and manufacturers and are progressively introducing EVs into our own fleet in line with our Net Zero ambitions.
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Climate-related risks

The AA recognises that climate change may give rise to transition and physical risks, as well as opportunities, for our business. Climate-related risks and opportunities are identified and assessed as part of our broader risk management framework and are monitored and managed in line with our risk appetite. Our full climate-related financial disclosures, including our scenario analysis, are set out on pages 28 to 33 of the AA Limited Annual Report and Accounts 2026.

ON BEHALF OF THE BOARD



T O MACKAY

DIRECTOR

28 May 2026

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

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2026

DIRECTORS

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

J Pfaudler

D C Keeling

T O Mackay

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 2026 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 Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Financial Statements 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 UK-adopted international accounting standards.

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 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, 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 DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

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.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Information about the Company's corporate governance arrangements, and how these are applied within the wider AA group, can be found on pages 48 to 50 of AA Limited's Annual Report and Accounts 2026.

EMPLOYEE ENGAGEMENT

The Board recognises that colleagues are central to delivering customer outcomes and sustaining long term performance. The Board receives regular insight into colleague engagement and culture through surveys and other feedback channels, and it expects management to respond to emerging themes with targeted actions and measurable follow up.

During the year, Directors also undertook frontline engagement, including participation in a "patrol day". This provides first hand insight into the lived experience of patrol colleagues and customers, strengthens the Board's understanding of operational realities, and supports more effective challenge and decision making.

Communication and alignment 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 37 of AA Limited's Annual Report and Accounts 2026.

The latest employee engagement survey, held in December 2025, had an employee engagement score of 78%, 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 pages 38 to 39 of AA Limited's Annual Report and Accounts 2026.

EMPLOYEES WITH DISABILITIES

The AA continues to actively support employees with disabilities. The Group aims to provide an inclusive working environment and to support colleagues through appropriate arrangements and reasonable adjustments where required.

A key part of the Group's approach to supporting colleagues with disabilities is the Ability network, which provides a forum for colleagues to share experiences, highlight barriers and promote practical improvements. During the year, the network helped shape support for neurodiverse colleagues and for parents and carers of neurodiverse children, helping to raise understanding of different needs and to signpost sources of support available across the business.

The network also used internal communications and events to build awareness of disability and accessibility. For example, roadside patrol colleagues participated in a sign language event, which was well received and reinforced the importance of inclusive communication across the organisation.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2026

GOING CONCERN

The Company's business activities 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 9.

The Company has adequate financial resources due to its net current asset position (2026: £517m, 2025: £595m). Automobile Association Developments 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 £2,011m (2025: £2,069m).

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. In February 2025, the Group renewed its £200m Liquidity Facility. The facility is only available to fund shortfalls in interest payments on debt facilities which can't otherwise be paid by the Group and remains undrawn at the reporting date.

In March 2025 the Group successfully refinanced £165m held under Senior Term Facilities due to mature in March 2026, entering into a new £95m Senior Term Facility and a new £70m fixed rate Private Placement, both with maturity dates in March 2030. The Group also repaid the remaining £110m of Class B3 Notes held at 31 January 2025, which had a maturity date of 31 January 2026, using cash held by the Group.

In November 2025 the Group issued £375m of Class A13 Notes, which were used to successfully refinance the £325m of Class A8 Notes maturing in 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 Group has no other debt maturing until the £400m of Class A11 Notes on 31 January 2028.

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

The Company paid dividends in the year of £131m (2025: £141m) and the Directors do not propose the payment of a final dividend (2025: £nil).

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.

ON BEHALF OF THE BOARD



T O MACKAY

DIRECTOR

28 May 2026

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

Independent auditors' report to the members of Automobile Association Developments Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 January 2026 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2026;
- the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows 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, as applicable to other entities of public interest and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment for the Company.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

- We checked the consistency of the board-approved cash flows for the next 12 months used in the going concern assessment with trading performance of the wider Group over the last financial year and in the period since. We performed arithmetic testing over the cash flow model to ensure that this is appropriate and completed a lookback test to consider the previous forecasting inaccuracies for the Group. We obtained and tested the Directors' sensitivity calculations based on these cash flows. We challenged the cash flows these sensitivity calculations were based on and agreed with the Directors' conclusion. We found the key cash flow assumptions to be consistent with recent trading experience.
- We undertook procedures to ensure the Company is part of the AA Intermediate Co Limited debt security group.
- We vouched the cash on hand and available facilities in the Directors' going concern assessment to our year end audit work and gave due consideration to the Group's loan note maturity dates.
- We read the Going concern disclosure in note 1 and validated this accurately describes the Directors' considerations in this area.

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.

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 on, 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 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

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 2026 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 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 the Companies Act 2006 and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 profit 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.
- 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

- Reviewing the disclosures in the Annual Report and Financial Statements against the specific legal requirements, for example within the Directors' Report.

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

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
- the company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.



Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
28 May 2026

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2026

		2026	2025
	Note	£m	£m
Insurance revenue	19	399	396
Other revenue		396	369
Total income	2	795	765
Insurance service expenses	19	(178)	(170)
Other operating expenses		(625)	(581)
Operating (loss)/profit	3	(8)	14
Income from shares in Group companies	6	50	50
Finance income	7	34	35
Finance costs	8	(10)	(11)
Profit before tax		66	88
Tax expense	9	(7)	(9)
Profit for the year		59	79

All results are derived from continuing operations.

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

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2026

		2026	2025
	Note	£m	£m
Profit for the financial year		59	79
Other comprehensive (expense)/income on items that will not be reclassified to the income statement in subsequent years			
Remeasurement (losses)/gains on defined benefit schemes	24	(15)	24
Tax effect	9	4	(6)
		(11)	18
Total other comprehensive (expense)/income		(11)	18
Total comprehensive income for the year		48	97

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

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2026

	Note	2026 £m	2025 £m
Assets			
Cash and cash equivalents	16	114	111
Trade and other receivables within 1 year	15	112	97
Amounts owed by other Group undertakings	17	611	1,514
Current tax receivable		33	26
Inventories	14	4	4
Trade and other receivables after 1 year	15	2	2
Deferred tax assets	9	3	1
Investments in joint ventures and associates	10	1	1
Investments in subsidiaries	10	502	502
Right-of-use assets	13	122	108
Property, plant and equipment	12	17	22
Goodwill and other intangible assets	11	42	37
Total assets		1,563	2,425
Liabilities			
Insurance contract liabilities	19	(71)	(82)
Trade and other payables	18	(181)	(130)
Amounts due to other Group undertakings	17	(58)	(906)
Lease liabilities due within 1 year	23	(39)	(33)
Provisions due within 1 year	21	(10)	(6)
Lease liabilities due after 1 year	23	(80)	(69)
Derivative financial instruments after 1 year	20	(1)	(1)
Provisions due after 1 year	21	(15)	(16)
Defined benefit pension scheme net liability	24	(126)	(125)
Total liabilities		(581)	(1,368)
Net assets		982	1,057
Equity			
Share capital	22	-	-
Cash flow hedge reserve		(1)	(1)
Retained earnings		983	1,058
Total equity		982	1,057

