

**AUTOMOBILE ASSOCIATION INSURANCE SERVICES  
HOLDINGS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JANUARY 2014**



**Registered number: 02413321**

# **AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**

## **FOR THE YEAR ENDED 31 JANUARY 2014**

### **STRATEGIC REPORT**

The directors present their report and audited financial statements of Automobile Association Insurance Services Holdings Limited ("the Company") for the year ended 31 January 2014.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The Company is a wholly owned subsidiary of Automobile Association Developments Limited.

The principal activity of the Company is that of a holding company. The Company did not trade during the year.

The Company's key financial and other performance indicators during the year were as follows:

	<b>2014</b>	<b>2013</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Net Assets	<b>131,978</b>	131,978	0%

The balance sheet on page 6 of the financial statements shows the Company's financial position at the year end.

For decision making and internal performance management, management's key performance metric is net assets. Net assets remained at £132.0m (2013: £132.0m).

### **DIVIDENDS**

The directors do not recommend the payment of a dividend for the year (2013: £nil).

### **RISK MANAGEMENT FRAMEWORK**

The business has developed an embedded enterprise risk management process that facilitates the identification, assessment, escalation and mitigation of the Company's risk exposure across every aspect and activity of the business. This framework enables the business to manage risk using predefined assessment criteria to ensure residual risk levels are in line with the Board's agreed risk appetite.

The principal risks have been grouped into the following categories:

#### *Brand Risk*

The Company recognises that the AA Brand is a key differentiator and source of competitive advantage, and brand damage from low quality products or services could have an adverse impact on the Company. The Company has in place policies and procedures to protect the brand at all times.

**AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2014**

**STRATEGIC REPORT (continued)**

*Financial Risk*

The Company is part of the AA PLC Group and its financial risks are managed centrally by the Group Treasury team taking into account the Company's position as part of the group with due consideration being given to the impact of transactions with other group entities.

BY ORDER OF THE BOARD



A K BOLAND  
DIRECTOR

18 July 2014

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

# **AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**

## **FOR THE YEAR ENDED 31 JANUARY 2014**

### **DIRECTORS' REPORT**

#### **DIRECTORS**

The directors who held office during the year were as follows:

A K Boland	(Appointed 1 May 2013)
C T P Jansen	(Appointed 6 January 2014)
R J Scott	(Appointed 6 January 2014)
A J P Strong	(Resigned 6 January 2014)
S M Howard	(Resigned 1 October 2013)

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **GOING CONCERN**

The Company's business activities and its exposure to financial risk are described in the business review on page 1.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **POST BALANCE SHEET EVENT**

On 26 June 2014, AA PLC was admitted to the London Stock Exchange. From this date AA PLC became the ultimate parent undertaking of the Company and the ultimate controlling party.

**AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2014**

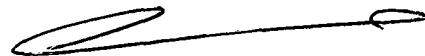
**DIRECTORS' REPORT (continued)**

**DISCLOSURE OF INFORMATION TO AUDITOR**

Each current director has made enquiries of their fellow director and the Company's auditor and taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

BY ORDER OF THE BOARD



A K BOLAND  
DIRECTOR

18 July 2014

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

# **AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2014**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**

We have audited the financial statements of Automobile Association Insurance Services Holdings Limited for the year ended 31 January 2014 which comprise the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify materially inconsistencies with the audited financial statements and to identify any information that is apparently material incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2014;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



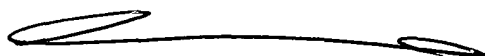
Kevin Senior (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP  
London  
18 July 2014

# AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## BALANCE SHEET AT 31 JANUARY 2014

	Notes	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>			
Investments in group undertakings	4	577	577
<b>CURRENT ASSETS</b>			
Debtors	5	131,401	131,401
<b>NET ASSETS</b>		<u>131,978</u>	<u>131,978</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	21,549	21,549
Share Premium Account	7	1,447	1,447
Capital Reserve	7	105,000	105,000
Profit and loss account	7	3,982	3,982
<b>SHAREHOLDER'S FUNDS</b>	8	<u>131,978</u>	<u>131,978</u>

The financial statements on pages 6 to 9 were approved by the board of directors on 18 July 2014 and were signed on its behalf by:



A K BOLAND  
DIRECTOR

The notes on pages 7 to 9 form part of these financial statements.

# AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

#### a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies Act 2006 s.464.

The financial statements are prepared on a going concern basis. A summary of the accounting policies, which have been applied on a consistent basis with the prior year, is set out below.

