

**AA CORPORATION LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2024**

**Registered number: 03797747**

**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2024**  
**STRATEGIC REPORT**

The Directors present their annual report and audited financial statements of AA Corporation Limited (“the Company”) for the year ended 31 January 2024.

**PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND KEY PERFORMANCE INDICATORS**

The Company is a wholly owned subsidiary of AA Senior Co Limited.

The principal activity of the Company is the management of support activities on behalf of the AA Limited (“the Group”). These costs are subsequently recharged back to trading subsidiaries within the Group.

The key performance indicator of the Company is operating expenses.

The Company remains in a robust position to continue to perform its primary activity and management have assessed that this will continue to be the case.

As shown in the Company's income statement, the Company's revenue decreased by 12% to £126m (2023: £143m) during the current year due to lower administrative (operating) expenses resulting in a lower recharge of costs. Profit before taxation of the Company for the year was £209m (2023: £188m) following the receipt of £224m (2023: £199m) of dividends from subsidiary undertakings.

The statement of financial position shows the Company's financial position at year end. Net assets increased to £2,214m (2023: £2,156m).

The Directors are satisfied with the performance of the Company in the year. There are currently no plans to alter the principal activities of the Company going forward and the Company expects to continue to provide support activities on behalf the Group.

The Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006. For details of how this is accomplished across the AA Limited group, refer to pages 37-38 of the AA Limited's Annual Report and Accounts 2024, with whom the Company shares common directorship and management structure.

**RISK MANAGEMENT FRAMEWORK**

The Company is part of the AA Limited Group, the ultimate parent of which was Basing ConsortiumCo Limited during FY24. The Board of AA Limited is responsible for determining the level of risk that The AA is willing to accept in order to achieve its strategic objectives. The levels of risk are articulated through a series of risk appetite statements, and we monitor ourselves closely against the statements through our risk governance and our risk management framework. Further information about the corporate governance arrangements for The AA is set out in the Director's Report on pages 41-46 of the AA Limited Annual Report and Accounts 2024.

**Risk Governance**

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

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

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

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

**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2024**  
**STRATEGIC REPORT (continued)**

**RISK MANAGEMENT FRAMEWORK (continued)**

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

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

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

*Financial risk*

The AA Limited group's senior management oversees the management of financial risks, supported by the Group Treasury function. The Group Treasury function ensures that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Company is an obligor of the financial indebtedness of the AA Intermediate Co Limited group which ringfences its debt within a whole business securitisation (WBS) structure. AA Intermediate Co Limited is a parent undertaking of the Company and part of the AA Limited group. The viability and financial success of the Company is therefore tied to the viability and financial success of the AA Intermediate Co Limited group.

*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 the intercompany balance due from a fellow subsidiary undertaking. The Group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

*Pension liabilities*

During the 2017 financial year and following the sale of the Irish business by the AA Limited group, the Company became the sponsor of the AA Ireland Pension Scheme. This is a defined benefit pension scheme, which is currently in surplus, whose assets and obligations are subject to future variation from investment returns, longevity and other similar factors.

Investment objectives and risk limits are implemented through the investment management agreement in place with the scheme's investment manager and monitored by the trustees of the scheme through regular reviews of the investment portfolio. In addition, under guidance from their investment adviser, the trustees of the scheme monitor estimates of key risks on an ongoing basis.

**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2024**  
**STRATEGIC REPORT (continued)**

**RISK MANAGEMENT FRAMEWORK (continued)**

The financial statements on pages 9 to 30 were approved by the board of Directors and signed on its behalf by:



Michael Wing

DIRECTOR

24 June 2024

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

**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2024**  
**DIRECTORS' REPORT**

**DIRECTORS**

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

M Neville (resigned 29 May 2024)

M Wing (appointed 29 May 2024)

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 2024 and remain in force, in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Group.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2024**  
**DIRECTORS' REPORT (continued)**

**DIRECTORS' CONFIRMATIONS**

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

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

**GOING CONCERN**

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities, review of the business and future developments" and "Risk management framework" sections on pages 1 to 3.

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

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

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

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

**DIVIDENDS**

The Company paid dividends in the year of £149m (2023: £124m).