These financial statements were approved by the board of Directors on 28 May 2026 and signed on its behalf by:



T O Mackay
DIRECTOR

Registered number: 01878835

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

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2026

	Note	Share capital £m	Cashflow hedge reserve £m	Retained earnings £m	Total equity £m
At 1 February 2024		-	(1)	1,100	1,099
Profit for the year		-	-	79	79
Remeasurement gains on defined benefit schemes		-	-	24	24
Tax effect		-	-	(6)	(6)
Total comprehensive income		-	-	97	97
Dividends		-	-	(141)	(141)
Equity-settled share-based payments	28	-	-	2	2
At 31 January 2025		-	(1)	1,058	1,057
Profit for the year		-	-	59	59
Remeasurement losses on defined benefit schemes		-	-	(15)	(15)
Tax effect		-	-	4	4
Total comprehensive income		-	-	48	48
Dividends		-	-	(131)	(131)
Equity-settled share-based payments	28	-	-	8	8
At 31 January 2026		-	(1)	983	982

The dividend per share paid to the parent company, AA Corporation Limited was £1,310 (2025: £1,410).

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

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2026

	Note(s)	2026 £m	2025 £m
Profit before tax		66	88
Amortisation and depreciation	11,12,13	73	66
Net finance income	7,8	(23)	(23)
Other adjustments to profit before tax		12	-
Difference between pension charge and cash contributions		(19)	(23)
Working capital and provisions:			
Increase in trade and other receivables		(15)	(6)
Increase in trade and other payables		107	99
Increase in provisions		3	9
Decrease in insurance contract liabilities		(11)	(3)
Total working capital and provisions adjustments		84	99
Net cash flows generated from operating activities before tax		193	207
Tax paid		(12)	(3)
Net cash flows generated from operating activities		181	204
Investing activities			
Capital expenditure		(24)	(18)
Proceeds from sale of fixed assets		-	7
Investments in joint ventures	10	(2)	(1)
Interest received		34	35
Net cash flows generated from investing activities		8	23
Financing activities			
Lease capital repayments		(49)	(47)
Payment of lease interest		(6)	(4)
Dividends paid		(131)	(141)
Net cash flows used in financing activities		(186)	(192)
Net increase in cash and cash equivalents		3	35
Cash and cash equivalents at 1 February		111	76
Cash and cash equivalents at 31 January	16	114	111

Other adjustments to profit before tax of £12m (2025: £nil) includes a share-based payment charge of £8m (2025: £2m), and impairment of investment in joint ventures of £2m (2025: £1m) and a loss on disposal of fixed assets of £2m (2025 profit: £4m). The prior year figure also included impairment of intangible assets of £1m.

Non-cash investing activities include the acquisition of right-of-use assets (see Note 13).

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

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1.1 Presentation of financial statements

Automobile Association Developments 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 £million.

1.2 Basis of preparation

The Company 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 financial statements have been prepared under the historic cost convention as modified by the measurement of derivatives at fair value.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of AA Limited, which prepares consolidated financial statements which are publicly available.

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

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

b) 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 Company financial years beginning after 1 February 2026 but have not been applied by the Company in these Financial Statements. These are set out below (effective dates are UK effective dates for periods beginning on or after this date).

- Annual Improvements to IFRS Accounting Standards – Amendments to:
 - i) IFRS 9 Financial Instruments (effective date 1 January 2026); and
 - ii) 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 Company.

c) Going concern

The Company's business activities 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 9.

The Company has adequate financial resources due to its net current asset position (2026: £517m, 2025: £595m). Automobile Association Developments 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 £2,011m (2025: £2,069m).

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. In February 2025, the Group renewed its £200m Liquidity Facility. The facility is only available to fund shortfalls in interest payments on debt facilities which can't otherwise be paid by the Group and remains undrawn at the reporting date.

In March 2025 the Group successfully refinanced £165m held under Senior Term Facilities due to mature in March 2026, entering into a new £95m Senior Term Facility and a new £70m fixed rate Private Placement, both with maturity dates in March 2030. The Group also repaid the remaining £110m of Class B3 Notes held at 31 January 2025, which had a maturity date of 31 January 2026, using cash held by the Group.

In November 2025 the Group issued £375m of Class A13 Notes, which were used to successfully refinance the £325m of Class A8 Notes maturing in 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 DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.2 Basis of preparation (continued)

c) Going concern (continued)

The Group has no other debt maturing until the £400m of Class A11 Notes on 31 January 2028.

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.

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) Insurance contracts

Classification

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

The Company has identified two portfolios for insurance contracts written by the Group, being Roadside B2C and Roadside B2B. Each portfolio is disaggregated into the following groups of contracts:

- Contracts that are onerous at initial recognition;
- 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 Company are outside of the scope of IFRS 17.

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

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

The Company 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 Company 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 Company provides a significant service of integrating the service with the insurance component.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.3 Material Accounting policies (continued)

a) Insurance contracts (continued)

Measurement

All of the Company'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 Company 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

If at any time before, or during coverage, facts and circumstances indicate that a group of contracts is onerous, then the Company will increase the liability for remaining coverage by including a loss component, with the loss being recognised in the income statement. The loss component is then amortised to net income over the coverage period to offset incurred claims in insurance service expense.

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.

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

Derecognition and contract modification

The Company derecognises a contract when it is extinguished – i.e., when the specified obligations in the contract expire or are discharged or cancelled. The Company 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.

b) Insurance revenue

As the Company 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 Company 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.3 Material Accounting policies (continued)

c) 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 Company is liable for risk cover as the relevant performance obligations are settled over time, with the Company acting as principal.

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.

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.

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 Company are customer relationships, reacquired rights, 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 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 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.

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 less any subsequent accumulated depreciation and impairment losses.

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 by equal instalments over their useful economic lives.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.3 Material Accounting policies (continued)

f) Property, plant and equipment (continued)

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) Investments in Group undertakings, joint ventures and associates

Investments 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.

An associate is an entity over which the Company 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.

h) Impairment of non-financial assets

The carrying amounts of the Company'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.

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.

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 consolidated 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.

i) 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.3 Material Accounting policies (continued)

i) Leases (continued)

Measurement of right-of-use assets (continued)

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.

j) Inventories

Inventories are stated at the lower of cost or 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.

k) 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 currencies other than the functional currency are recorded at the 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.

l) 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.3 Material Accounting policies (continued)

m) Provisions and contingent liabilities

A provision is required when the Company 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 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 Company 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.

n) Retirement benefit obligation

The Company'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 Company 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 Company'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 Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in other operating 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 Company, 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.

o) 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.

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 Company 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.3 Material Accounting policies (continued)

o) Financial instruments (continued)

Equity instruments (share capital issued by the Company)

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

Derivative financial instruments

The Company is exposed to the financial risk of changes in fuel costs. The Company uses 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.

p) 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 28), 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.

q) 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.

