AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2013

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2013

The dırectors present theır report and audıted financıal statements of Automobıle Assocıatıon Insurance Servıces Lımıted ("the Company") for the year ended 31 January 2013

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company ıs a wholly owned subsıdıary of AA Corporatıon Lımıted

The prıncıpal actıvıty of the Company ıs the provısıon of ınsurance ıntermedıary servıces The Company ıs authorısed and regulated as a General Insurance Intermedıary by the Fınancıal Conduct Authorıty (FCA)

The Company's key financıal and other performance ındıcators durıng the year were as follows

	2013	2012	**Change**
	£'000	**£'000**	**%**
Turnover	**271,528**	273,062	(1%)
Staff costs	**(71,425)**	(72,623)	(2%)
Deprecıatıon of fixed assets	**(4,183)**	(2,766)	51%
Other operatıng charges	**(83,156)**	(61,317)	36%
Total expenses	**(158,764)**	(136,706)	16%
Interest	**122**	(289)	(142%)
Profit before taxatıon	**112,886**	136,067	(17%)
EBITDA	**116,947**	139,122	(16%)

As shown ın the Company's profit and loss on page 7, the Company's turnover decreased by 1% to £271 5m durıng the current year, whılst profit before taxatıon decreased by 17% to £112 9m over the same perıod, maınly due to exceptıonal call centre restructurıng costs

Durıng the year under revıew, the net solvency capıtal of the Company for regulatory purposes, represented by net assets less goodwıll, ıncreased by 14% to £688 0m (2012 £602 3m) The dırectors are pleased wıth the performance of the Company ın the year and expect the Company to contınue to meet solvency requırements set by the FCA

The balance sheet on page 8 of the financıal statements shows the Company's financıal posıtıon at the year end Detaıls of amounts owed to ıts parent company and fellow subsıdıary undertakıngs are shown ın note 15 to the financıal statements

For decısıon makıng and ınternal performance management, management's key performance metrıc ıs Earnıngs before ınterest, tax, deprecıatıon and amortısatıon (EBITDA) EBITDA decreased by 16% to £116 9m durıng the current year

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year (2012 £nil)

DIRECTORS

The Directors who held office during the year were as follows

J A Goodsell
S M Howard
A J P Strong
A K Boland
M A Cutbill
S D G Douglas
W R Treen
P Robson

J C Roe was appointed on 5 March 2013 and A K Gupta was appointed on 15 March 2013

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 managed risk using predefined assessment criteria to ensure residual risk levels are in line with the Board's agreed risk appetite

Risk information is formally reviewed on a quarterly basis and is a standard agenda item at each of the core business forums

The principal risks have been grouped into the following categories

Competitive Risk
The Company continues to operate in highly competitive markets This could lead to increased price competition with the effect of reduced margins or reduced market share These risks are managed through promotion of the group brand and continuing efforts to improve efficiency and reduce costs

RISK MANAGEMENT FRAMEWORK (continued)

Financial Risk
The Company is part of the Acromas Holdings Limited 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 The most important components of financial risk impacting the Company are as follows

Credit Risk
Credit risk is the risk that a counterparty will be unable to pay amounts in full when due Due to the retail nature of the Company's customer base, the exposure to any individual counterparty is assessed as very low The Company has in place debt collection policies and procedures to minimise the likelihood of widespread defaults occurring

Liquidity Risk
Liquidity risk is the risk that cash may not be available to pay obligations when due This risk is managed centrally with investments made in line with the Group Treasury Policy and ongoing cash flow requirements monitored and reforecast weekly The Directors are satisfied that the Company is not subject to significant liquidity risk

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 and services could have an adverse impact on the Company The Company has in place policies and procedures to protect the brand at all times

Regulatory Risk
The Company is required to comply with FCA regulations A failure to comply with these regulations could cause the Company to incur fines or be unable to continue trading

Operational Risk
The key operational risks the Company faces include call centre disruption through loss of telephony or IT infrastructure, loss of physical infrastructure (such as building loss or access restrictions) or insufficient staff being available to handle call volumes

The Company has put in place rigorous procedures and controls designed to prevent significant risks to the business occurring or to mitigate their effects if they should occur These controls are monitored both by the Compliance and Internal Audit functions to ensure they are working effectively