**INDEPENDENT AUDITORS**

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

ON BEHALF OF THE BOARD



Michael Wing

DIRECTOR

24 June 2024

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

# Independent auditors' report to the members of AA Corporation Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, AA Corporation Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 January 2024; the Income Statement, the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

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

**AA CORPORATION LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 JANUARY 2024**

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

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

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

### **Strategic Report and Directors' Report**

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

In light of the knowledge and understanding of the 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:

**AA CORPORATION LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 JANUARY 2024**

- 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 or posted by members of senior management with a financial reporting oversight role, and testing those journals highlighted (if any).
- Incorporating elements of unpredictability into the audit procedures performed.
- Reviewing the disclosures in the Annual Report and Financial Statements against the specific legal requirements, for example within the Directors' Report.

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

**AA CORPORATION LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 JANUARY 2024**

	Note	2024 £m	2023 £m
<b>REVENUE</b>		<b>126</b>	143
Administrative expenses		<u>(141)</u>	<u>(154)</u>
<b>OPERATING LOSS</b>	<b>3</b>	<b>(15)</b>	(11)
Income from shares in group undertakings	<b>5</b>	<u>224</u>	<u>199</u>
<b>PROFIT BEFORE TAX</b>		<b>209</b>	188
Income tax credit	<b>7</b>	<u>-</u>	<u>3</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>209</b></u>	<u>191</u>

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

**AA CORPORATION LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 JANUARY 2024**

	Note	2024 £m	2023 £m
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>209</b>	191
<b>Other comprehensive (expense)/income on items that will not be reclassified to income statement in subsequent years</b>			
Remeasurement (losses)/gains on defined benefit pension schemes	15	(2)	7
Tax effect	7	-	(2)
<b>TOTAL OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>		<b>(2)</b>	5
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>207</b>	196

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

**AA CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2024**

	Note	2024 £m	2023 £m
<b>NON-CURRENT ASSETS</b>			
Financial assets at amortised cost	8	-	4
Deferred tax assets	7	12	10
Intangible assets	9	82	90
Property, plant and equipment	10	3	5
Defined benefit pension asset	15	6	6
Investment in joint venture	11	1	1
Investments in subsidiaries	11	1,607	1,607
		<u>1,711</u>	<u>1,723</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	1,213	1,099
Financial assets at amortised cost	8	1	-
Current tax receivable		1	2
		<u>1,215</u>	<u>1,101</u>
<b>TOTAL ASSETS</b>		<u>2,926</u>	<u>2,824</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	(712)	(668)
		<u>(712)</u>	<u>(668)</u>
<b>TOTAL LIABILITIES</b>		<u>(712)</u>	<u>(668)</u>
<b>NET ASSETS</b>		<u>2,214</u>	<u>2,156</u>
<b>EQUITY</b>			
Called up share capital	14	770	770
Retained earnings		1,444	1,386
<b>TOTAL EQUITY</b>		<u>2,214</u>	<u>2,156</u>

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

The financial statements on pages 9 to 30 were approved by the board of Directors and signed on its behalf by:

  
Michael Wing

DIRECTOR

24 June 2024

AA Corporation Limited

Registered number: 03797747

**AA CORPORATION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 JANUARY 2024**

	Share capital £m	Retained earnings £m	Total equity £m
At 1 February 2022	770	1,314	2,084
Profit for the year	-	191	191
Other comprehensive income	-	5	5
Total comprehensive income	-	196	196
Dividends paid	-	(124)	(124)
<b>At 31 January 2023</b>	<b>770</b>	<b>1,386</b>	<b>2,156</b>
Profit for the year	-	209	209
Other comprehensive expense	-	(2)	(2)
Total comprehensive income	-	207	207
Dividends paid	-	(149)	(149)
<b>At 31 January 2024</b>	<b>770</b>	<b>1,444</b>	<b>2,214</b>

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

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1 Presentation of financial statements**

AA Corporation 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.

**Going Concern**

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities, review of the business and future developments" and "Risk management framework" sections on pages 1 to 3.

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

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

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

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

**2 Material accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"). The financial statements are under the historical cost convention and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The Company takes the exemption under IFRS 10 paragraph 4 and section 400 of the Companies Act 2006 from presenting consolidated financial statements.