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.

r) 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 ongoing basis.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

1.3 Material Accounting policies (continued)

r) Critical accounting estimates and judgements (continued)

The 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 are discussed below:

Retirement benefit obligation

The Company's retirement benefit obligation, which is actuarially assessed each period, is based on key assumptions including return on plan assets, discount 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.

Brand investment

The value of the Company's investment in AA Brand Management Limited ("Brand Management") is supported by cash inflows relating to an agreement whereby Brand Management licenses the use of The AA brand to the Company and in return receives annual royalty payments (for further details of this arrangement, please see Note 25). The agreement expires in 2038, however in assessing the value in use of Brand Management, the Directors expect that the agreement will be renewed on expiry, and therefore have assumed that these cash inflows will continue in perpetuity.

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:

Intangibles

The Company 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 Company 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 11).

Share-based payments

The Company has issued share-based payment awards to employees during the year 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 Company 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 as 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 Company's external advisers on the rate of interest that the Company 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.

Trade and intercompany receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SEGMENTAL INFORMATION AND REVENUE DISAGGREGATION

All Company activities relate to one segment in the Group, Roadside, which includes the provision of breakdown cover and the management of The AA's driving instructor franchise operations. All income originates in the UK.

Disaggregation of revenue:

	2026	2025
	£m	£m
Roadside business division		
Consumer (B2C)	450	448
Business Services (B2B)	302	279
Roadside other	43	38
Total	795	765

Roadside B2C and B2B mostly consists of revenue from roadside membership subscriptions. Roadside other primarily relates to the driving school business and revenue from warranties and inspections.

	2026	2025
	£m	£m
Reconciliation of insurance and other revenue by segment:		
Consumer (B2C)	374	373
Business Services (B2B)	25	23
Insurance revenue	399	396
Consumer (B2C)	76	75
Business Services (B2B)	277	256
Roadside Other	43	38
Other revenue	396	369
Total revenue	795	765

3 OPERATING (LOSS)/PROFIT

	2026	2025
	£m	£m
Operating profit is stated after charging:		
Amortisation of owned intangible assets (Note 11)	14	15
Depreciation of owned tangible fixed assets (Note 12)	9	9
Depreciation of right-of-use assets (Note 13)	50	42
Amortisation of acquisition costs (Note 19)	26	23
Share-based payments (Note 28)	8	2
Pension adjustments (Note 24)	6	6
Adjusting operating items (Note 4)	14	3
Brand royalty payment (Note 25)	96	91
Corporate recharge (Note 29)	107	96

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2026 amounted to £698k (2025: £681k). The Company's auditors provided no services to the Company other than the annual audit during either the current or prior year.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

4 ADJUSTING OPERATING ITEMS

	2026	2025
	£m	£m
Recharge of Group adjusting operating costs	3	5
Impairment of investment in associates and joint ventures	2	1
Impairment in Intangibles	-	1
Loss/(Profit) on disposal	2	(4)
Investment in research project	3	-
Regulatory penalty	4	-
	14	3

Adjusting operating items in the year ended 31 January 2026 comprised £3m (2025: £5m) recharges of Group adjusting operating costs, £2m (2025: £1m) of impairment in investments in joint ventures (see Note 10), £3m (2025: £nil) investment in research projects relating to our new SMR offering, £2m loss on disposals (2025: £4m profit). The prior year figure also included £1m impairment of intangibles.

£4m has been provided for the full and final settlement of the CMA investigation in relation to the display of AA Driving School and BSM booking fees (2025: £nil).

5 EMPLOYEE COSTS

Employee costs during the year were as follows:

	2026	2025
	£m	£m
Wages and salaries	213	201
Social security costs	27	22
Other pension costs	25	23
Share-based payments	8	2
	273	248

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

	2026	2025
Operational	5,413	5,550
Management and administration	1,363	1,357
	6,776	6,907

Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the AA Limited group. Key management personnel consist of the Chief Executive Officer, Chief Financial Officer and the Group Executive Committee. These personnel are remunerated by the Company.

The Directors do not believe that it is practicable to apportion the remuneration of key management personnel between subsidiaries of the ultimate parent undertaking. Therefore, their full remuneration has been reflected in the disclosure below. The amounts recognised as an expense during the financial year across the AA Limited group in respect of key management personnel are as follows:

	2026	2025
	£m	£m
Short-term employee benefits	7	7
Share-based payments	2	1
Total compensation paid to key management personnel	9	8

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

5 EMPLOYEE COSTS (continued)

Directors' remuneration

	2026	2025
	£m	£m
Aggregate remuneration in respect of qualifying services	3	3
Share-based payments	1	1
	<u>4</u>	<u>4</u>

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

Aggregate remuneration in respect of qualifying services	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

All Directors of the Company were also Directors of fellow subsidiaries of the ultimate parent undertaking (Basing ConsortiumCo Limited). These Directors are remunerated by the Company. 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 fellow subsidiaries of the ultimate parent undertaking. Therefore, their full remuneration has been reflected in the disclosure above.

Retirement benefits are accruing for no Directors under a defined benefit scheme (2025: none) and no Directors under a money purchase scheme (2025: none). There was £nil compensation to Directors for loss of office in the year (2025: £nil).

No Directors exercised share options in the current year (2025: Three). The number of shares exercised was nil (2025: 2,985,438).

£nil has been received by Directors under long-term incentive schemes in respect of qualifying services in the current year (2025: £5m).

Two Directors have received shares in respect of qualifying services under long-term incentive schemes in the current year (2025: Three).

6 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2026	2025
	£m	£m
Dividends from subsidiary undertakings	50	50
	<u>50</u>	<u>50</u>

7 FINANCE INCOME

	2026	2025
	£m	£m
Interest income on bank deposits	6	7
Finance income in respect of ABF scheme (see Note 25)	13	12
Return on investment in AA Pension Funding LP Limited (see Note 25)	15	16
	<u>34</u>	<u>35</u>

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

8 FINANCE COSTS

	2026 £m	2025 £m
Finance charges payable on lease liabilities	5	4
Net finance expense on defined benefit pension schemes (Note 24)	5	7
Total other finance costs	10	11
Fulfilment interest costs (included in insurance service expenses)	1	1
Total finance costs	11	12

9 TAX

The income tax expense is made up as follows:

	2026 £m	2025 £m
Current tax:		
- UK Corporation Tax at 25.00% (2025: 25%)	4	5
- Group relief payable	2	7
- Adjustments in respect of prior periods	(1)	-
Total current tax charge	5	12
Deferred tax:		
- Origination and reversal of temporary differences	-	(3)
- Adjustments in respect of prior periods	2	-
Total deferred tax charge/(credit)	2	(3)
Total income tax charge on ordinary activities	7	9

