

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2023



Registered number: 02414212

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2023

The directors present their Annual Report and audited financial statements of Automobile Association Insurance Services Limited ("the Company", or "AAISL") for the year ended 31 January 2023.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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).

Driven by the challenging external environment our insurance business remained profitable but was negatively impacted by the inflationary environment that emerged during the year. The Company remains in a resilient position to continue to perform its primary activity and management have assessed that this will continue to be the case.

The Company's revenue increased by 2.4% to £251m (2022: £245m) during the current year. For decision making and internal performance management, management's key performance metrics are revenue and Reported EBITDA (previously trading EBITDA). Reported EBITDA is profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation of other intangible assets, adjusting operating items, share-based payments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense. A reconciliation from Reported EBITDA to Operating Profit as presented in the income statement is shown below. Reported EBITDA remained flat at £110m in the year ended 31 January 2023.

Management reviews the Company's results and performance both on a statutory and non-GAAP (non-statutory) basis. The Company's adjusted performance measures are non-GAAP (non-statutory) financial measures and are included in these financial statements as they are key financial measures used by management to evaluate performance. The measures enable management to more easily and consistently track the underlying operational performance of the Company.

Reconciliation of Reported EBITDA to operating profit

As noted above, Reported EBITDA is calculated as operating profit before adjustments as shown in the table below:

	for the year ended 31 January	
	2023 £m	2022 £m
Reported EBITDA	110	110
Amortisation and depreciation	(6)	(3)
Impairment of property, plant and equipment	-	(4)
Impairment of asset held for sale	(1)	-
Adjusting operating items	(7)	(4)
Operating profit	96	99

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Operating profit decreased by 3% to £96m (2022: £99m) during the current year and profit before taxation decreased by 4% to £96m (2022: £100m) over the same period, reflecting the tough trading conditions in the Motor Insurance market, where rising costs and inflation suppressed profit during FY23.

During the year under review, the net solvency capital of the Company for regulatory purposes, represented by net assets, increased to £282m (2022: £272m) due to the payment of a dividend of £75m (2022: £90m) offset by £85m (2022: £82m) profit for the year.

The directors are satisfied with the performance of the Company in the year and expect the Company to continue to meet solvency requirements set by the FCA. There are currently no plans to alter the principal activities of the Company going forwards and the Company expects to continue to deliver profits while retaining its focus on high levels of customer service.

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. The Company is part of the AA Limited group, the ultimate parent of which is Basing ConsortiumCo Limited during FY23. Decisions, policies and procedures that may affect stakeholders were implemented at an AA Limited group level during the year and the Board oversees the application of these to the Company. For details of how this is accomplished within the AA Limited group, refer to page 46 of AA Limited's Annual Report, with whom the Company shares a common executive management structure.

RISK MANAGEMENT FRAMEWORK

Overall Responsibility

The Company is part of the AA Limited group, the ultimate parent of which was Basing ConsortiumCo Limited during FY23. Decisions, policies and procedures that may affect stakeholders were implemented at The AA Limited group level during the year and the Board oversees the application of these to the Company. The Board recognises that the Company's stakeholders include those that interact with the Company directly, in addition to those with indirect relationships in the context of the wider AA Limited group. Further information about the corporate governance arrangements for the AA is set out in the Director's Report on pages 46-51 of the AA Limited Annual Report and Accounts 2023.

The principal risks faced by the AA over the last year are summarised below. We monitor and assess these risks very closely to ensure they are managed appropriately and effectively. Principal risks and opportunities are defined as the risks and opportunities that are likely to have a material impact on the AA's business strategy.

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.

The three lines of defence model can be summarised as follows:

- 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.

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STRATEGIC REPORT (continued)

RISK MANAGEMENT FRAMEWORK (continued)

Risk management framework

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 risk-taking.

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

Risk culture and governance	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.
Strategy and objectives	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.
Risk identification and prioritisation	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.
Risk management and controls	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.
Risk reporting and communication	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.