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 Material accounting policies (continued)**

**2.1 Basis of preparation (continued)**

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

- IAS 1 paragraphs 10(d) and 10(f),
- IAS 1 paragraph 16 (statement of compliance with all IFRS),
- IAS 1 paragraph 38 (comparative information in respect of Property, Plant and Equipment, and Intangible Assets),
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements),
- IAS 1 paragraph 111 (cash flow statement information),
- IAS 1 paragraphs 134-136 (capital management disclosures),
- IAS 7 'Statement of cash flows',
- IAS 8 paragraphs 30 and 31 (accounting policies, changes in accounting estimates and errors),
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation).

**New standards, amendments and IFRIC interpretations**

The Company did not identify any new accounting standards coming into effect in the current year with a material impact on the financial statements. A number of new accounting standards, amendments and interpretations have been issued and will be effective for years beginning after 1 February 2024, however the Company has not identified any with an expected material impact on the financial statements.

**2.2 Critical accounting estimates and judgements**

Estimates are evaluated continually 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. 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 period are discussed below.

*Retirement benefit obligation*

The Company's retirement benefit assets and liabilities, which are actuarially assessed each year, are based on key assumptions including return on plan assets, discount rates, mortality rates, inflation, future salary and pension costs. These assumptions may be different to the actual outcome (see Note 15 for sensitivity analysis).

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 Material accounting policies (continued)**

**2.2 Critical accounting estimates and judgements (continued)**

*Investments*

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

In performing its impairment testing on its investment in subsidiaries, the Company prepared a traditional value in use model as described in IAS 36 which was also used in prior years. This comprises an enterprise value model which deducts net debt as at 31 January 2024 and discounts estimates of future cash flows at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. IAS 36 considers that the appropriate discount rate for a value in use calculation should take into account weighted average cost of capital, incremental borrowing rate and other market borrowing rates in making such an estimate and the Company uses a discount rate calculated on this basis. Estimates of future cash flows do not include cash inflows or outflows from financing activities or income tax receipts or payments as these are already taken into account in the discount rate.

This differs from the AA Limited company financial statements where an alternative 'dividend distribution model' was used. In that alternative value in use model, estimates of future cash flows included cash outflows relating to taxation and financing activities, reflecting an assessment of future refinancing and interest costs that the Group expects to arise as its existing debt is refinanced over the next 5 years.

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

On this basis, the Company has made the critical accounting judgement to continue to perform impairment testing of its investment in subsidiaries using the traditional enterprise value model which deducts net debt, as outlined above. Management has performed sensitivity analysis as part of its impairment assessment on the Company's investments in subsidiaries (see Note 11 for details).

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

*Intercompany receivables*

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

The assessment of credit loss allowances for intercompany receivables requires judgement to assess the collectability of intercompany balances. There is also estimation uncertainty in respect to the expected credit loss rates applied to such balances, which may differ to the actual outcome.

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 Material accounting policies (continued)**

**2.3 Significant accounting policies**

**a) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on property, plant and equipment at rates calculated to write off the costs, less estimated residual value based on prices prevailing at date of acquisition of each asset evenly over its expected useful life as follows:

Equipment and vehicles	3 – 10 years
------------------------	--------------

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**b) 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 on a straight-line basis over its useful life. The carrying amounts of intangible assets 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, intangible assets not yet available for use are tested for impairment annually.

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.

**c) Investments in group undertakings**

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

**d) Revenue**

Revenue represents the recharge of costs to other AA Limited group companies. Revenue is recognised as the costs are incurred and recharged and is therefore recognised over time. Revenue originates in the UK and revenue by destination is not materially different from revenue by origin.

**e) Taxation**

Tax 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.

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**e) Taxation (continued)**

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 and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts 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.

**f) 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.

**g) 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 rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the 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.

The results of overseas operations are translated into sterling at average rates of exchange for the period. Exchange differences arising on the retranslation of the opening net assets of overseas operations are taken to the income statement.

**h) 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.

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 Material accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**h) Retirement benefit obligation (continued)**

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 administrative and marketing expenses in profit or loss.