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

	2026 £m	2025 £m
Profit before tax	66	88
Tax at rate of 25.00% (2025: 25%)	17	22
Effects of:		
- Adjustments in respect of prior periods	1	-
- Share based payments	1	-
- Non-taxable dividend income	(13)	(12)
- Reversal of deferred gains not taxable	-	(2)
- Other permanent differences	1	1
Income tax expense reported in the income statement at effective rate of 10.6% (2025: 10.2%)	7	9

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2026 £m	2025 £m	2026 £m	2025 £m
Fixed asset temporary differences	6	6	-	(1)
Pensions	(8)	(10)	2	2
Capital gains rolled over	-	-	-	(2)
Share based payments	3	2	(1)	(1)
Other short-term temporary differences	2	3	1	(1)
Deferred tax expense/(credit)	3	1	2	(3)
Deferred tax assets	3	1		

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TAX (continued)

	2026	2025
	£m	£m
Deferred tax assets as at 1 February	1	4
(Charge)/Credit to the income statement	(2)	3
Credit/(Charge) recognised in other comprehensive income	4	(6)
Deferred tax assets as at 31 January	3	1

The Company 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. Of the recognised deferred tax assets at 31 January 2026, approximately £3m is expected to reverse within 12 months of the reporting date.

The Company has a £4m (2025: £2m) deferred tax asset relating to £16m (2025: £6m) of capital losses which has not been recognised due to the uncertainty of the availability of suitable future profits to enable recovery.

Pillar two

The Company is subject to the global minimum top-up tax under Pillar Two legislation. The Company has not recognised a current tax expense related to the top-up tax (2025: £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.

10 INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in subsidiary undertakings	Shares in joint ventures and associates
	£m	£m
Cost		
At 1 February 2024	556	6
Additions	-	1
At 31 January 2025	556	7
Additions	-	2
At 31 January 2026	556	9
Impairment		
At 1 February 2024	54	5
Impairment charge	-	1
At 31 January 2025	54	6
Impairment charge	-	2
At 31 January 2026	54	8
Net book value		
At 31 January 2026	502	1
At 31 January 2025	502	1

See Note 30 for details of Group undertakings held.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

As part of assessing indicators of impairment for investments in subsidiary undertakings the Company has compared the net assets of the subsidiary undertakings to the value of the investments held and concluded no impairment charge is required (2025: £nil).

An impairment charge of £2m (2025: £1m) has been recognised in respect of shares in joint ventures and associate undertakings.

Regarding the subsidiary undertaking AA Brand Management Limited, the value in use is supported by cash inflows relating to an agreement whereby AA Brand Management licenses the use of the AA brand to the Company and in return receives annual royalty payments (for further details of this arrangement, please see Note 25). The agreement expires in 2038, however in assessing the value in use of AA Brand Management Limited, the Directors expect that the agreement will be renewed on expiry, and therefore have assumed that these cash inflows will continue in perpetuity.

11 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill £m	Software £m	Total £m
Cost			
At 1 February 2024	8	98	106
Additions	-	10	10
Disposals	-	(14)	(14)
At 31 January 2025	8	94	102
Additions	-	19	19
Disposals	-	(10)	(10)
At 31 January 2026	8	103	111
Accumulated amortisation			
At 1 February 2024	8	55	63
Amortisation	-	15	15
Impairment	-	1	1
Disposals	-	(14)	(14)
At 31 January 2025	8	57	65
Amortisation	-	14	14
Disposals	-	(10)	(10)
At 31 January 2026	8	61	69
Net book value			
At 31 January 2026	-	42	42
At 31 January 2025	-	37	37

Within software, £7m (2025: £6m) relates to assets under construction which are not amortised.

Software additions comprise £6m (2025: £4m) in relation to assets developed using internal resources and £13m (2025: £6m) using external resources.

Amortisation costs are split across other operating expenses: £12m (2025: £12m) and insurance service expenses: £2m (2025: £3m) in the income statement.

Disposals in both years relate to fully amortised software assets that have been retired following platform upgrades.

A decrease in the useful economic life of the software assets of one year would increase the associated amortisation charge by c.£4m (2025: c.£4m). An increase of one year would reduce the charge by c.£2m (2025: c.£2m).

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings on long leasehold land £m	Plant & equipment £m	Total £m
Cost			
At 1 February 2024	11	62	73
Additions	-	8	8
Disposals	(11)	(23)	(34)
At 31 January 2025	-	47	47
Additions	-	4	4
Disposals	-	(8)	(8)
At 31 January 2026	-	43	43
Accumulated depreciation and impairment			
At 1 February 2024	11	39	50
Charge for year	-	9	9
Disposals	(11)	(23)	(34)
At 31 January 2025	-	25	25
Charge for year	-	9	9
Disposals	-	(8)	(8)
At 31 January 2026	-	26	26
Net book value			
At 31 January 2026	-	17	17
At 31 January 2025	-	22	22

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 and equipment, £3m (2025: £1m) relates to assets under construction which are not depreciated.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

13 RIGHT-OF-USE ASSETS

	Property £m	Vehicles & equipment £m	Total £m
Cost			
At 1 February 2024	22	130	152
Additions	16	64	80
Disposals	-	(39)	(39)
At 31 January 2025	38	155	193
Additions	4	62	66
Disposals	-	(40)	(40)
At 31 January 2026	42	177	219
Accumulated depreciation			
At 1 February 2024	9	72	81
Charge for the year	5	37	42
Disposals	-	(38)	(38)
At 31 January 2025	14	71	85
Charge for the year	3	47	50
Disposals	-	(38)	(38)
At 31 January 2026	17	80	97
Net book value			
At 31 January 2026	25	97	122
At 31 January 2025	24	84	108

14 INVENTORIES

	2026 £m	2025 £m
Finished goods and goods for resale	<u>4</u>	<u>4</u>

Other operating costs included £34m (2025: £36m) of inventories recognised as an expense. £nil (2025: £1m) has been credited to other operating costs in relation to inventory write-downs, representing a release.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

15 TRADE AND OTHER RECEIVABLES

	2026	2025
	£m	£m
Current		
Trade receivables	62	56
Other receivables	7	4
Contract assets	26	21
Prepayments	17	16
	<u>112</u>	<u>97</u>
Non-current		
Lease receivables	1	1
Other receivables	1	1
	<u>2</u>	<u>2</u>

16 CASH AND CASH EQUIVALENTS

	2026	2025
	£m	£m
Unrestricted cash at bank and in hand	<u>114</u>	<u>111</u>

17 AMOUNTS OWED BY/DUE TO GROUP UNDERTAKINGS

	2026	2025
	£m	£m
Amounts owed by Group undertakings	611	1,514
Amounts due to Group undertakings	<u>(58)</u>	<u>(906)</u>

All amounts owed by Group undertakings are unsecured, have no repayment terms, are repayable on demand and bear no interest.

