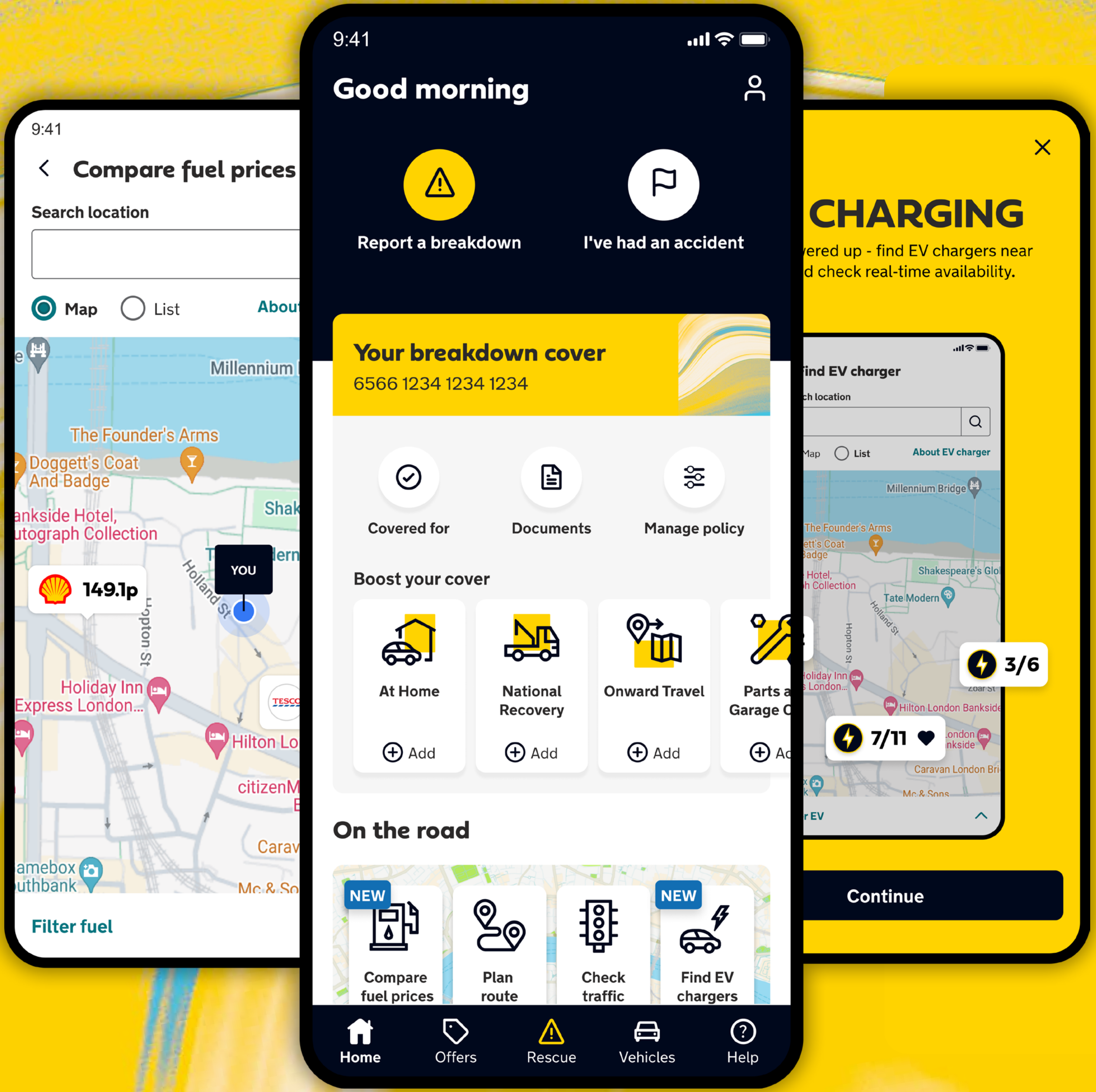



# Annual Report & Accounts 2025

# Contents



**Presentation of financial information UK regulations/APM Forward-looking statements**
This Annual Report contains forward-looking statements. These forward-looking statements are not guarantees of future performance, rather they are based on current views and assumptions as at the date of this Annual Report. These assumptions are made in good faith based on the information available at the time of the approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking statements, and the Board has no obligation to update these statements.