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 profit or loss 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.

**i) Financial assets and liabilities**

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

*Trade and other receivables*

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

Amounts due from group undertakings have no repayment terms and bear no interest. They are classified as current, recognised at fair value and subsequently held at amortised cost. Credit loss allowances for intercompany receivables are determined by assessing the ability of fellow subsidiaries to settle balances payable to other Group entities. If there is an indication that a subsidiary cannot settle their liabilities a provision for the expected unrecoverable amount is recognised.

*Trade and other payables*

Trade and other payables are not interest bearing and are recognised at fair value and are subsequently held at amortised cost using the effective interest method.

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

**j) Investment income**

The accounting treatment of the distribution is determined by whether the distribution paid or received is considered to represent a return of the capital of the subsidiary or not. Where it is deemed to represent a return of capital, a reduction in the parent's investment balance in that subsidiary is recorded rather than the recognition of dividend income in the Income statement. The factors considered by the Directors when determining whether a distribution represents a dividend or return of capital include the following:

- The amount of the distribution relative to the original investment value;
- The legal form of the distribution; and
- The future operating plans for the subsidiary after the distribution.

If the amount of the distribution exceeds the carrying value of the investment balance, the excess gain is recognised in the Income Statement to the extent that it is realised, or in the Statement of Comprehensive Income to the extent that it is unrealised. If the distribution is considered to represent a dividend the parent recognises the dividend in the Income Statement.

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 OPERATING LOSS**

Operating loss is stated after charging:

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Amortisation of owned intangible assets (Note 9)	<b>34</b>	39
Depreciation of owned tangible fixed assets (Note 10)	<b>3</b>	3
	<b>3</b>	3

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2024 amounted to £39k (2023: £37k). The Company's auditors provided no services to the Company other than the annual audit during either the current or prior year.

**4 ADJUSTING OPERATING ITEMS**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Transaction fees related to investment	<b>15</b>	1
Strategic review projects	<b>13</b>	18
Closure costs of the CARE section of the AAUK pension scheme and the transitional agreement made with employees in that scheme	<b>1</b>	-
Investment in research project	-	10
Corporate recharge (within revenue)	<b>(17)</b>	(21)
Other adjusting operating items	<b>3</b>	3
	<b>15</b>	11

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

£3m other operating adjusting items comprises £2m cost-of-living payments and £2m of proactive wage correction relating to previous years backdated to February 2018, offset by £1m of legal costs recovered from third parties for cases that were resolved in our favour. The cost-of-living payments relate to a single £4m scheme paid over two years. No further payments are currently planned.

In the prior year, Strategic review projects of £18m related to transformation and organisational redesign. The £10m investment in research project related to a significant project in our connected car capability. £3m other operating adjusting items related to cost-of-living payments and £1m legal costs.

**5 INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Dividends from subsidiary undertakings	<b>224</b>	199
	<b>224</b>	199

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6 EMPLOYEE COSTS**

Employee costs during the year were as follows:

	<b>2024</b>	2023
	<b>£m</b>	£m
Wages and salaries	<b>44</b>	38
Social security costs	<b>5</b>	5
Other pension costs	<b>5</b>	4
	<u><b>54</b></u>	<u>47</u>

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

Employee costs relate to those recharged from Automobile Association Developments Limited, a group company. The average number of employees directly employed during the year was nil (2023: nil).

**Directors' remuneration**

	<b>2024</b>	2023
	<b>£m</b>	£m
<b>Aggregate remuneration in respect of qualifying services</b>		
Remuneration	<u>1</u>	<u>1</u>
	<u><b>1</b></u>	<u>1</u>

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

Remuneration	<u>1</u>	<u>1</u>
	<u><b>1</b></u>	<u>1</u>

The Directors of the Company are also Directors of fellow subsidiaries of the ultimate parent undertaking (Basing ConsortiumCo Limited). These Directors are remunerated by another company that is part of the Basing ConsortiumCo Limited group. 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 1 (2023: 1) Directors under a money purchase scheme.