18 TRADE AND OTHER PAYABLES

	2026	2025
	£m	£m
Trade payables	46	33
Accruals	41	36
Deferred income	58	51
Other payables	36	10
	<u>181</u>	<u>130</u>

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INSURANCE CONTRACTS

Net carrying amounts of insurance contracts

Liabilities for remaining coverage as at	2026	2025
	£m	£m
Insurance contracts	(113)	(118)
Asset for insurance acquisition cashflows	42	36
Total insurance contract liabilities	(71)	(82)

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

	Total £m
Balance at 1 February 2024	33
Amounts incurred during the year	25
Amount derecognised and included in the measurement of insurance contracts	(22)
Balance at 31 January 2025	36
Amounts incurred during the year	31
Amount derecognised and included in the measurement of insurance contracts	(25)
Balance at 31 January 2026	42

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	4-5 years £m	Total £m
31 January 2026	18	11	8	4	1	42
31 January 2025	16	10	6	3	1	36

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 Company 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. At the reporting date the Company has currently hedged all of the forecast diesel usage for the year ended 31 January 2027 and c.50% of forecast usage for the year ended 31 January 2028 (see Note 26 on financial risk management).

The Company 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INSURANCE CONTRACTS (continued)

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

Roadside	Liabilities for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component	Estimates of present value of future cash flows	
	£m	£m	£m	
As at 1 February 2024	(111)	(7)	-	(118)
Insurance revenue	396	-	-	396
Insurance service expenses				
Incurred claims and other insurance service expenses	-	13	(146)	(133)
Amortisation of insurance acquisition cash flows	(23)	-	-	(23)
Losses on onerous contracts	-	(14)	-	(14)
Total insurance service expense	(23)	(1)	(146)	(170)
Total changes in the consolidated income statement	373	(1)	(146)	226
Premiums received	(396)	-	-	(396)
Insurance acquisition cash flows paid	2	-	-	2
Transferred from insurance acquisition cash flows asset	22	-	-	22
Claims and other insurance service expenses paid	-	-	146	146
Total cash flows	(372)	-	146	(226)
As at 31 January 2025	(110)	(8)	-	(118)
Insurance revenue	399	-	-	399
Insurance service expenses				
Incurred claims and other insurance service expenses	-	13	(153)	(140)
Amortisation of insurance acquisition cash flows	(26)	-	-	(26)
Losses on onerous contracts	-	(12)	-	(12)
Total insurance service expense	(26)	1	(153)	(178)
Total changes in the consolidated income statement	373	1	(153)	221
Premiums received	(395)	-	-	(395)
Insurance acquisition cash flows paid	1	-	-	1
Transferred from insurance acquisition cash flows asset	25	-	-	25
Claims and other insurance service expenses paid	-	-	153	153
Total cash flows	(369)	-	153	(216)
As at 31 January 2026	(106)	(7)	-	(113)

The maximum credit exposure for 2026 in respect of Roadside is £nil (2025: £nil).

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2026	2025
	£m	£m
Non-current liabilities		
Forward fuel contracts	(1)	(1)
Total	(1)	(1)

The forward fuel contracts are shown and settled on a net basis. On a gross basis, the asset is £nil (2025: £nil) and the liability is £1m (2025: £1m).

21 PROVISIONS

	Property leases	Onerous contract	Self- funded insurance	Other	Total
	£m	£m	£m	£m	£m
At 1 February 2024	4	-	5	3	12
Charge for the year	-	6	10	-	16
Utilised during the year	-	-	(8)	(1)	(9)
Reclassification ¹	1	-	-	-	1
Addition to right-of-use assets	1	-	-	1	2
At 31 January 2025	6	6	7	3	22
Charge for the year	-	-	10	5	15
Utilised during the year	(1)	(1)	(10)	-	(12)
At 31 January 2026	5	5	7	8	25
Current	1	1	2	6	10
Non-current	4	4	5	2	15
At 31 January 2026	5	5	7	8	25
Current	1	1	2	2	6
Non-current	5	5	5	1	16
At 31 January 2025	6	6	7	3	22

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 was recognised in the prior year. The provision will be released over the remaining four years of the contract life.

The self-funded insurance liabilities relates to where the Company 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 includes £4m provided for the full and final settlement of the CMA investigation in relation to the display of AA Driving School and BSM booking fees (2025: £nil), a £2m provision (2025: £2m) in relation to a warranty for vehicle part replacements and £2m (2025: £1m) relating to vehicle end of life provisions.

From time to time the Company 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 Company.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

22 SHARE CAPITAL

	2026	2025
Allotted, called up and fully paid	£m	£m
100,000 (2025: 100,000) ordinary shares of £1 each	-	-

In the year ended 31 January 2026, the Company paid a dividend of £131m (2025: £141m).

23 COMMITMENTS AND GUARANTEES

Lease commitments

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

	2026	2025
	£m	£m
At 1 February	102	71
Additions	67	80
Disposals	-	(1)
Finance charges	5	4
Payments of capital	(49)	(47)
Payments of interest	(6)	(4)
At 31 January	119	102

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

	2026		2025	
	Present value of payments	Minimum payments	Present value of payments	Minimum payments
	£m	£m	£m	£m
Within one year	39	45	33	38
Between one and five years	65	72	55	64
After five years	15	17	14	18
Total minimum lease payments	119	134	102	120
Less amounts representing finance charge	-	(15)	-	(18)
Present value of minimum lease payments	119	119	102	102

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 DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

23 COMMITMENTS AND GUARANTEES (continued)

Lease commitments (continued)

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:

	2026	2025
	Minimum	Minimum
	payments	payments
	£m	£m
Within one year	1	6
Between one and five years	11	25
After five years	6	3
Total minimum lease payments	18	34

Capital commitments

At the year end, the Company had capital commitments of £1m (2025: £1m).

Cross company guarantees

The Company, together with others in the AA Intermediate Co Limited group, is guarantor to the Group's bank loans and bond debt. At 31 January 2026, the principal outstanding on the AA Intermediate Co Limited group debt was £2,030m (2025: £2,090m).

The covenants governing the bank loans and bond debt of the AA Intermediate Co Limited group place restrictions on the AA Limited 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.

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY

The Company operates a defined benefit pension scheme: the AA UK Pension Scheme ("AAUK"). 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. The Company 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. For pension scheme 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 Company.

The AAUK 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 2026 by independent qualified actuaries.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

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

	As at 31 January 2026		
	AAUK £m	AAPMP £m	Total £m
Present value of the defined benefit obligation in respect of pension plans	(1,479)	(16)	(1,495)
Fair value of plan assets	1,369	-	1,369
Deficit	(110)	(16)	(126)

	As at 31 January 2025		
	AAUK £m	AAPMP £m	Total £m
Present value of the defined benefit obligation in respect of pension plans	(1,504)	(14)	(1,518)
Fair value of plan assets	1,393	-	1,393
Deficit	(111)	(14)	(125)

The AAUK pension scheme was in deficit as at 31 January 2026. The movement since 31 January 2025 represents deficit reduction contributions paid by the Group and a decrease in the defined benefit obligation due to an improvement in financial conditions, offset by falls in hedging assets designed to move in line with movements in liabilities and experience adjustments based on updated member information received as part of the ongoing triennial valuation.

