

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2014

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Registered number: 02414212

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

FOR THE YEAR ENDED 31 JANUARY 2014

STRATEGIC REPORT

The directors present their strategic report and audited financial statements of Automobile Association Insurance Services 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 AA Corporation Limited.

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

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

Year ended 31 January	2014 £'m	2013 £'m
Turnover	259.5	271.5
Staff costs	(70.4)	(71.4)
Depreciation of fixed assets	(5.4)	(4.2)
Other operating charges	(63.3)	(83.2)
Total expenses	(139.1)	(158.8)
Interest	(0.1)	0.2
Profit before taxation	120.3	112.9
EBITDA	132.0	116.9

As shown in the Company's profit and loss on page 6, the Company's turnover decreased by 4% to £259.5m during the current year as a result of lower motor insurance sales, whilst profit before taxation increased by 7% to £120.3m over the same period, as the high level of exceptional costs incurred in 2013 (relating to the call centre restructuring) did not recur.

During the year under review, the net solvency capital of the Company for regulatory purposes, represented by net assets, decreased by 47% to £365.3m (2013: £687.9m). This reduction in the net solvency capital was due to the payment of a dividend of £650.0m (2013: £nil) offset by the decision to reduce the Company's indebtedness to other Acromas group companies through a capital contribution of £236.6m (2013: £nil), forgiving an intercompany debt.

The directors are pleased with the performance of the Company in the year and expect the Company to continue to meet solvency requirements set by the FCA.

The balance sheet on page 7 of the financial statements shows the Company's financial position at the year end. Details of amounts owed to its parent company and fellow subsidiary undertakings are shown in note 14 to the financial statements.

For decision making and internal performance management, management's key performance metric is earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA increased by 13% to £132.0m during the current year.

DIVIDENDS

A dividend of £650.0m was paid during the year (2013: £nil).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

FOR THE YEAR ENDED 31 JANUARY 2014

STRATEGIC REPORT (continued)

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:

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.

Financial Risk

The Company is part of the AA 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.

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.

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.

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 business 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.

BY ORDER OF THE BOARD



A K BOLAND
DIRECTOR

27 MAY 2014

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

FOR THE YEAR ENDED 31 JANUARY 2014

DIRECTORS' REPORT

DIRECTORS

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

J A Goodsell	
S M Howard	
A K Boland	
M A Cutbill	
S D G Douglas	
P Robson	
J C Roe	(Appointed 5 March 2013)
A K Gupta	(Appointed 15 March 2013)
C T P Jansen	(Appointed 6 January 2014)
A J P Strong	(Resigned 6 January 2014)
W R Treen	(Resigned 27 March 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

FOR THE YEAR ENDED 31 JANUARY 2014

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the business review on page 2.

The directors believe that the Company has adequate financial resources due to the available cash resources of the AA Limited Group which can be drawn upon and the Company's own net asset position. The directors believe that the Company is well placed to manage its business risks successfully using the risk management framework described in the Strategic Report and that the residual risks being taken by the Company are commensurate with its financial resources.

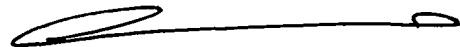
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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
27 MAR 2014

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

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 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. 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 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 material inconsistencies with the audited financial statements and to identify any information that is apparently materially 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 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.

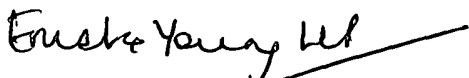
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



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

27 May 2014

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2014

	Notes	2014 £'m	2013 £'m
TURNOVER	2	259.5	271.5
OPERATING COSTS			
Administrative expenses		(133.8)	(139.9)
Exceptional items	4	(5.3)	(18.9)
OPERATING PROFIT	3	120.4	112.7
Interest receivable and similar income	7	-	0.4
Interest payable and similar charges	8	(0.1)	(0.2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		120.3	112.9
Tax on profit on ordinary activities	9	(29.5)	(27.2)
PROFIT FOR THE FINANCIAL YEAR	19	90.8	85.7

All income and expenditure arises from continuing operations.