Principal Risks and Opportunities

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

Customer risk

The risk that we fail to constantly monitor, manage and develop the interaction between our distribution channels and agent channels and our customers to ensure fair treatment and good outcomes.

Potential impact

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

Mitigation

We continually review and adapt our products and services to ensure we deliver good outcomes. We have also been closely monitoring the cost of living crisis – we run a financial difficulty forum to identify how we can support our customers.

We are also preparing ourselves for our regulator's incoming cornerstone regulation, Consumer Duty. We have an extensive programme of work in place to review our existing frameworks, structures and processes to proactively look for opportunities to improve and enhance the outcomes we deliver to our customers.

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STRATEGIC REPORT (continued)

RISK MANAGEMENT FRAMEWORK (continued)

Principal Risks and Opportunities (continued)

People risk

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

Potential impact

Covid-19, Brexit and changing workforce expectations in terms of location, flexibility and pay have all contributed to a shrinking workforce, with fewer people in the talent pool across the UK.

Mitigation

Our people play a critical role in the success of our business and in our future growth. We have made some significant enhancements to our Employee Value Proposition in FY23 and continue to ensure we adapt and respond to a changing environment.

Cyber security

The risk of failure to detect fraudulent or unauthorised modification of IT resources, physical or virtual theft of assets, and events that compromise critical data.

Potential impact

Cyber attacks are an ever-increasing threat for businesses. This is a risk that has heightened as a result of the increase in state-sponsored cyber attacks and the development of more sophisticated ransomware attacks.

Mitigation

We continue to operate our clearly defined cyber security strategy and we have invested in resources to further strengthen our controls. We benchmark our security controls against the Standard for Information Security (ISO27001) and an independent third party performs an annual review to provide assurance that our controls remain effective.

Credit risk

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

Potential impact

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Mitigation

The AA Limited group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

Financial risk

The risk that the Group has insufficient liquid funds required for the business to operate, is unable to refinance its maturing debt, or unable to do this at affordable cost.

Potential impact

The ability to finance is critical to the ongoing existence and operation of the Group. Credit rating, stakeholder management, financial market conditions and interest rates are all important factors. In particular, financing costs have increased as a result of rising interest rates as the economy sees higher levels of inflation.

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. For more detail see note 1.

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STRATEGIC REPORT (continued)

RISK MANAGEMENT FRAMEWORK (continued)

Principal Risks and Opportunities (continued)

Financial risk (continued)

Mitigation

Despite a challenging macroeconomic environment, the AA Limited Group has completed a successful refinancing of its A6 Notes, issuing £250m of A10 Notes in FY23, as well as a partial refinancing of its £550m A7 Notes in FY24 and continues to seek to refinance bonds well ahead of their maturity dates. The Group is highly cash generative and has good levels of available cash as well as a Working Capital Facility of £56m, of which £46m is available for cash drawings allowing it to withstand such macroeconomic challenges.

Emerging Risks

The most notable emerging risks and opportunities for the AA are summarised below. For more information see page 31 of the AA Limited annual report.

Government reform

The Department for Business and Trade (formerly the Department for Business, Energy and Industrial Strategy) published its plans to strengthen the UK's audit, corporate reporting and corporate governance systems. The proposed measures aim to enhance accountability across the business ecosystem and increase resilience and choice in the statutory audit market.

The AA has started to assess the potential impact and is making plans to respond to the expected future direction of financial reporting for in scope firms.

Climate change and TCFD

The AA recognises that climate change poses a number of transitional and physical risks and opportunities for business, people and our communities.

Over the last 12 months we have identified further key climate related risks (such as adverse weather events and energy usage), we have been developing financial modelling of the most material to our future strategy and we're embedding the management of climate-related risks


into our broader risk management framework. These key activities form part of our commitments under the Task Force for Climate related Financial Disclosure's (TCFD) recommendations, which will be reported in FY24.

We also recognise the critical importance of reducing our GHG emissions. As part of our ESG strategy we are making a commitment to become Net Zero for our own emissions by 2035.