In February 2023, the actuarial triennial review for the AAUK 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 paid £12m per annum until July 2025. The trustee meets its own costs of running the AAUK scheme.

The next triennial actuarial valuation for the AAUK scheme is as at 31 March 2025 (the '2025 Valuation') and is currently underway. The AA and the trustee have until 30 June 2026 to agree the 2025 Valuation and any recovery plan to pay off any funding deficit identified. The 2025 Valuation could vary from the 2022 Valuation meaning the payments required into the AAUK 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 3.0% 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 Company 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

In total, the Company paid £25m (2025: £29m) in deficit reduction employer contributions to its AAUK defined benefit plan in the year ending 31 January 2026. The Group recognised a charge in the income statement of £18m (2025: £17m) in respect of defined contribution pension scheme costs in the year.

In July 2024, the Company completed a full accounting valuation of the AAPMP with a valuation date of 31 January 2024.

The valuation 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.

Total Company Schemes

	Assets £m	Liabilities £m	Income statement £m	Other comprehensive income £m
Balance at 1 February 2024	1,445	(1,610)	-	-
Administrative expenses	(6)	-	(6)	-
Interest on defined benefit scheme assets/(liabilities)	69	(76)	(7)	-
Amounts recognised in the income statement	63	(76)	(13)	-
Effect of changes in financial assumptions	-	73	-	73
Effect of changes in demographic assumptions	-	8	-	8
Effect of experience adjustment	-	9	-	9
Return on plan assets excluding interest income	(66)	-	-	(66)
Amounts recognised in the statement of comprehensive income	(66)	90	-	24
Benefits paid from scheme assets	(78)	78	-	-
Deficit reduction employer contributions	29	-	-	-
Movements through cash	(49)	78	-	-
Balance at 31 January 2025	1,393	(1,518)	-	-
Administrative expenses	(5)	-	(5)	-
Past service costs	-	(1)	(1)	-
Interest on defined benefit scheme assets/(liabilities)	75	(80)	(5)	-
Amounts recognised in the income statement	70	(81)	(11)	-
Effect of changes in financial assumptions	-	54	-	54
Effect of changes in demographic assumptions	-	9	-	9
Effect of experience adjustment	-	(35)	-	(35)
Return on plan assets excluding interest income	(43)	-	-	(43)
Amounts recognised in the statement of comprehensive income	(43)	28	-	(15)
Benefits paid from scheme assets	(76)	76	-	-
Ongoing employer contributions	1	-	-	-
Deficit reduction employer contributions	24	-	-	-
Movements through cash	(51)	76	-	-
Balance at 31 January 2026	1,369	(1,495)	-	-

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

AAUK scheme

	Assets £m	Liabilities £m	Income statement £m	Other comprehensive income £m
Balance at 1 February 2024	1,445	(1,588)	-	-
Administrative expenses	(6)	-	(6)	-
Interest on defined benefit scheme assets/(liabilities)	69	(76)	(7)	-
Amounts recognised in the 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)	-	-
Administrative expenses	(5)	-	(5)	-
Past service costs	-	(1)	(1)	-
Interest on defined benefit scheme assets/(liabilities)	75	(79)	(4)	-
Amounts recognised in the income statement	70	(80)	(10)	-
Effect of changes in financial assumptions	-	54	-	54
Effect of changes in demographic assumptions	-	9	-	9
Effect of experience adjustment	-	(33)	-	(33)
Return on plan assets excluding interest income	(43)	-	-	(43)
Amounts recognised in the statement of comprehensive income	(43)	30	-	(13)
Benefits paid from scheme assets	(75)	75	-	-
Deficit reduction employer contributions	24	-	-	-
Movements through cash	(51)	75	-	-
Balance at 31 January 2026	1,369	(1,479)	-	-

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

AAPMP scheme

	Assets £m	Liabilities £m	Income statement £m	Other comprehensive income £m
Balance at 1 February 2024	-	(22)	-	-
Effect of changes in demographic assumptions	-	(2)	-	(2)
Effect of experience adjustment	-	10	-	10
Amounts recognised in the statement of comprehensive income	-	8	-	8
Balance at 31 January 2025	-	(14)	-	-
Interest on defined benefit scheme assets/(liabilities)	-	(1)	(1)	-
Amounts recognised in the income statement	-	(1)	(1)	-
Effect of experience adjustment	-	(2)	-	(2)
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 2026	-	(16)	-	-

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

Fair value of plan assets

The tables below show the AAUK scheme asset 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:

	2026		2025	
	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	-	183	-	186
Bonds/gilts	62	551	58	565
Property	-	85	-	84
Hedge funds	-	18	-	15
Private equity	-	126	-	140
Cash/net current assets	8	21	7	13
Annuity policies	-	315	-	325
Total AAUK scheme assets	70	1,299	65	1,328
Movement on AAUK plan assets (excluding admin expenses)		32		3

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

The AAUK scheme assets are largely invested in pooled funds, with the market values provided by the scheme's custodian, 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 £1,299m (2025: £1,328m) assets without a quoted market price at 31 January 2026, £315m (2025: £325m) 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 £2m (2025: £8m) of unquoted assets allocated to private equity and £2m (2025: £9m) of unquoted assets allocated to property have been measured at amortised cost rather than fair value.

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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

Investment strategy (continued)

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.

Pension plan assumptions

The principal actuarial assumptions were as follows:

	AAUK		AAPMP	
	2026 %	2025 %	2026 %	2025 %
Pensioner discount rate	5.3	5.3	5.3	5.3
Non-pensioner discount rate	5.7	5.5	5.3	5.3
Pensioner RPI	3.0	3.3	3.0	3.3
Non-pensioner RPI	3.0	3.1	3.0	3.3
Pensioner CPI	2.5	2.7	2.5	2.7
Non-pensioner CPI	2.4	2.5	2.5	2.7
Rate of increase of pensions in payment (final salary sections) – pensioner	2.9	3.1	-	-
Rate of increase of pensions in payment (final salary sections) – non-pensioner	2.9	3.0	-	-
Rate of increase of pensions in payment (CARE section) – pensioner	1.8	1.9	-	-
Rate of increase of pensions in payment (CARE section) – non-pensioner	1.8	1.8	-	-
Pension increase for deferred benefits	2.4	2.5	-	-
Medical premium inflation rate	-	-	7.0	7.3

Mortality assumptions are set using standard tables based on scheme-specific experience where available and an allowance for future improvements. For January 2026, the assumptions used for the AAUK Scheme were in line with the SAPS (S4) series mortality tables with scheme-specific adjustments (January 2025: SAPS (S3) series with scheme-specific adjustments). Future improvements were set in line with the CMI_2024 core projections with a 1.00% long-term rate of improvement and a half-life of 0.5 years.

AAPMP assumptions for January 2026 were in line with the SAPS (S4) series mortality tables for males and SAPS Light (S4_L) series mortality tables for females (January 2025: SAPS (S4) series mortality tables for males and SAPS Light (S4_L) series mortality tables for females). Future improvements were set in line with the CMI_2024 core projections with a 1.00% long-term rate of improvement and a half-life of 0.5 years.