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 pages 1 to 3

The directors believe that the company has adquate financial resources As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

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 EVENTS

The Company's indirect parent, AA Mid Co Limited, has undertaken a debt refinancing of its business, raising £3 055 billion using a combination of publicly traded bonds and bank debt The proceeds of the refinancing are being used to partially repay Acromas Mid Co Limited's bank debt, in return for the release of the current guarantees provided by the AA Mid Co Limited group and the Company outlined in note 22 After this transaction, AA Mid Co Limited will no longer remit cash to Acromas group treasury and will provide security to the new lenders via a combination of fixed and floating charges and the Company will become a Guarantor to the AA Mid Co Limited group debt

On 1 April 2013, the trade and IT fixed assets of the Company's indirect subsidiary Drakefield Insurance Services Limited were transferred to the Company

RE-APPOINTMENT OF AUDITOR

In accordance with section 487(2) of the Companies Act 2006, the auditor Ernst & Young LLP is deemed re-appointed

DISCLOSURE OF INFORMATION TO AUDITOR

Each current director has made enquiries of their fellow directors 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
28 June 2013

Registered Office
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

Registered number 02414212

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

We have audited the financial statements of Automobile Association Insurance Services Limited for the year ended 31 January 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 26 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 auditor's 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 4, 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 material inconsistencies with the audited financial statements 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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 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

Ernst & Young LLP

James Lenton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 June **2013**

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2013

	Notes	2013 £'000	2012 £'000
TURNOVER	2	**271,528**	273,062
Administrative expenses		**(139,881)**	(135,616)
Exceptional items	4	**(18,883)**	(1,090)
OPERATING PROFIT	3	**112,764**	136,356
Interest receivable and similar income	7	**356**	3
Interest payable and similar charges	8	**(234)**	(292)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**112,886**	136,067
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	**(27,189)**	(36,063)
PROFIT FOR THE FINANCIAL YEAR	20	**85,697**	100,004

Profit on ordinary activities before taxation for the years reported relates to continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

The notes on pages 9 to 19 form part of these financial statements

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

BALANCE SHEET AT 31 JANUARY 2013

	Notes	2013 £'000	2012 £'000
FIXED ASSETS			
Intangible assets	11	-	9
Tangible fixed assets	12	24,520	21,677
Investments in group undertakings	13	6,239	6,239
		30,759	27,925
CURRENT ASSETS			
Stock		533	213
Debtors	14	1,061,986	1,321,583
Cash at bank and in hand		6,639	983
		1,069,158	1,322,779
PROVISIONS FOR LIABILITIES (amounts falling due within one year)	18	(13,977)	(5,664)
CREDITORS (amounts falling due within one year)	15	(393,321)	(741,026)
NET CURRENT ASSETS		661,860	576,090
TOTAL ASSETS LESS CURRENT LIABILITIES		692,619	604,014
CREDITORS (amounts falling due after more than one year)	16	(480)	(1,020)
PROVISIONS FOR LIABILITIES (amounts falling due after one year)	18	(4,162)	(714)
NET ASSETS		687,977	602,280
CAPITAL AND RESERVES			
Called up share capital	19	19,000	19,000
Profit and loss account	20	668,977	583,280
SHAREHOLDER'S FUNDS	21	687,977	602,280

The financial statements on pages 7 to 18 were approved by the board of directors on 28 June 2013 and were signed on its behalf by

A K BOLAND
DIRECTOR

Registered number 02414212

The notes on pages 9 to 19 form part of these financial statements

1 ACCOUNTING POLICIES

a) Basis of accounting

The financial statements are 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 per the Companies Act 2006 s 400 as it is a wholly owned subsidiary of Acromas Holdings Limited, 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 ultimate parent undertaking, Acromas Holdings Limited

c) Intangible assets

Goodwill is the difference between the fair value of the consideration paid for an acquired entity and the aggregate of the fair values of that entity's separately identifiable assets and liabilities Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, through the profit and loss account The useful economic life of goodwill has been estimated to be 6 years The directors review the appropriateness of this useful life at the end of each period and revise it if necessary