# Financial highlights

Revenue
**£1,450m**
*(2024: £1,298m)*

Net revenue[1]
**£1,213m**
*(2024: £1,121m)*

Adjusted EBITDA[1]
**£450m**
*(2024: £424m)*

Total holdings[2]
**16.3m**
*(2024: 16.0m)*

Adjusted EBITDA margin
**31.0%**
*(2024: 32.7%)*

Adjusted EBITDA/net revenue margin
**37.1%**
*(2024: 37.8%)*

Operating profit
**£245m**
*(2024: £192m)*

Leverage ratio
**4.4x**
*(2024: 5.1X)*

## Celebrating a fourth year of holdings, revenue and EBITDA growth for the Group since being taken private in 2021

*"With progress on multiple key initiatives and a consistent performance demonstrating greater resilience, FY25 has built further confidence in our strategy. With a strong foundation in place, a clear roadmap for growth, and an ambitious, disciplined approach to investment, we are ready to take The AA to the next level"*

***Jakob Pfaudler***
***AA CEO***


[1] Non-Generally Accepted Accounting Principles (Non-GAAP) measures explained on page 12.
[2] Includes Roadside B2C and B2B holdings and brokered motor and home insurance policies in force.

# Strategic report

# Chair's statement

> It's really pleasing to see the investments we've made delivering consistently positive performance and a resilient business – we look forward with optimism."
>
> **Rick Haythornthwaite**
> **Chair**

I am delighted to be celebrating our fourth year of holdings, revenue and EBITDA growth for the Group in FY25. As Jakob and Tom will expand upon, FY25 was a strong performance overall for the Group and we ended the year with a significantly strengthened balance sheet. It is gratifying to see the investments that we have made in systems, digital experience, new products and processes delivering consistent performance and resilience in the face of an uncertain operating context.

Our strategic focus for the next year remains on driving growth through our core business, broadening our offer and continuing the momentum in our transformation. We are now embedding the refreshed strategy we shared last year, with the transformation shifting from addressing foundational issues to making more discretionary investments to enhance our proposition and extend areas of competitive differentiation, such as new products and further enhancements to our digital capabilities.

While national consumer confidence remains low and macroeconomic challenges persist, I'm pleased to report that we are managing these headwinds well. 2024 marked the first year of targets under the Government's Zero Emission Vehicle (ZEV) mandate for new EV sales, sparking significant industry and public debate about the transition. Our purpose, supporting driver confidence, has never been more important, and we remain committed to helping our members at every stage of the energy transition, while ensuring their voices are heard in the conversation. We have also made strong progress in reducing our own emissions, more than quadrupling the number of alternative-fuel vehicles in our fleet. We have also been the first in the UK to introduce fully electric recovery trucks to our roadside assistance operations.

I would like to thank the Board for their ongoing support and commitment to our transformation and growth – we have been particularly delighted to welcome Amélie Petit of Stonepeak as a member.

Much of our success at The AA is underpinned by our ability as a Group to problem-solve effectively at pace, generate new ideas and deliver these through the persistency, hard work and passion of our colleagues.

The diversity of our colleagues plays a significant role in this by providing the variety of thought, experience, and perspective which leads to creativity and enriched solutions. With this in mind, we are pleased to be on track to hit our FY26 targets for diversity in leadership.

Meanwhile, the passion of our colleagues was admirably displayed at "The AA: Next Chapter Live!" event where we celebrated success together and shared our view of the future.

The Board and I would like to thank colleagues for their dedication throughout the year and look forward to our continued progress in FY26, where we expect further growth and investment as we progress against our strategy, all, as ever, in service of our customers.