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 25 years (2025: 24 years) and a non-pensioner female retiring in normal health currently aged 60 will live on average for a further 27 years (2025: 27 years).

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

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 2026		For the year ended 31 January 2025	
	AAUK £m	AAPMP £m	AAUK £m	AAPMP £m
Increase of 1% in discount rate	167	1	174	1
Increase of 1% in RPI and CPI	(138)	-	(141)	-
Increase of 1% in CPI only	(49)	-	(49)	-
Increase of 1% in medical claims inflation	-	(2)	-	(2)
Increase of one year of life expectancy	(44)	(2)	(45)	(2)

An equivalent decrease in the assumptions at 31 January 2026 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 2026 is around 13 years.

Pension scheme risks

The AAUK scheme has 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 through regular reviews of the investment portfolios. In addition, under guidance from their investment advisers, the trustees 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFINED BENEFIT PENSION SCHEME NET LIABILITY (continued)

Pension scheme risks (continued)

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 Company, 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.

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 2026, 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 £315m as at 31 January 2026 (2025: £325m). 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.

In June 2025 the Department for Work and Pensions confirmed that the Government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. A first draft of the legislation was published in September 2025. Further detail on the approach and process for this retrospective confirmation is expected to follow in due course.

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, management have concluded that the possibility of additional provisioning being required under IAS 19 is remote. Management and the scheme Trustees will continue to monitor developments in the matter.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

25 ASSET BACKED FUNDING SCHEME

In November 2013, the Company implemented an asset backed funding scheme which provides a long-term deficit reduction plan via an annual deficit reduction contribution over a period of up to 25 years secured on The AA brand.

As part of this scheme, the Company sold the brand to a subsidiary undertaking, AA Brand Management Limited in exchange for an equity investment in shares of £434m and a loan note receivable of £566m. The loan was transferred to the Scottish Limited Partnership, AA Pension Funding LP Limited, (see below) on the same day in exchange for cash. The Company continues to use the brand, paying royalties for the year of £96m (2025: £91m) included in net administrative expenses.

As part of the initial set up of the asset backed funding scheme, the Company made an initial partnership contribution to the Scottish Limited Partnership of £368m (included within amounts owed by Group undertakings). The deficit reduction payments are made to the pension scheme through the Scottish Limited Partnership. The balance of the partnership contribution accrues interest which is recorded as interest receivable in the income statement. In the year, this amounted to £15m (2025: £16m). Monthly repayments of the partnership contribution are made by the Scottish Limited Partnership which amounted to £19m (2025: £18m) in the year. The balance of the partnership contribution as at 31 January 2026 was £373m (2025: £377m) and is repayable over 25 years up to 2038.

In addition, the Company also made an initial pension contribution of £198m to the pension scheme which was then invested by the scheme in the Scottish Limited Partnership. This contribution is included in amounts owed by Group undertakings and has accrued interest of £12m in the year (2025: £12m). The pension contribution is reduced by the value of the annual deficit reduction contribution with a corresponding reduction to the pension scheme liability. In the year, the deficit reduction contribution under this arrangement was £17m (2025: £17m). The balance of the pension contribution as at 31 January 2026 was a receivable of £156m (2025: receivable £161m) and is repayable over 25 years up to 2038.

At 31 January 2026, the Company also had an intercompany payable balance due to the Scottish Limited Partnership of £3m (2025: intercompany payable of £3m) bringing the aggregate amount receivable to £526m (2025: £535m).

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise the defined benefit pension deficit and trade and other payables. The provisions for unearned premiums and trade and other payables are working capital for the Company's roadside assistance activity. The Company's principal financial assets are cash and trade debtors.

The Company is exposed to market risk, credit risk, liquidity risk and insurance risk. The Company's senior management oversees the management of these risks, supported by the AA Limited group's treasury function. The Group's 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's treasury function. It is the Group's policy not to trade in derivatives for speculative purposes.

The Directors review and agree 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 Company is exposed to is fuel price risk and the risk of changes in discount rates impacting on the defined benefit pension deficit.

The Company 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. At the reporting date the Company has currently hedged all of its forecast diesel usage for the year ended 31 January 2027 and c.50% of forecast usage for the year ended 31 January 2028. 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 Company manages the defined benefit pension deficit via the asset-backed funding arrangement as described in Note 25.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE 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 Company is exposed to credit risk in relation to its financial assets, outstanding derivatives and trade and other receivables. The Company assesses its counterparty exposure in relation to the investment of surplus cash. The Company 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 Company 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 AA Limited group's 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 2026 (2025: £nil).

The Company's maximum exposure to credit risk for the components of the statement of financial position at each reporting date is the carrying amount except for derivative financial instruments. The Company's 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
2026	62	44	9	5	4
2025	56	47	5	2	2

The ageing analysis of gross trade receivables is as follows:

	Total £m	Current £m	< 30 days £m	30 - 60 days £m	60+ days £m
2026	64	45	9	5	5
2025	59	47	5	3	4

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

	2026 £m	2025 £m
At 1 February	3	1
(Release)/charge for the year	(1)	2
At 31 January	2	3

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Company 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 Company'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. A maturity analysis in respect of lease liabilities is included in Note 23.

The Company's most significant long-term obligation is the defined pension deficit which is secured as part of an asset backed funding scheme, see Note 25. In addition, the Company has lease liabilities due over the medium term as shown in Note 23. The majority of other obligations are short-term in nature and are managed as part of overall working capital and cash balances.

The Company is party to a lending agreement with the trustees of the AA UK Pension Scheme ("AAUK scheme"). Under the agreement the trustees may request an interest-bearing loan of up to £40m for the purposes of providing liquidity to the AAUK scheme. Repayment terms for the loan and any accrued interest are agreed at the time of lending. The Company is also able to request payment on demand with written notice. The Company is not obliged to meet any request for funds. No loans were provided under this facility during the year (2025: £nil). See Note 24 for more information on the management of the AAUK scheme.

Insurance risk

See Note 19 for details on the management of insurance-related risks.

Capital management

The Company considers its capital to be its share capital and reserves:

	2026	2025
	£m	£m
Share capital	-	-
Cash flow hedge reserve	(1)	(1)
Retained earnings	983	1,058
Total capital	982	1,057

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to generate cash flows in order to pay dividends to its shareholder;
- to put service, innovation and data at the heart of The AA; and
- to deliver targeted and strategic investment in our people, our products, our systems and operations.

The Company manages its capital by generating significant cash flows which are converted to reserves.

27 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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 Company uses observable inputs as much as possible. 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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

27 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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.

As set out in the table below, derivative financial instruments were held at fair value during the current and prior years. They have fair values based on quoted prices in active markets (Level 1) and their carrying value is therefore equal to their fair value.