Global financial instability

Economic uncertainty is expected to remain high as a result of the geopolitical risks arising from the Russian war on Ukraine, a potential global banking crisis following the collapse of two U.S lenders and the takeover of Credit Suisse, and the UK's long term macroeconomic outlook. These are macroeconomic risks that we will continue to monitor through observation of the financial markets and the wider external environment.

ON BEHALF OF THE BOARD



J A PARK
DIRECTOR
9 JUNE 2023

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

Registered number: 02414212

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2023

DIRECTORS

The directors who held office during the year and up to the date of signing the Annual Report and Financial Statements were as follows:

J Connor

D C Keeling

J A Park

C E Riley (resigned 30 November 2022)

D Rogers

D P Coughlan (resigned 15 March 2022)

P M Bunker (resigned 28 February 2022)

Company secretary

J E Cox

DIRECTORS' INDEMNITY

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against all losses and liabilities incurred in the discharge of their duties, to the extent permitted by law. This is a qualifying third-party indemnity provision and was in force throughout the financial year and at the date of approval of the Annual Report and Financial Statements.

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 Annual Report and 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.

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DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (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 activity, review of the business and future developments" and "Risk management framework" sections on pages 1 to 5.

The Company has adequate financial resources due to the Company's own net current asset position. Automobile Association Insurance Services 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 which provides the cash required to meet the scheduled debt interest payments and principal repayments. The Company directors have reviewed 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 directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future.

The Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of £129m of A7 Notes which have a maturity date of 31 July 2024. As at the date of approval of these financial statements, £421m of the original £550m A7 Notes have already been refinanced.

The Company directors have confirmed these points with the AA Limited group directors and have reviewed the projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements. The Company directors have concluded, with the AA Limited directors, that they have confidence that the Company and the AA Limited group will have 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 50-51 of the AA Limited group's Annual Report. For the AA Limited group's longer-term viability, it remains a key assumption of its directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. However, as noted above, the refinancing of the Class A7 Notes, due on 31 July 2024, is currently in progress at the date of issue of these financial statements.

The Company is an obligor of the Group's borrowings and in the event the refinancing of the A7 Notes is not successful, the Company may not be able to continue as a going concern. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern for a period in excess of a year from the date of issue of these financial statements.

However, after making appropriate enquiries and considering the uncertainty described above, 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.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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DIRECTORS' REPORT (continued)

DIVIDENDS


A dividend of £75m was paid during the year in respect of FY22 (FY22: £90m paid in respect of FY21).

The directors propose the payment of a final dividend in FY24 of £75m in respect of FY23.

INDEPENDENT AUDITORS

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

The financial statements on pages 12 to 27 have been approved by the Board on 9 June 2023 and signed on its behalf by:



J A PARK
DIRECTOR
9 JUNE 2023

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

Registered number: 02414212

Independent auditors' report to the members of Automobile Association Insurance Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 January 2023 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 2023; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is an obligor of AA Intermediate Co Limited group's borrowings and forms part of the corresponding debt security group for which the refinancing of the Class A7 Notes, due on 31 July 2024, is not committed at the date of issue of these financial statements. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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.

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

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 2023 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 breaches of UK regulatory requirements, such as those governed by the Financial Conduct Authority ("FCA"), and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 revenue or reduce expenditure thereby improving the financial performance of the Company, and the potential for management bias in

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

accounting estimates such as those relating to the administration and arrangement fee. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, internal compliance and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.
- Reviewing correspondence between the Company and the Financial Conduct Authority ("FCA") in relation to compliance with laws and regulations, and considering the matters identified in light of our understanding of the sector.
- 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 against the specific legal requirements, for example within the Directors' Report.
- Review of Board minutes and relevant meeting minutes, including those with the Audit, Risk and Compliance Committee, for matters relating to any instances of non-compliance with laws and regulations and fraud matters.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- 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.