# CEO's statement

> “FY25 has been a breakout year, reinforcing our transformation through the fourth year of customer, revenue and EBITDA growth alongside delivering excellent customer service.”
>
> **Jakob Pfaudler**
> **CEO**

## A Breakout Year for The AA

FY25 has been a critical year for The AA, reinforcing our transition to a high performance culture and business. Recording our fourth consecutive year of customer, revenue and EBITDA growth under our current ownership demonstrates a strategy that is working and shows the consistency and depth of improvement in the business, in spite of the headwinds we have been facing.

We have further cemented our UK market leadership position with growth in total holdings to 16.3m (up from 16.0m) across our Roadside and Insurance divisions.

Our core Roadside business is thriving, with sustained revenue growth from B2C membership and B2B customers, combined with increasing average revenue per user (ARPU). Our investment in digital advancements alongside strong operational management has delivered greater efficiency as well as excellent customer satisfaction with strong Net Promoter (NPS) and Trustpilot scores. Our Insurance business demonstrated resilience during a period of market volatility and system re-platforming, and we're pleased with the improvement in the latter part of the year and strong momentum going into the new financial year. With all major re-platforming in The AA complete, our investment focus has now shifted towards building for the future through new propositions such as our market leading connected car product Vixa, our new Mobile Mechanics offer and a number of product innovations in core Roadside and Insurance. All this is underlining our ability to innovate and respond to evolving customer needs, which will drive performance, strengthen our market leadership, and unlock new opportunities.

At the same time, we have materially strengthened our financial position. Following the Stonepeak transaction, and through strong cash generation, we have made further progress on deleveraging, reducing Group leverage from 5.1x net debt/adjusted EBITDA to 4.4x, with an ambition of 4.0x firmly in our sights.

This performance has been underpinned by a major shift in our culture, and we've seen last year's record breaking colleague engagement scores growing again in FY25 as confidence and excitement in our plans grow.

With so much opportunity ahead of us, it's my pleasure to share with you some of the highlights from this critical year.

## Growth from the core

### Excellent performance in our core Roadside business

Our core Roadside business continues to perform well, with increased operational efficiency and continued customer satisfaction alongside growth in customer holdings of 3%, revenue growth of 8% and adjusted EBITDA growth of 8%.

In our Consumer business, the successful launch of risk-based pricing alongside targeted promotions supported new business growth of B2C membership of 1%, offsetting a small decrease in retention, from macroeconomic pressures. Average income per customer grew by 9%, driven by last years' pricing action and increasing success in upselling.

In our business-to-business (B2B) division, we were glad to see the retention of all key accounts and are delighted to announce a new relationship with Chase Bank, supporting their Added Value account. We've also agreed provision of further customer contact and mobility services to three of our existing business partners, reflecting our strong and deepening relationships and the value we provide. As a result, our B2B holdings grew 3% and our average income per holding grew 4%.

## Group highlights

Roadside holdings
**14.6m**
*(2024: 14.3m)*

Insurance policies
**1.7m**
*(2024: 1.7m)*

Breakdowns attended
**3.5m**
*(2024: 3.5m)*

App users
**3.3m**
*(2024: Not available)*[1]

Group NPS
**57**
*(2024: 50)*

Trustpilot score
**4.6**
*(2024: 4.3)*

### *Strong operational and customer service performance*

This year, improvements to the risk profile of our customer base and initiatives to tackle service abuse, combined with more stable weather conditions, meant total workload remained flat despite increased customer volumes and an ageing car parc.

The time between a customer alerting us to a breakdown and us attending fell by 12%, including a drop in the longest wait times our customers experience. A higher proportion of jobs were attended by our own patrol force, which, together with stronger patrol performance, unlocked an improvement in our repair rate of 4ppts. Our proportion of breakdowns supported remotely (by telephone) also increased from 2% to 3%.

We saw strong NPS improvements in our breakdown business from 65 to 70, alongside NPS improvements in our Customer Operations (+10 points), with our overall Group NPS increasing 7 points.