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

Financial assets

	2026	2025
	£m	£m
Financial assets at amortised cost		
Cash and cash equivalents (see Note 16)	114	111
Current trade receivables (see Note 15)	62	56
Non-current other receivables (see Note 15)	2	2
Contract assets and other receivables (see Note 15)	33	25
Amounts owed by Group undertakings (see Note 17)	611	1,514
Total financial assets	822	1,708

Financial liabilities

	2026	2025
	£m	£m
Financial liabilities at fair value through other comprehensive income		
Derivative financial instruments (see Note 20)	1	1
Financial liabilities at amortised cost		
Trade payables (Note 18)	46	33
Other payables and accruals (see Note 18)	77	46
Lease liabilities (see Note 23)	119	102
Amounts owed to Group undertakings (see Note 17)	58	906
Total financial liabilities	301	1,088

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.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

28 SHARE-BASED PAYMENTS

	2026	2025
	£m	£m
Equity-settled share-based payments:		
Share-based payments – Management Equity Plan 1	1	-
Share-based payments – Management Equity Plan 2	2	1
Share-based payments – Long Term Incentive Plan	5	1
Total share-based payments expense	8	2

Long Term Incentive Plan

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

A vesting date of 31 January 2028 is assumed for this scheme and it is expected to be settled in cash by AA Limited. On the basis of the above, the cash LTIP has been accounted for in line with IFRS 2.

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 £5m (2025: £1m).

Management Equity Plan 1 (MEP1)

Basing TopCo Limited (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 2026 was £1m (2025: £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

	1 February		Number		31 January
	Share		Vested		share awards
	awards	New awards		Leavers	outstanding
	outstanding				
MEP1	22,544,562	696,436	-	-	23,240,998

Management Equity Plan 2 (MEP2)

A second management equity plan was introduced in the prior 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 2026 was £2m (2025: £1m).

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

28 SHARE-BASED PAYMENTS (continued)

Management Equity Plan 2 (MEP2) (continued)

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 – 3.85% based on UK Government bond rates for 5-year period as at first grant date

	1 February Share awards outstanding	New awards	Number Vested	Leavers	31 January share awards outstanding
MEP2	15,968,416	-	-	(940,110)	15,028,306

29 RELATED PARTY TRANSACTIONS

Transactions with other subsidiaries in the Basing ConsortiumCo group:

The Basing ConsortiumCo group consists of the AA Limited group and the controlling investment entities, including the ultimate parent undertaking. The Company is the principal employer for the Group. Employee costs including pension contributions and national insurance are charged directly to the Group company benefitting from the employees' services. In the current year, this was £150m (2025: £147m).

A share-based payments cost of £8m (2025: £2m) was incurred by the Company (see Note 28) in relation to its employees.

As the principal employer for the AAUK pension scheme (see Note 24), the Company entered into an asset backed funding scheme in November 2013. Further details on this arrangement is given in Note 25.

AA Corporation Limited, the Company's parent undertaking, incurs all the corporate costs for the Group including the Executive, IT, Finance, HR and Legal. These costs are then charged to the key trading entities of the AA Corporation Limited group. The Company incurred recharged costs of £107m (2025: £96m) including £3m (2025: £5m) of adjusting operating costs.

During the year, a cost of £6m (2025: £6m) was recognised in respect of service and maintenance repairs on the Company's fleets which was carried out by Prestige Fleet Servicing Limited, a fellow subsidiary undertaking of AA Corporation Limited. A further cost of £2m (2025: £3m) was recognised in respect of repair works carried out by Prestige Fleet Servicing Limited for customers of the Company as part of fulfilling obligations on roadside policies.

The Company sweeps all the cash receipts for the UK entities in the AA Intermediate Co Limited group and makes funds available to pay any liabilities for that group including interest on borrowings as they become due. Trading balances for some subsidiaries of AA Corporation Limited are settled through AA Corporation Limited at the end of each month.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS (continued)

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

Entity	Relationship	2026 £m	2025 £m
AA Corporation Limited	Parent	60	(844)
AA Senior Co Limited	Indirect parent	-	959
AA Mid Co Limited	Indirect parent	20	20
AA Underwriting Insurance Company Limited	Fellow subsidiary	(52)	(52)
AA Pension Funding LP Limited	Subsidiary	526	535
Longacre Claims Limited	Fellow subsidiary	4	-
Keycare Limited	Fellow subsidiary	1	-
AA Limited	Indirect parent	(2)	-
AA Brand Management Limited	Subsidiary	(4)	(10)
		553	608

Transactions with associates:

The following table provides the total value of transactions that have been entered into with associates during each financial year.

Company	Nature of transaction	2026 £m	2025 £m
ARC Europe SA	Registration and call handling fees	2	2

At 31 January 2026, the Company had an outstanding balance payable to ARC Europe SA of £nil (2025: £nil) comprising trade payables in respect of the above transactions.

Transactions with joint ventures:

The following table provides the total value of transactions that have been entered into with joint ventures during each financial year.

Company	Nature of transaction	2026 £m	2025 £m
DRVN Solutions Limited	Supply of goods	3	-

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

30 SUBSIDIARY UNDERTAKINGS

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

Name	Country of Incorporation / Registered Office Key	Class of shares held
AA Financial Services Limited	England and Wales, UK / A	Ordinary
Personal Insurance Mortgages and Savings Limited ²	England and Wales, UK / A	Ordinary
A.A. Pensions Trustees Limited ²	England and Wales, UK / A	Ordinary
Automobile Association Insurance Services Holdings Limited ²	England and Wales, UK / A	Ordinary
A A The Driving School Agency Limited ²	England and Wales, UK / A	Ordinary
AA Brand Management Limited ²	England and Wales, UK / A	Ordinary
Automobile Association Holdings Limited ²	England and Wales, UK / A	Ordinary and Deferred redeemable non-voting special dividend
Automobile Association Services Limited ²	England and Wales, UK / A	Limited by guarantee
AA Pension Funding LP Limited ^{1,2}	Scotland, UK / B	Membership Interest
AA Pension Funding GP Limited ²	Scotland, UK / B	Ordinary

¹ This partnership is fully consolidated into the AA Limited group financial statements who have 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.

² Directly owned by Automobile Association Developments Limited; all other subsidiaries are indirectly held.

Registered Office Key

Registered Office	Key
Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG, England	A
Building 1, 9 Haymarket Square, Edinburgh, Scotland, EH3 8RY	B

Associates

The associates of the Company which are indirectly held 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

Joint ventures

The joint ventures of the Company 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
DRVN Solutions Limited (48% interest held)	England	Roadside services

The Company exercises joint control over DRVN Solutions Limited through its joint influence over key decision-making. DRVN Solutions Limited has A and B ordinary shares.

AUTOMOBILE ASSOCIATION DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

31 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 and a wholly owned indirect subsidiary of AA Intermediate Co Limited.

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.

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

32 EVENTS AFTER THE REPORTING PERIOD

Liquidity facility

On 4 February 2026, the AA Limited group renewed its £200m Liquidity Facility with an effective date of 4 March 2026. The facility remains undrawn.