Additionally, the directors review goodwill for impairment at the end of the first full financial year following the acquisition and at other times should events indicate that the carrying values may not be recoverable Additional amortisation is charged in the period if the goodwill is deemed to be impaired

d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such costs include costs directly attributable to making the asset capable of operating as intended The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives These lives are as follows

Freehold properties	50 years
Short leasehold properties	over the period of the lease
Equipment	3 - 5 years
Motor vehicles	3 - 6 years

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

e) 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

1 ACCOUNTING POLICIES (continued)

f) Stock

Stock is valued at the lower of cost or net realisable value

g) Turnover

Turnover represents amounts receivable for goods and services provided, excluding value added tax, insurance premium tax and trade discounts

Commission income from third party insurers is recognised at the commencement of the period of risk Additional commission from these insurers may be earned dependent upon the underwriting results of the business insured This income is recognised when the results of this business can be determined reasonably Fees received under contracts with breakdown policyholders for arrangement and administration services are recognised over the life of the policy Income from credit products is recognised over the period of the loan in proportion to the outstanding loan balance

h) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the assets' useful lives The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet The interest elements of rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

i) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties

In relation to unoccupied properties, where a decision has been made prior to the period end to vacate the property, provision is made for future rent and similar costs net of rent income expected to be received up to the estimated date of final disposal

j) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods that are different from those in which they are recognised in the financial statements

1 ACCOUNTING POLICIES (continued)

j) Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

2 TURNOVER

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

3 OPERATING PROFIT

	2013	2012
Operating profit is stated after charging	£'000	£'000
Staff costs recharged (note 5)	71,425	72,623
Depreciation of tangible fixed assets		
- Owned assets	3,633	2,455
- Under finance leases	550	311
Amortisation of intangible fixed assets	9	36
Other external charges	62,976	58,790
Exceptional items (note 4)	18,883	1,090
Fees payable to the auditors		
- Audit of the financial statements	58	58
Operating lease rentals		
- Motor vehicles	148	346
- Land and buildings	1,082	997
	158,764	136,706

The Company's auditor provided no services to the Company other than the annual audit during either of the years under review

4 EXCEPTIONAL ITEMS

	2013	2012
	£'000	£'000
Exceptional costs	18,883	1,090

Exceptional costs in the current year relate to the closure of two call centres Exceptional costs in the year ended 31 January 2012 related to call centre restructuring

5 STAFF COSTS

Staff costs during the year were as follows	2013	2012
	£'000	£'000
Wages and salaries	66,604	67,899
Social security costs	4,821	4,724
	71,425	72,623

Staff costs relate to those recharged from The Automobile Association Limited, a group company incorporated in Jersey The average number of employees directly employed during the year was nil (2012 nil)

6 DIRECTORS' EMOLUMENTS

	2013 £'000	2012 £'000
Aggregate emoluments in respect of qualifying services	42	42

	2013	2012
Members of defined benefit pension scheme	6	6

Among the directors remunerated by the Company, the amounts paid in respect of the highest paid director were as follows

	2013 £'000	2012 £'000
Emoluments	42	42

The directors' emoluments shown above relate to P Robson who is remunerated by The Automobile Association Limited, a group company incorporated in Jersey

J A Goodsell, S M Howard, A J P Strong, A K Boland, M A Cutbill and S D G Douglas are remunerated by Saga Group Limited, W R Treen is remunerated by Saga Services Limited and P Robson is remunerated by The Automobile Association Limited These companies are all fellow subsidiaries of the ultimate holding company, Acromas Holdings Limited These directors received total remuneration for the year of £4 2m (2012 £3 9m) None of these directors received any emoluments during the year in respect of their services as directors of the Company (2012 £nil) The Company has not been recharged any amount for the emoluments of these directors (2012 £nil)

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Bank interest receivable	356	3

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Other interest payable	234	292

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows	2013 £'000	2012 £'000
Current Tax:		
- Current tax on income in the period	26,759	34,591
- Adjustments in respect of prior periods	28	104
Total current tax charge	26,787	34,695

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2013 £'000	2012 £'000
Deferred tax:		
- Origination and reversal of timing differences	**278**	1,232
- Adjustments in respect of prior periods	**(11)**	(96)
- Effect of tax rate changes	**135**	232
Total deferred tax charge	**402**	1,368
Total tax charge on ordinary activities	**27,189**	36,063