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

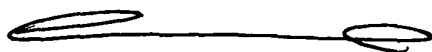
The notes on pages 8 to 18 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

BALANCE SHEET AT 31 JANUARY 2014

	Notes	2014 £'m	2013 £'m
FIXED ASSETS			
Tangible fixed assets	11	20.6	24.5
Investments in group undertakings	12	-	6.2
		<u>20.6</u>	<u>30.7</u>
CURRENT ASSETS			
Stock		0.2	0.5
Debtors	13	507.6	1,062.0
Cash at bank and in hand		6.6	6.6
		<u>514.4</u>	<u>1,069.1</u>
Creditors (amounts falling due within one year)	14	<u>(164.5)</u>	<u>(393.3)</u>
NET CURRENT ASSETS		<u>349.9</u>	<u>675.8</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		370.5	706.5
Creditors (amounts falling due after more than one year)	15	(0.1)	(0.5)
Provisions for liabilities	17	(5.1)	(18.1)
NET ASSETS		<u><u>365.3</u></u>	<u><u>687.9</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	19.0	19.0
Profit and loss account	19	346.3	668.9
SHAREHOLDER'S FUNDS	20	<u><u>365.3</u></u>	<u><u>687.9</u></u>

The financial statements on pages 6 to 18 were approved by the board of directors on 27 MAY 2014 and were signed on its behalf by:



A K BOLAND
DIRECTOR

The notes on pages 8 to 18 form part of these financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE 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 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 as well as the financial statements of AA Limited, a parent undertaking.

c) 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. Depreciation is provided on all tangible fixed assets 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:

Freehold properties	50 years
Long leasehold properties	50 years
Short leasehold properties	over the period of the lease
Fixtures, fittings and equipment	3 – 20 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.

d) 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.

e) Stock

Stock is valued at the lower of cost or net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

f) 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.

g) 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 payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

h) 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. Provision is made on a discounted basis where the time value of money is expected to be material.

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

i) 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.

A 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

Turnover represents amounts receivable for goods and services provided, excluding value added tax and trade discounts. Revenue is recognised at point of delivery of goods or on provision of service.

All 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

Operating profit is stated after charging:

	2014 £'m	2013 £'m
Staff costs recharged (note 5)	70.4	71.4
Depreciation of tangible fixed assets		
- Owned assets	4.9	3.6
- Under finance leases	0.5	0.6
Operating lease rentals:		
- Land & Buildings	0.5	1.1
- Motor vehicles	0.1	0.2

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2014 amounted to £100,000 (2013: £58,000). The Company's auditor provided no services to the Company other than the annual audit during either of the years under review.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 EXCEPTIONAL ITEMS

	2014 £'m	2013 £'m
Exceptional costs	<u>5.3</u>	<u>18.9</u>

Exceptional costs in the current year mainly relate to the write down of an investment in subsidiary undertakings offset by the release from the vacant property provision. Exceptional costs in the year ended 31 January 2013 related to the closure of two call centres.

5 STAFF COSTS

Staff costs during the year were as follows:

	2014 £'m	2013 £'m
Wages and salaries	65.2	66.6
Social security costs	<u>5.2</u>	<u>4.8</u>
	<u>70.4</u>	<u>71.4</u>

Staff costs relate to those recharged from The Automobile Association Limited, a group company incorporated in Jersey until 1 September 2013 and then from Automobile Association Developments Limited from 1 September 2013 to 31 January 2014. The average number of employees directly employed during the year was nil (2013: nil).

6 DIRECTORS' EMOLUMENTS

	2014 £m	2013 £m
Aggregate remuneration in respect of qualifying services	<u>5.3</u>	<u>1.8</u>
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	<u>2.3</u>	<u>0.6</u>

J A Goodsell and S M Howard are remunerated by a fellow subsidiary undertaking of the ultimate parent undertaking, Acromas Holdings Limited, and received total remuneration for the year of £2.4m (2013: £2.4m). None of these directors received any emoluments during the year in respect of their services as directors of the Company (2013: £nil). The Company has not been recharged any amount for the emoluments of these directors (2013: £nil).