Helen Grainger (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
9 June 2023

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 JANUARY

	Note	2023 £m	2022 £m
Commission and other income		229	221
Instalment income		22	24
REVENUE		<u>251</u>	<u>245</u>
Cost of sales		<u>(25)</u>	<u>(26)</u>
GROSS PROFIT		226	219
Administrative and marketing expenses		<u>(130)</u>	<u>(120)</u>
OPERATING PROFIT	3	96	99
Income from shares in group undertakings	7	<u>-</u>	<u>1</u>
PROFIT BEFORE TAX		96	100
Income tax expense	8	<u>(11)</u>	<u>(18)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>85</u>	<u>82</u>

There is no other comprehensive income or expenditure other than those passing through the income statement, therefore no separate statement of comprehensive income is presented.

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Note	2023 £m	2022 £m
NON-CURRENT ASSETS			
Intangible assets	10	41	25
Property, plant and equipment	11	1	-
Right of use assets	12	3	-
Assets classified as held for sale	17	2	4
		<u>47</u>	<u>29</u>
CURRENT ASSETS			
Trade and other receivables	13	386	395
Deferred tax asset	9	-	-
Cash and cash equivalents		10	10
		<u>396</u>	<u>405</u>
TOTAL ASSETS		<u>443</u>	<u>434</u>
CURRENT LIABILITIES			
Trade and other payables	14	(156)	(154)
Current tax payable		(2)	(8)
		<u>(158)</u>	<u>(162)</u>
NON-CURRENT LIABILITIES			
Lease liabilities	18	(3)	-
		<u>(3)</u>	<u>-</u>
TOTAL LIABILITIES		<u>(161)</u>	<u>(162)</u>
NET ASSETS		<u>282</u>	<u>272</u>
EQUITY			
Called up share capital	15	19	19
Retained earnings		263	253
TOTAL EQUITY		<u>282</u>	<u>272</u>

These financial statements were approved by the board of directors and signed on its behalf by:



J A PARK

DIRECTOR

9 JUNE 2023

Automobile Association Insurance Services Limited

Registered number: 02414212

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY

	Note	Share capital £m	Retained earnings £m	Total equity £m
At 1 February 2021		19	261	280
Profit for the financial year		-	82	82
Dividends paid	15	-	(90)	(90)
At 31 January 2022		19	253	272
Profit for the financial year		-	85	85
Dividends paid	15	-	(75)	(75)
At 31 January 2023		19	263	282

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRESENTATION OF FINANCIAL STATEMENTS

Automobile Association Insurance Services 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 £m.

GOING CONCERN

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activity, review of the business and future developments" and "Risk management framework" sections on pages 1 to 5.

The Company has adequate financial resources due to the Company's own net current asset position. Automobile Association Insurance Services 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 which provides the cash required to meet the scheduled debt interest payments and principal repayments. The Company directors have reviewed 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 directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future.

The Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of £129m of A7 Notes which have a maturity date of 31 July 2024. As at the date of issue approval of these financial statements, £421m of the original £550m the A7 Notes have already in part been refinanced.

The Company directors have confirmed these points with the AA Limited group directors and have reviewed the projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements. The Company directors have concluded, with the AA Limited directors, that they have confidence that the Company and the AA Limited group will have 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 50-51 of the AA Limited group's Annual Report. For the AA Limited group's longer-term viability, it remains a key assumption of its directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. However, as noted above, the refinancing of the Class A7 Notes, due on 31 July 2024, is currently in progress at the date of issue of these financial statements. The Company is an obligor of the Group's borrowings and in the event the refinancing of the A7 Notes is not successful, the Company may not be able to continue as a going concern. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern for a period in excess of a year from the date of issue of these financial statements.