The current tax includes £26,759,000 (2012 £23,688,000) in respect of payments for group losses

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

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	**112,886**	136,067
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 33% (2012 26 32%)	**27,465**	35,813
Effects of		
Income not taxable for tax purposes	**(486)**	-
Permanent differences	**74**	74
Capital allowances in excess of depreciation	**(477)**	(952)
Other short term timing differences	**183**	(344)
Adjustments to tax charge in respect of previous years	**28**	104
Total current tax charge	**26,787**	34,695

10 DEFERRED TAXATION

Deferred tax assets/(liabilities) comprise	Amounts recognised		Amounts unrecognised	
	2013	2012	**2013**	2012
Timing differences on	**£'000**	£'000	**£'000**	£'000
Decelerated capital allowances	**510**	1,057	-	-
Other short term timing differences	**761**	616	-	-
Capital gains rolled over	**-**	-	**(555)**	(603)
Deferred tax asset/(liability) (see note 14)	**1,271**	1,673	**(555)**	(603)

	£'000
Deferred tax asset as at 1 February 2012	1,673
Charge to the profit and loss account	(402)
Deferred tax asset as at 31 January 2013	**1,271**

The Finance Act 2012 reduced the main rate of corporation tax from 26% to 24% with effect from 1 April 2012, and further reduced it from 24% to 23% with effect from 1 April 2013 As this reduction was substantively enacted on 3 July 2012, the deferred tax balance at 31 January 2013 has been stated at 23%

Further reductions in the rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015 were announced in December 2012 and March 2013 The directors estimate that the effect of these changes will reduce the Company's deferred tax asset by £25,000

11 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
As at 1 February 2012 and at 31 January 2013	**215**
Amortisation	
As at 1 February 2012	206
Charge for the year	9
As at 31 January 2013	**215**
Net book value	
As at 31 January 2013	**-**
As at 31 January 2012	9

12 TANGIBLE FIXED ASSETS

	Land and buildings			
	Freehold	Short leasehold	Equipment and vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 February 2012	13,962	836	35,498	50,296
Additions	-	-	7,226	7,226
Intra-group transfers	-	-	237	237
Disposals	-	-	(574)	(574)
As at 31 January 2013	**13,962**	**836**	**42,387**	**57,185**
Depreciation				
As at 1 February 2012	5,256	836	22,527	28,619
Charge for the year	266	-	3,917	4,183
Intra-group transfers	-	-	157	157
Disposals	-	-	(294)	(294)
As at 31 January 2013	**5,522**	**836**	**26,307**	**32,665**
Net book value				
As at 31 January 2013	**8,440**	**-**	**16,080**	**24,520**
As at 31 January 2012	8,706	-	12,971	21,677

Equipment and vehicles include the following assets held under finance leases

	2013	2012
	£'000	£'000
Cost	**2,184**	1,850
Accumulated depreciation	**(988)**	(393)
Net book value	**1,196**	1,457

13 INVESTMENTS IN GROUP UNDERTAKINGS

Shares in subsidiary companies	**2013**
	£'000
Cost and net book value	
As at 1 February 2012 and 31 January 2013	6,239

Subsidiary undertaking	Country of incorporation	% Holding of ordinary shares	Principal activity
Drakefield Holdings Limited	England	100	Holding Company
Drakefield Insurance Services Limited	England	100	Insurance Services

13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Drakefield Insurance Services Limited is a wholly owned subsidiary of Drakefield Holdings Limited and therefore held indirectly by the Company Dormant subsidiary undertakings whose results and financial position do not principally affect the Company's financial statements have been omitted

14 DEBTORS

	2013	2012
Amounts receivable within one year	**£'000**	£'000
Trade debtors	**102,418**	132,968
Amounts owed by group undertakings	**954,760**	1,184,060
Other debtors	**609**	1,127
Prepayments and accrued income	**2,928**	1,755
	1,060,715	1,319,910
Amounts receivable in more than one year		
Deferred tax asset (see note 10)	**1,271**	1,673
	1,061,986	1,321,583