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £'m	2013 £'m
Bank interest receivable	<u>-</u>	<u>0.4</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'m	2013 £'m
Other interest payable	<u>0.1</u>	<u>0.2</u>

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	2014 £'m	2013 £'m
Current tax:		
- Current tax on income in the year	28.6	26.8
- Adjustments in respect of prior periods	<u>0.5</u>	<u>-</u>
Total current tax charge	<u>29.1</u>	<u>26.8</u>
Deferred tax:		
- Origination and reversal of timing differences	0.7	0.3
- Adjustments in respect of prior periods	(0.5)	-
- Effect of tax rate change on opening balance	<u>0.2</u>	<u>0.1</u>
Total deferred tax charge	<u>0.4</u>	<u>0.4</u>
Total tax charge on ordinary activities	<u>29.5</u>	<u>27.2</u>

The current tax includes £28.6m (2013: £26.8m) 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:

	2014 £'m	2013 £'m
Profit on ordinary activities before tax	<u>120.3</u>	<u>112.9</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.16% (2013: 24.33%)	27.9	27.5
Effects of:		
Income not taxable for tax purposes	-	(0.5)
Permanent differences	1.4	-
Accelerated capital allowances	0.1	(0.4)
Other short term timing differences	(0.8)	0.2
Adjustments to tax charge in respect of previous years	<u>0.5</u>	<u>-</u>
Total current tax charge	<u>29.1</u>	<u>26.8</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 DEFERRED TAXATION

Deferred tax assets/(liabilities) comprise:

	Amounts recognised		Amounts unrecognised	
	2014	2013	2014	2013
	£'m	£'m	£'m	£'m
Timing differences on:				
Decelerated capital allowances	0.5	0.5	-	-
Other short term timing differences	0.4	0.8	-	-
Capital gains rolled over	-	-	(0.5)	(0.6)
Deferred tax asset/(liability) (note 13)	0.9	1.3	(0.5)	(0.6)
				£'m
Deferred tax asset as at 1 February 2013				1.3
Charge to the profit and loss account				(0.4)
Deferred tax asset as at 31 January 2014				0.9

The Finance Act 2013 reduced the main rate of corporation tax from 23% to 21% with effect from 1 April 2014, and further reduced it from 21% to 20% with effect from 1 April 2015. As this reduction was substantively enacted on 3 July 2013, the deferred tax balance at 31 January 2014 has been stated at 20%.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 TANGIBLE FIXED ASSETS

	Land and buildings		Equipment and vehicles	Total
	Freehold £'m	Short leasehold £'m	£'m	£'m
Cost				
At 1 February 2013	14.0	0.8	42.4	57.2
Additions	-	-	0.5	0.5
Intra-group transfers	-	-	1.5	1.5
Disposals	-	-	(0.2)	(0.2)
At 31 January 2014	14.0	0.8	44.2	59.0
Depreciation				
At 1 February 2013	5.5	0.8	26.4	32.7
Charge for year	0.3	-	5.1	5.4
Intra-group transfers	-	-	0.4	0.4
Disposals	-	-	(0.1)	(0.1)
At 31 January 2014	5.8	0.8	31.8	38.4
Net book value				
At 31 January 2014	8.2	-	12.4	20.6
At 31 January 2013	8.5	-	16.0	24.5

Equipment and vehicles include the following assets held under finance leases:

	2014 £'m	2013 £'m
Cost	2.2	2.2
Accumulated depreciation	(1.5)	(1.0)
Net book value	0.7	1.2

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 INVESTMENTS IN GROUP UNDERTAKINGS

Net book value	2014 £'m
Cost and net book value at 1 February 2013	6.2
Charge for the year	(6.2)
Cost and net book value at 31 January 2014	<u>-</u>

Subsidiary undertaking	Country of incorporation or registration	% Holding of ordinary shares	Principal activity
Drakefield Holdings Limited	England	100	Holding company
Drakefield Insurance Services Limited	England	100	Insurance services

Drakefield Insurance Services Limited (DISL) 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.