**7 TAX**

The major components of the income tax expense/(credit) are:

	<b>2024</b>	2023
	<b>£m</b>	£m
<b>Current tax:</b>		
- Current tax on income in the year	<b>2</b>	1
- Adjustments in respect of prior years	<b>-</b>	(1)
	<u><b>2</b></u>	<u>-</u>
<b>Deferred tax:</b>		
- Origination and reversal of temporary differences	<b>(2)</b>	(3)
- Effect of tax rate change on opening balances	<b>-</b>	(1)
- Adjustments in respect of prior years	<b>-</b>	1
	<u><b>(2)</b></u>	<u>(3)</u>
<b>Total income tax expense/(credit)</b>	<u><b>-</b></u>	<u>(3)</u>

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7 TAX (continued)**

The difference between the total current corporation tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2024</b>	2023
	<b>£m</b>	£m
Profit before tax	<u>209</u>	<u>188</u>
Tax at rate of 24.03% (2023: 19.0%)	<b>50</b>	36
Effects of:		
Rate change difference	-	(1)
Non-taxable dividend income	<b>(54)</b>	(38)
Costs associated with acquisition and investment	<u>4</u>	-
<b>Total income tax expense/(credit)</b>	<u>-</u>	<u>(3)</u>

**Deferred tax by type of temporary difference**

	<b>Statement of financial position</b>		<b>Income statement</b>	
	<b>2024</b>	2023	<b>2024</b>	2023
	<b>£m</b>	£m	<b>£m</b>	£m
Decelerated capital allowances	<b>13</b>	12	<b>(1)</b>	(3)
Pension	<b>(2)</b>	(2)	-	-
Short-term temporary differences	<b>1</b>	-	<b>(1)</b>	-
<b>Deferred tax credit</b>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(3)</u>
<b>Deferred tax asset</b>	<u>12</u>	<u>10</u>	<u>-</u>	<u>-</u>

**Reconciliation of net deferred tax assets**

	<b>2024</b>	2023
	<b>£m</b>	£m
Deferred tax asset as at 1 February	<b>10</b>	9
Tax credit recognised in the income statement	<b>2</b>	3
Tax expense in other comprehensive income	-	(2)
<b>Deferred tax asset as at 31 January</b>	<u><b>12</b></u>	<u>10</u>

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.

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

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

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8 FINANCIAL ASSETS AT AMORTISED COST**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Current</b>		
Loans to related parties	1	-
<b>Non-Current</b>		
Loans to related parties	-	4
	-	4

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

**9 INTANGIBLE ASSETS**

	<b>Software</b>
	<b>£m</b>
<b>Cost</b>	
At 1 February 2023	258
Additions	26
<b>At 31 January 2024</b>	<b>284</b>
<b>Accumulated amortisation</b>	
At 1 February 2023	168
Charge for year	34
<b>At 31 January 2024</b>	<b>202</b>
<b>Net book value</b>	
<b>At 31 January 2024</b>	<b>82</b>
At 31 January 2023	90

Within software is £7m (2023: £8m) which relates to assets under construction that are not being amortised. Software additions comprise £10m (2023: £9m) in relation to assets developed using internal resources and £16m (2023: £20m) using external resources.

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

**10 PROPERTY, PLANT AND EQUIPMENT**

	<b>Equipment and</b>
	<b>vehicles</b>
	<b>£m</b>
<b>Cost</b>	
At 1 February 2023	10
Additions	1
<b>At 31 January 2024</b>	<b>11</b>
<b>Accumulated depreciation</b>	
At 1 February 2023	5
Charge for year	3
<b>At 31 January 2024</b>	<b>8</b>
<b>Net book value</b>	
<b>At 31 January 2024</b>	<b>3</b>
At 31 January 2023	5

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11 INVESTMENTS IN GROUP UNDERTAKINGS**

	Investment in subsidiaries £m	Investment in joint ventures £m
<b>Cost</b>		
At 1 February 2023	1,609	1
<b>As at 31 January 2024</b>	<b>1,609</b>	<b>1</b>
<b>Impairment</b>		
At 1 February 2023	(2)	-
<b>As at 31 January 2024</b>	<b>(2)</b>	<b>-</b>
<b>Net book value</b>		
<b>At 31 January 2024</b>	<b>1,607</b>	<b>1</b>
At 31 January 2023	1,607	1

See Note 18 for details of group undertakings held.