The Company is exempt from the requirement to prepare consolidated financial statements as it is a wholly owned subsidiary of AA PLC, whose consolidated financial statements are publicly available. These financial statements present information about the entity as an individual undertaking.

#### b) Cash flow statement

The Directors have taken advantage of the exemption available under FRS 1 (Cash flow statements) of the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the financial statements of the parent undertaking, AA PLC.

#### c) Investments

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 profit and loss account when it is receivable.

### 2 AUDITOR'S REMUNERATION

The Company's auditor provided no services other than the annual audit during either of the years under review. Audit fees of £nil (2013: £4,000) were borne by another group company.

### 3 DIRECTORS' REMUNERATION

	2014 £m	2013 £m
Aggregate remuneration in respect of qualifying services	<u>3.8</u>	<u>0.9</u>
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	<u>2.3</u>	<u>0.6</u>

S M Howard is remunerated by a fellow subsidiary undertaking of the previous ultimate parent undertaking, Acromas Holdings Limited, and received total remuneration for the year of £0.9m (2013: £0.9m). This director did not receive any emoluments during the year in respect of their services as director of the Company (2013: £nil). The Company has not been recharged any amount for the emoluments of this director (2013: £nil).



# AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4 INVESTMENTS IN GROUP UNDERTAKINGS

Shares in subsidiary undertakings	£'000
<b>Cost</b>	
At 31 January 2013 and at 31 January 2014	<u>2,237</u>
<b>Provision</b>	
At 31 January 2013 and at 31 January 2014	<u>(1,660)</u>
<b>Net book value</b>	
At 31 January 2013 and at 31 January 2014	<u>577</u>

Investments in group undertakings relate to the investment held in AA Financial Services Limited.

### 5 DEBTORS

	2014 £'000	2013 £'000
Amounts owed by group undertakings	<u>131,401</u>	<u>131,401</u>

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

### 6 CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
<b>Allotted, called up and fully paid</b>		
21,549,485 ordinary shares of £1 each	<u>21,549</u>	<u>21,549</u>

### 7 RESERVES

	Share Premium Account £'000	Capital Reserve £'000	Profit and Loss Account £'000
At 31 January 2013 and at 31 January 2014	<u>1,447</u>	<u>105,000</u>	<u>3,982</u>

### 8 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2014 £'000	2013 £'000
At 31 January 2013 and at 31 January 2014	<u>131,978</u>	<u>131,978</u>

# **AUTOMOBILE ASSOCIATION INSURANCE SERVICES HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **9 GUARANTEES AND COMMITMENTS**

#### **Cross company guarantees**

As a part of the refinancing which took place in the year, the Company with certain of its fellow subsidiaries across the AA PLC group were released from their obligations on the bank loans made to Acromas Mid Co Limited and became a guarantor to the bank loans and bond debt of the AA PLC group. At 31 January 2014, the principal outstanding on the AA PLC group debt was £3,043.0m.

As at 31 January 2014, the principal, accrued interest, guarantees and other facilities outstanding on the Acromas Mid Co Limited bank loans was £nil (2013: £5,132.1m).

Details of the refinancing can be found in the AA PLC financial statements.

### **10 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption within FRS 8 (Related party disclosures) in not disclosing transactions with other entities in the Acromas group of companies. There are no other related party transactions.

### **11 ULTIMATE PARENT UNDERTAKING**

The Company is a wholly owned subsidiary of Automobile Association Developments Limited, a company registered in England and Wales.

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, RG21 4EA.

As at 31 January 2014, the ultimate parent undertaking, which was also the parent of the largest group to consolidate these financial statements, was Acromas Holdings Limited whose registered office is at Enbrook Park, Folkestone, Kent, CT20 3SE.

Following the admission of AA PLC to the London Stock Exchange, see Post Balance Sheet Event note, the ultimate parent undertaking, which will also become the parent of the largest group to consolidate these financial statements, is AA PLC whose registered office is at Fanum House, Basing View, Basingstoke, RG21 4EA.

Copies of the consolidated parent financial statements are available from the Company Secretary at the relevant registered office address.

### **12 ULTIMATE CONTROLLING PARTY**

As at 31 January 2014, the directors considered the ultimate controlling party to be funds advised by Charterhouse Capital Partners, CVC Capital Partners and Permira Advisers acting in concert.

Following the admission of AA PLC to the London Stock Exchange, see Post Balance Sheet Event note, the ultimate controlling party is AA PLC.

### **13 POST BALANCE SHEET EVENTS**

On 26 June 2014, AA PLC was admitted to the London Stock Exchange. From this date AA PLC became the ultimate parent undertaking of the Company and the ultimate controlling party.