During the year, the trade of DISL was transferred to the company and DISL has ceased all trading activities. Consequently the company has written down its investment in the Drakefields Holdings Limited group.

13 DEBTORS

	2014 £'m	2013 £'m
Amounts receivable within one year		
Trade debtors	84.8	102.4
Amounts owed by group undertakings	419.5	954.8
Other debtors	0.7	0.6
Prepayments and accrued income	1.7	2.9
Amounts receivable in more than one year		
Deferred tax asset (note 10)	0.9	1.3
	<u>507.6</u>	<u>1,062.0</u>

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 CREDITORS (amounts falling due within one year)

	2014 £'m	2013 £'m
Insurance creditors	72.8	94.3
Amounts owed to group undertakings	41.1	248.3
Accruals and deferred income	48.4	48.4
Other taxation and social security	0.6	0.8
Other creditors	1.0	0.8
Obligations under finance leases and hire purchase contracts (note 16)	0.6	0.7
	<u>164.5</u>	<u>393.3</u>

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

	2014 £'m	2013 £'m
Obligations under finance leases and hire purchase contracts (note 16)	0.1	0.5
	<u>0.1</u>	<u>0.5</u>

16 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Amounts payable under finance leases and hire purchase contracts:

	2014 £'m	2013 £'m
Within one year	0.6	0.7
Within two to five years	0.1	0.5
	<u>0.7</u>	<u>1.2</u>

17 PROVISIONS FOR LIABILITIES

	Other provisions £'m	Vacant property provisions £'m	Restructuring provisions £'m	Total £'m
At 1 February 2013	1.0	6.7	10.4	18.1
Provision utilised	-	(2.0)	(10.1)	(12.1)
Provision released	-	(1.1)	-	(1.1)
Charge for the year	-	0.2	-	0.2
At 31 January 2014	<u>1.0</u>	<u>3.8</u>	<u>0.3</u>	<u>5.1</u>

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 the closure of two call centres and relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub-letting income. The majority of this provision is expected to be used during the next three years. The restructuring provision relates to redundancy costs arising from the restructuring of operations. This provision is expected to be utilised within one year.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 CALLED UP SHARE CAPITAL

	2014 £'m	2013 £'m
Allotted, called up and fully paid		
19,000,000 ordinary shares of £1 each	<u>19.0</u>	<u>19.0</u>

19 PROFIT AND LOSS ACCOUNT

	2014 £'m	2013 £'m
Opening balance	668.9	583.2
Profit for the year	90.8	85.7
Dividends paid	(650.0)	-
Capital contribution	236.6	-
Closing balance	<u>346.3</u>	<u>668.9</u>

The capital contribution relates to a realised gain following the forgiveness of amounts due to a parent undertaking.

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2014 £'m	2013 £'m
Opening balance	687.9	602.2
Profit for the year	90.8	85.7
Dividends paid	(650.0)	-
Capital Contribution	236.6	-
Closing balance	<u>365.3</u>	<u>687.9</u>

21 GUARANTEES AND COMMITMENTS

Operating leases

The Company is committed to make payments next year, analysed by year of expiry, as follows:

	Motor vehicles 2014 £'m	2013 £'m
In two to five years	<u>0.1</u>	<u>0.1</u>
	<u>0.1</u>	<u>0.1</u>

At the year end, the Company had capital commitments of £nil (2013: £0.2) and capital expenditure authorised but not yet committed of £nil (2013: £nil).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 GUARANTEES AND COMMITMENTS (continued)

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 Limited 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 Limited group. At 31 January 2014, the principal outstanding on the AA Limited group debt was £3,043.0m.

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

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

22 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 Holdings limited group of companies. There are no other related party transactions.

23 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 Intermediate Co 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.

AA Limited also consolidates these financial statements.

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

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.