However, after making appropriate enquiries and considering the uncertainty described above, 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.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES

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 model and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

- IAS 1 paragraphs 10(d) and 10(f), (statement of cash flows)
- IAS 1 paragraph 16 (statement of compliance with all IFRS),
- 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),
- Paragraphs 45(b) and 46 to 52 of IFRS 2, "Share-based payment"
- IAS 7 'Statement of cash flows',
- IFRS 7 'Financial Instruments Disclosures',
- IAS 8 paragraphs 30 and 31, (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective),
- IFRS 13 paragraphs 91 – 99 'Fair Value measurement',
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers',
- 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 IFRS IC 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 on or after 1 February 2023, 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 regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management have exercised judgement in applying the Company's accounting policies and in making critical estimates. The underlying assumptions on which these judgements are based are reviewed on an on-going basis.

The principal estimates and judgements that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue – Administration and arrangement fee (AAF)

Since June 2015, the Company has charged a separate fee, the AAF, to reflect its role in providing intermediary mediation services to consumer customers buying roadside assistance products. Management identified two performance obligations for the AAF. Firstly, arranging the policy, which is generally deemed to be complete on inception of the policy and the associated income is recognised upfront. The second performance obligation is that related to the on-going administration associated with the policy where the revenue is spread over the life of the policy. Management have exercised

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.2 Critical accounting estimates and judgements (continued)

judgement in allocating revenue against these two performance obligations in proportion to the costs incurred. This has been based on historic analysis of related costs and timings of recognition and therefore involves a degree of estimation.

Intangibles

The Company has significant software development programmes and there is judgement in relation to which programmes and costs to capitalise under IAS 38. Additionally, there is an estimate in respect of the future usage period of software on which the Company bases the useful economic life of related assets. A reduction in the useful economic life of software of one year would result in an increase in the amortisation charge between 20% to 30% (see note 10).

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

Trade and 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.

2.3 Significant accounting policies

a) Software and development costs

Software development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied. The asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over its useful life of three to five years.

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.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

b) 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.

Property, plant and equipment shall be classified as held-for-sale if its carrying amount will be recovered through a sale transaction rather than through continuing use. Assets meeting the criteria of held-for-sale are transferred to held-for-sale at the lower of carrying value or fair value less costs to sell at the point at which the criteria are met. The sales are expected to complete within 10 months of the year end.

c) Investments in joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are carried in the statement of financial position at cost less impairment.

d) Revenue

Revenue is measured at the fair value of the consideration receivable less any discounts and excluding value added tax and other sales related taxes. Refunds issued for goods and services relating to the current year are netted against revenue.

Fees received under contracts with breakdown policyholders for arrangement and administration services are allocated against the related performance obligations in proportion to the costs incurred. The arrangement fees are recognised upfront and ongoing administration fees are recognised over the life of the policy. This stream is accounted for under IFRS 15.

Where customers choose to pay by instalments, finance income for the Group, which is classified as Revenue, is recognised in the period to which it relates using the effective interest rate method.

This stream is accounted for under IFRS 9.

Commission income from insurers external to the Group is recognised at the commencement of the period of risk on a point in time basis, with the Group acting as agent in this relationship. This stream is accounted for under IFRS 15.

For all other revenue, this income is recognised on a point in time basis at the point of delivery of goods or on the provision of service, or over time where the service is provided over more than one day. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

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

e) Provisions

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

f) Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

g) 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. 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 expected credit losses (ECLs) which uses a lifetime expected loss allowance to trade receivables and loan receivables (as loans receivable are trading in nature).

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. The Company applies the IFRS 9 general 3 stage model to measuring expected credit losses (ECLs).

Trade payables

Trade payables are not interest bearing and are recognised at fair value and are subsequently held at amortised cost.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity less than three months.

i) 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 Company performance and which, by virtue of their size or incidence, have been separately disclosed in the financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

j) Share-based payments

The Company operates share-based payment incentive schemes for certain key management personnel the Company.

Share-based payment arrangements in which the Company receives goods or services as consideration for the Group's equity instruments are accounted for as equity-settled share-based payment transactions. The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost (see note 19), with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each statement of financial position date and at settlement date. Any changes in the fair value of the liability are recognised as an employee cost in the income statement.

k) Insurance aggregator fees

Insurance aggregator fees are the costs related to the acquisition of customers from insurance comparison websites. These costs are expensed to the income statement in full at the commencement of the insurance policy and presented in the income statement within cost of sales.