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

15 CREDITORS (amounts falling due within one year)

	2013	2012
	£'000	£'000
Insurance creditors	**94,274**	126,945
Amounts owed to group undertakings	**248,251**	549,843
Corporation tax	**44**	10,903
Taxation and social security	**799**	1,028
Other creditors	**777**	545
Obligations under finance leases and hire purchase contracts (note 17)	**737**	436
Accruals and deferred income	**48,439**	51,326
	393,321	741,026

The amounts owed to group undertakings are unsecured, have no repayment terms and bear no interest

16 CREDITORS (amounts falling due after more than one year)

	2013	2012
	£'000	£'000
Obligations under finance leases and hire purchase contracts (note 17)	**480**	1,020

17 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Amounts payable under finance leases and hire purchase contracts	2013	2012
	£'000	£'000
Within one year	**737**	436
In two to five years	**480**	1,020
	1,217	1,456

18 PROVISIONS FOR LIABILITIES

	Other Provisions £'000	Vacant Property Provisions £'000	Restructuring Provisions £'000	Total £'000
As at 1 February 2012	5,126	1,159	93	6,378
Provision utilised	(4,126)	(541)	-	(4,667)
Charge for the year	-	6,111	10,317	16,428
As at 31 January 2013	**1,000**	**6,729**	**10,410**	**18,139**

Other provisions relate to repayments of commission received that the Company will likely have to make as a result of the mid-term cancellation of policies The property provision brought forward related to the closure of a network of high street outlets and relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub-letting income The charge to this provision during the year relates to the closure of two call centre offices The majority of this provision is expected to be used during the next three years The restructuring provision relates to call centre staff redundancy costs This provision is expected to be utilised within one year

19 CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	**2013 £'000**	2012 £'000
19,000,000 ordinary shares of £1 each	**19,000**	19,000

20 PROFIT AND LOSS ACCOUNT

	2013 £'000	2012 £'000
Opening balance	**583,280**	483,276
Profit for the year	**85,697**	100,004
Closing balance	**668,977**	583,280

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2013 £'000	2012 £'000
Opening shareholder's funds	**602,280**	502,276
Profit for the year	**85,697**	100,004
Closing shareholder's funds	**687,977**	602,280

22 GUARANTEES AND COMMITMENTS

Cross company guarantees

The Company, along with certain of its fellow subsidiaries, acts as Obligor on bank loans made to Acromas Mid Co Limited At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £5,132 1 million (2012 £5,098 2 million)

Operating leases

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Motor vehicles	
	2013	2012	**2013**	2012
Operating leases which expire	**£'000**	£'000	**£'000**	£'000
Within one year	-	-	**18**	26
In two to five years	-	955	**68**	518
	-	955	**86**	544

The commitments for land and buildings which relate to vacant properties have been fully provided for (as disclosed in note 18)

At the year end, the Company had capital commitments of £240,188 (2012 £1,051,889) and capital expenditure authorised but not yet committed of £nil (2012 £nil)

23 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

24 ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party to be funds advised by Charterhouse Capital Partners, CVC Capital Partners and Permira Advisers acting in concert

25 ULTIMATE PARENT UNDERTAKING

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

The parent of the smallest group to consolidate these financial statements is AA Limited whose registered office is Fanum House, Basing View, Basingstoke, RG21 4EA. The ultimate parent undertaking, which is also the parent of the largest group to consolidate these financial statements, is Acromas Holdings Limited whose registered office is at Enbrook Park, Folkestone, Kent, CT20 3SE

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

26 POST BALANCE SHEET EVENTS

The Company's indirect parent, AA Mid Co Limited, has undertaken a debt refinancing of its business, raising £3 055 billion using a combination of publicly traded bonds and bank debt The proceeds of the refinancing are being used to partially repay Acromas Mid Co Limited's bank debt, in return for the release of the current guarantees provided by the AA Mid Co Limited group and the Company outlined in note 22 After this transaction, AA Mid Co Limited will no longer remit cash to Acromas group treasury and will provide security to the new lenders via a combination of fixed and floating charges and the Company will become a Guarantor to the AA Mid Co Limited group debt

On 1 April 2013, the trade and IT fixed assets of the Company's indirect subsidiary Drakefield Insurance Services Limited were transferred to the Company