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

The Directors determined that an impairment assessment was necessary due to the overall investment structure in the group. The impairment test was performed on the Company's directly held subsidiaries supported by their cash flow projections. The recoverable amount of the investment was determined based on a value in use calculation using cash flow projections from the Group's five-year plan. For the year ended 31 January 2024, the Company used the five-year plan, adjusted for expected changes, covering the five years up to 31 January 2029. For the purposes of the impairment test, terminal values have been calculated using a 1.79% growth assumption (2023: 1.95%).

Using an enterprise value model which deducts net debt as at 31 January 2024, cash flows were discounted at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. This was determined as a pre-tax rate of 11.0% (2023: 11.7%). The equivalent post-tax rate was 8.2% (2023: 8.8%). The use of this value in use calculation and the determination of its inputs were consistent with the impairment test performed in the prior year. The result of this impairment test was that there was a significant amount of headroom and therefore no impairment in the value of investments in subsidiaries were identified (2023: no impairment).

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

**12 TRADE AND OTHER RECEIVABLES**

	2024 £m	2023 £m
Amounts owed by group undertakings	1,200	1,085
Other receivables	-	1
Prepayments	13	13
	<b>1,213</b>	<b>1,099</b>

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

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13 TRADE AND OTHER PAYABLES**

	<b>2024</b>	2023
	<b>£m</b>	£m
Trade payables	<b>13</b>	15
Amounts owed to group undertakings	<b>657</b>	616
Other taxation and social security	<b>7</b>	11
Other payables	<b>1</b>	1
Deferred income	<b>1</b>	1
Accruals	<b>33</b>	24
	<b>712</b>	668

Amounts owed to group undertakings are unsecured, have no repayment terms and bear no interest.

**14 CALLED UP SHARE CAPITAL**

	<b>2024</b>	2023
	<b>£m</b>	£m
<b>Allotted and fully paid</b>		
1,100,010,982 (2023:1,100,010,982) ordinary shares of 70p each	<b>770</b>	770

During the year, a dividend of 13.6p per share totalling £149m (2023: 11.3p, £124m) was paid to the parent entity, AA Senior Co Limited.

**15 PENSIONS**

During the 2017 financial year and following the sale of the Irish business by the Group, the Company became the sponsor of the AA Ireland Pension Scheme (“the AAI scheme”). The assets of the scheme are held separately from those of the Company in an independently administered fund. The AAI scheme is closed to new entrants and future accrual of benefits. The assets and liabilities of the AAI scheme are denominated in Euros.

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

The AAI scheme is subject to full actuarial valuations every three years using assumptions agreed between the trustee of the scheme and the Company. 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 scheme which have been updated where appropriate to 31 January 2024 by independent qualified actuaries.

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 PENSIONS (continued)**

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

	<b>2024</b>	2023
	<b>£m</b>	£m
Present value of the defined benefit obligation in respect of pension plans	<b>(36)</b>	(36)
Fair value of plan assets	<b>42</b>	42
<b>Surplus</b>	<b>6</b>	6

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

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

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 PENSIONS (continued)**

**Fair value of plan assets**

The table below shows the AAI scheme assets split between those that have a quoted market price and those that are unquoted.

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

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

**Investment strategy**

To diversify sources of return and risk, the AAI 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 whilst hedging against downward market moves.

The trustee's investment advisors 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:

	2024 %	2023 %
Pensioner discount rate	3.3	3.4
Non-pensioner discount rate	3.4	3.4
Pensioner CPI	2.1	2.3
Non-pensioner CPI	2.1	2.3
Pension increase for deferred benefits	2.1	2.3

Mortality assumptions are set using standard tables with scheme-specific adjustments.

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

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 PENSIONS (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 asset by the amounts shown below:

	2024 £m	2023 £m
Increase of 1% in discount rate	5	6
Increase of 1% in RPI and CPI	(2)	(3)
Increase of 1% in CPI only	(2)	(3)
Increase of one year of life expectancy	(1)	(1)

An equivalent decrease in the assumptions at 31 January 2024 would have had a broadly equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

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

**Pension scheme risks**

The AAI 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 by 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.