3 OPERATING PROFIT

Operating profit is stated after charging:

	2023 £m	2022 £m
Amortisation of owned intangible assets (see note 10)	6	3
Depreciation of owned tangible fixed assets (see note 11)	-	-
Impairment of owned tangible fixed assets (see note 17)	-	4
Impairment of held-for-sale property (see note 17)	1	-
Adjusting operating items (see note 4)	7	4

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2023 amounted to £0.4m (2022: £0.3m). No non-audit services were provided directly to Automobile Association Insurance Services Limited (2022: none).

4 ADJUSTING OPERATING ITEMS

	2023 £m	2022 £m
Recharge of group adjusting operating costs	(6)	(3)
Closure costs of the CARE section of the AAUK pension scheme and the transitional agreement made with employees in that scheme	(1)	(1)
	<u>(7)</u>	<u>(4)</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 EMPLOYEE COSTS

Employee costs during the year were as follows:

	2023 £m	2022 £m
Wages and salaries	44	46
Social security costs	4	4
Other pension costs	4	4
	<u>52</u>	<u>54</u>

Employee costs relate to those recharged from Automobile Association Developments Limited, a fellow group company. The average number of employees directly employed during the year was nil (2022: nil).

6 DIRECTORS' REMUNERATION

	2023 £m	2022 £m
Aggregate remuneration in respect of qualifying services	2	2
Share-based payments	-	-
Contributions to money purchase schemes	-	-
Compensation for loss of office	-	1
	<u>2</u>	<u>3</u>

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

Remuneration	1	1
Share-based payments	-	-
Compensation for loss of office	-	1
	<u>1</u>	<u>2</u>

C Riley, D Rogers, J Connor and P Bunker are only directors of the Company and are not a director of any other company within the Basing ConsortiumCo group. The cost of their remuneration is borne by the Company. D Keeling is a director of fellow subsidiaries and was remunerated by another company that is part of the Basing ConsortiumCo group. J Park is a director of fellow subsidiaries but was remunerated by the Company. D Coughlan was a director of fellow subsidiaries but was remunerated by the Company. This relates to aggregate remuneration in respect of qualifying services totalling £2.1m (2022: £1.8m) and compensation for loss of office of £0.1m (2022: £0.5m).

As 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 the ultimate parent undertaking and fellow subsidiary companies, their full remuneration has been reflected in the disclosure above.

No retirement benefits are accruing for any director under a defined benefit scheme and under a money purchase scheme (2022: none).

7 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2023 £m	2022 £m
Forgiveness of intercompany creditor balance (see note 14)	-	1
	<u>-</u>	<u>1</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 INCOME TAX EXPENSE

The major components of the income tax expense are:

	2023 £m	2022 £m
Current tax:		
- Current tax on income in the year	12	19
- Adjustments to tax charge in respect of prior years	(1)	-
	<u>11</u>	<u>19</u>
Deferred tax:		
- Origination and reversal of temporary differences	(1)	(1)
- Adjustments to tax charge in respect of prior years	1	-
	<u>-</u>	<u>(1)</u>
Total income tax expense	<u><u>11</u></u>	<u><u>18</u></u>

The current tax includes £10m (2022: £12m) in respect of payments for group losses.

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

	2023 £m	2022 £m
Profit before tax	<u>96</u>	<u>100</u>
Tax at rate of 19.0% (2022: 19.0%)	18	19
Effects of:		
Income/expenses not chargeable for tax purposes	-	(1)
Use of group losses	(7)	-
Income tax expense reported in the income statement	<u><u>11</u></u>	<u><u>18</u></u>

9 DEFERRED TAX ASSETS

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2023 £m	2022 £m	2023 £m	2022 £m
Fixed assets temporary differences	-	1	1	(1)
Capital gains rolled over	(1)	(1)	-	-
Other short-term temporary differences	1	-	(1)	-
Deferred tax expense/(credit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Deferred tax assets/(liabilities)	<u><u>-</u></u>	<u><u>-</u></u>		
			2023 £m	2022 £m
Deferred tax liabilities as at 1 February			-	(1)
Tax credit recognised in the income statement			<u>-</u>	<u>1</u>
Deferred tax assets at 31 January			<u><u>-</u></u>	<u><u>-</u></u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 DEFERRED TAX ASSETS (continued)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off deferred tax assets and deferred tax liabilities relating to income taxes levied by the same tax authority.

The March 2021 budget announced that the main corporation tax rate would increase from 19% to 25% in April 2023. This increase was substantively enacted in May 2021 and has therefore been reflected in the measurement of deferred tax as at 31 January 2023 and 31 January 2022. The effect of the tax rate increase has been £nil (2022: £nil).

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

10 INTANGIBLE ASSETS

	Software £m
Cost	
At 1 February 2022	29
Additions	25
Transfer to other Group companies	(4)
At 31 January 2023	50
Accumulated amortisation	
At 1 February 2022	(4)
Charge for year	(6)
Transfer to other Group companies	1
At 31 January 2023	(9)
Net book value	
At 31 January 2023	41
At 31 January 2022	25

Within software £25m (2022: £6m) relates to assets under construction that are not amortised. This includes £18m (2022: £3m) relating to an insurance sales and administration policy platform.

Software additions comprise £6m (2022: £4m) in relation to internally developed assets and £19m (2022: £12m) in respect of separately acquired assets.

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 PROPERTY, PLANT & EQUIPMENT

	Equipment and vehicles £m	Total £m
Cost		
At 1 February 2022	1	1
Additions	1	1
At 31 January 2023	2	2
Accumulated depreciation		
At 1 February 2022	(1)	(1)
Charge for year	-	-
At 31 January 2023	(1)	(1)
Net book value		
At 31 January 2023	1	1
At 31 January 2022	-	-

12 RIGHT-OF-USE ASSETS

This note provides information for leases where the Group is a lessee. Under IFRS 16, right-of-use assets are recognised in the consolidated statement of financial position in respect of leased assets.

	Property £m
Cost	
Additions	3
At 31 January 2023	3
Accumulated amortisation	
At 31 January 2023 and 31 January 2022	-
Net book value	
At 31 January 2023	3
At 31 January 2022	-

13 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Current		
Trade receivables	29	17
Loan receivables	96	99
Amounts owed by group undertakings	248	274
Prepayments	4	2
Contract assets	9	3
	386	395

Amounts owed by group undertakings all relate to undertakings within the AA Intermediate Co Limited group. The balances are unsecured, have no repayment terms and bear no interest. Loan receivables relates to amounts due from insurance broking customers.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Current		
Trade creditors	76	72
Amounts owed to group undertakings	45	58
Accruals	8	6
Contract liabilities	22	16
Current tax payable	2	-
Other taxation and social security	2	1
Other creditors	1	1
	<u>156</u>	<u>154</u>

Included in trade creditors are amounts of £68m (2022: £69m) relating to amounts due to underwriters external to the AA Limited group in respect of insurance broking activities.

Included in amounts owed to group undertakings are amounts of £35m (2022: £34m) relating to amounts due to underwriters within the AA Limited group in respect of insurance broking activities. Amounts owed to group undertakings are unsecured, have no repayment terms and bear no interest.

The Company received income of £nil (2022: £1m) as forgiveness of an intercompany creditor balance.

15 CALLED UP SHARE CAPITAL

	2023 £m	2022 £m
Allotted, called up and fully paid		
19,000,000 (2022: 19,000,000) ordinary shares of £1 each	<u>19</u>	<u>19</u>

During the year, a dividend of £75m (2022: £90m) was paid to the parent entity, AA Corporation Limited, at 395p (2022: 474p) per qualifying ordinary share.

The directors propose the payment of a final dividend of £75m (2022: £75m).