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 PENSIONS (continued)**

**Pension scheme risks (continued)**

*Financial derivatives risk*

The 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 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.

**16 GUARANTEES AND COMMITMENTS**

At the year end, the Company had capital commitments of £nil (2023: £1m: £1m of intangible assets and £nil of fixed assets).

**Cross company guarantees**

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

The covenants governing the bank loans and bond debt of the AA Intermediate Co Limited group place restrictions on the Group's ability to distribute cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts.

**17 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY**

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

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

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

At 31 January 2024, the ultimate controlling party and parent undertaking is Basing Consortium Co 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](http://www.theaacorporate.com/investors).

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 SUBSIDIARY UNDERTAKINGS**

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

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

<b>Name</b>	<b>Country of Incorporation / Registered Office Key</b>	<b>Class of shares held</b>
AA Financial Services Limited	England and Wales, UK / A	Ordinary
AA The Driving School Agency Limited	England and Wales, UK / A	Ordinary
Automobile Association Developments Limited <sup>1</sup>	England and Wales, UK / A	Ordinary
Automobile Association Insurance Services Limited <sup>1</sup>	England and Wales, UK / A	Ordinary
Drivetech (UK) Limited <sup>1</sup>	England and Wales, UK / A	Ordinary
AA Brand Management Limited <sup>1</sup>	England and Wales, UK / A	Ordinary
The Automobile Association Limited <sup>1,2</sup>	Jersey / B	Ordinary
Used Car Sites Limited <sup>1</sup>	England and Wales, UK / A	Ordinary
Prestige Fleet Servicing Limited <sup>1</sup>	England and Wales, UK / A	Ordinary

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

<b>Name</b>	<b>Country of Incorporation / Registered Office Key</b>	<b>Class of shares held</b>
A.A. Pensions Trustees Limited	England and Wales, UK / A	Ordinary
AA Pension Funding GP Limited	Scotland, UK / D	Ordinary
AA Pension Funding LP <sup>3</sup>	Scotland, UK / D	Membership Interest
Automobile Association Holdings Limited	England and Wales, UK / A	Ordinary and deferred redeemable non-voting special dividend
Automobile Association Insurance Services Holdings Limited	England and Wales, UK / A	Ordinary
Automobile Association Services Limited	England and Wales, UK / A	Limited by guarantee
Personal Insurance Mortgages and Savings Limited	England and Wales, UK / A	Ordinary
AA Ireland Pension Trustees DAC <sup>1</sup>	Ireland / C	Ordinary
Accident Assistance Services Limited <sup>1</sup>	England and Wales, UK / A	Ordinary
Intelligent Data Systems (UK) Limited	England and Wales, UK / A	Ordinary

<sup>1</sup> Directly held by AA Corporation Limited, all other subsidiaries are indirectly held.

<sup>2</sup> This Company also has a UK branch establishment.

<sup>3</sup> This partnership is fully consolidated into the Group financial statements and the Group has taken advantage of the exemption (as confirmed by regulation 7 of the Partnerships (Accounts) Regulations 2008) not to prepare or file separate financial statements for this entity.

**Registered Office Key**

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

**AA CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 SUBSIDIARY UNDERTAKINGS (continued)**

**Joint Ventures**

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

<b>Company</b>	<b>Country of registration</b>	<b>Nature of business</b>
AA Media Limited (49% interest held) <sup>1</sup>	England and Wales, UK	Publishing
AA Law Limited (49% interest held) <sup>2</sup>	England and Wales, UK	Insurance services
Drv n Solutions Limited (48% interest held) <sup>2</sup>	England and Wales, UK	Roadside services

<sup>1</sup> Directly held.

<sup>2</sup> Indirectly held.

**Associates**

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

<b>Company</b>	<b>Country of registration</b>	<b>Nature of business</b>
ARC Europe SA (20% interest held) <sup>1</sup>	Belgium	Roadside services

<sup>1</sup> Indirectly held.

**19 EVENTS AFTER THE REPORTING PERIOD**

*Keycare acquisition*

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

*Liquidity facility renewal*

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

*A12 issue*

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