16 INVESTMENT IN JOINT VENTURE

The carrying value of investment in joint venture under takings is £nil (2022: £nil).

Joint venture

Name	Country	Nature
AA Law Limited (49% interest held) ¹	England and Wales, UK	Insurance services

¹ The Company exercises joint control with Lyons Davidson LLP over AA Law Limited through its equal representation on the Board. AA Law Limited has A and B ordinary shares.

17 ASSETS CLASSIFIED AS HELD FOR SALE

During the prior year, the sale of one property was approved. The sale of the property completed post year-end in May 2023 and is held for sale at the lower of carrying amount and fair value less cost to sell, which has resulted in an impairment of £1m, included in the income statement.

The assets classified as held for sale were:

	2023 £m	2022 £m
Property, plant and equipment	2	4
Total	<u>2</u>	<u>4</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 COMMITMENTS AND GUARANTEES

The Company has lease contracts for property. Future minimum lease payments under lease contracts together with the present value of the net minimum lease payments are as follows:

	2023		2022	
	Present value of payments £m	Minimum payments £m	Present value of payments £m	Minimum payments £m
Within one year	-	-	-	-
Between one and five years	1	2	-	-
After five years	2	2	-	-
Total minimum lease payments	3	4	-	-
Less amounts representing finance charge	-	(1)	-	-
Present value of minimum lease payments	3	3	-	-

Where a property is no longer used by the Company for operational purposes, tenants are sought to reduce the Company's exposure to lease payments. Where the future minimum lease payments are in excess of any expected rental income due, the corresponding right-of-use asset is impaired by this excess.

Capital commitments

At the year end, the Company had capital commitments of £6m (2022: £1m).

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 2023, the principal outstanding on the AA Intermediate Co Limited group debt was £2,325m (2022: £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. We do not anticipate the bank loans or bond debt being called upon in the 12 months after the signing of these financial statements.

19 SHARE BASED PAYMENTS

Long Term Incentive Plan

In the year ended 31 January 2023, AA Limited (an indirect parent of the Company) implemented a Long-Term Incentive Plan ("cash LTIP"), granting benefits to key members of senior management. These benefits vest based on certain performance conditions.

A vesting date of 31 January 2026 has been assumed for this scheme and it is expected to be settled in cash. On the basis of the above, the cash LTIP has been accounted for in line with IFRS 2, with the fair value of the cash LTIP liability, based on investment return multiples, being recognised over the expected life of the scheme. Where the participants directly benefit Automobile Association Insurance Services Limited, the share-based payment charge has been accounted for within the Company.

The vesting charge for the current year is £nil.

Management Equity Plan (MEP)

Basing TopCo (an indirect parent of the Company) operates a management equity plan which grants senior management awards with vesting conditions linked to their continued employment. This plan has been accounted for as an equity settled share-based payment, and where the participants directly benefit Automobile Association Insurance Services Limited, the share-based payment charge has been accounted for within the Company. The charge for the year ended 31 January 2023 was £nil (2022: £nil).

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 SHARE BASED PAYMENTS (continued)

The fair value of awards under the plan was 5.3p each.

The fair value of the shares was calculated using a Monte Carlo simulation model. Key inputs to the model were as follows:

- Equity value – Based on the Company's equity value inclusive of preference shares
- Expected term – Vesting date of March 2026 has been assumed
- Exercise price – Based on equity value of Basing TopCo Limited taking into account the ratchet mechanism inbuilt to the plan
- Volatility – 30% has been used following the review of a broad set of quoted comparators
- Risk free rate – 0.59% based on UK Government bond rates for 5-year period as at first grant date

20 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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

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 View, Basingstoke, RG21 4EA.

The ultimate controlling party and parent undertaking is Basing ConsortiumCo Limited whose registered office is 3rd Floor, 44 Esplanade, St Helier, JE4 9WG, Jersey.

21 EVENTS AFTER THE REPORTING PERIOD

The directors propose the payment of a final dividend in FY24 of £75m in respect of FY23.