### *Digital convenience with human care supporting strong customer outcomes*

As our NPS improvements demonstrate, our focus on "digital convenience, with human care" continues to benefit our customers as we expand and enhance our service.

Our Digital team has been hard at work relaunching our next-generation app, reaching 3.3m total users by end of FY25. We've updated the experience and functionality for our customers and delivered several service enhancements such as vehicle help videos, access to documents and integration to WhatsApp. I'm particularly pleased at how these features have resonated with our members, with the monthly active rate up 23% vs the previous year and Digital NPS reaching an outstanding 76.

We've also reached a key milestone in our online breakdown reporting of over 1m full end-to-end digital reports with c.50% of eligible customers reporting it online – with two further B2B partnerships now using this service this year. This has been further enhanced by our "Track my patrol" feature, helping customers understand where their patrols are and updating their estimated time of arrival. We've also made further improvements in our service functionality on the basics like unlocking payments on our chat service.

## *A broader offer*

### *Successful re-platforming in Insurance supporting growth in H2 motor book*

After a cautious start to the year during the final transition to our new platform, our Motor business returned to growth in H2, enabled by good performance in our underwriter through controlling indemnity spend and reassessing a reduction in claims frequency. Meanwhile our home business continued to show healthy growth at 3%.

Taken together, our total broker policies ended the year flat vs. FY24, following positive action with our broker panel to attract new business in the face of an increase in customers shopping around at renewal, as the last phase of high year on year premium inflation flowed through the market. This pressure on new business marketing spend was greater than the benefit from our improvement in claims rate resulting in decreased EBITDA year on year.

Having shown resilience this year, our Insurance business has now returned to growth. Our new platform allows us to offer tiered products, allows us to ingest more data and gives us new digital capabilities. All this is already resulting in more tailored pricing, greater conversion rates and higher customer retention.

[1] Comparable FY24 figure not referenced due to analytics platform migration in January 2024.

## Growing momentum in wider Driving Services

Across our Driving Services businesses, we've seen strong momentum and two milestones in the successful expansion of our mobile servicing business, and our new Financial Services partnership with NatWest Group.

We continue to develop our service, maintenance and repair offer with the expansion of our mobile mechanics proposition to 30 mobile mechanics giving coverage of the UK's largest cities and now scaling quickly and providing further momentum to our business.

Shortly after the close of the financial year we announced we started a new partnership with NatWest to offer unsecured personal loans and instant access savings to retail customers via their Boxed proposition. This new partnership will enable us to offer slick digital journeys alongside a differentiated product range for our personal breakdown members and insurance customers, thereby demonstrating and expanding the range of benefits of a membership with The AA.

## *A connected future*

### *Connected car capability launching new products*

Following our trial last year, our consumer focussed connected car proposition, Vixa, launched nationwide this year, representing an AA first, unique to the UK. The expansion of the service was completed alongside delivering new capability and features, with development momentum accelerating through FY25. The team have introduced 6 brand new features since launch, laid down 30 new data pipes in FY25 and extended our data models and insights into a new B2B oriented "Software as a service" proposition, given the importance of reducing fleet downtime and also see opportunities to help assist internal operations and efficiency.

### *Growing EV capabilities*

Nearly all our patrols are now trained to level 2 of EV management, representing the largest and best skilled EV workforce in the UK. We have also ended the year quadrupling the number of alternative fuel vehicles in our fleet, for further details please see our accompanying ESG report, but I'm particularly pleased we were the first in the UK to launch a fully operational EV recovery truck.

## *A strengthened organisation*

On 9th October 2024, over a thousand colleagues gathered in-person for an all-colleague event at Telford, with many more joining online, reflecting on our transformation over the last few years and showcasing our progress, and the exciting future ahead of us. It was a landmark moment for the organisation, and I thoroughly enjoyed spending time with so many colleagues and members of our leadership team. After witnessing the energised, optimistic feel in the room, I was unsurprised to find our colleague engagement score had further grown from our milestone "best in class" result last year, growing 5ppts to 75% and am delighted our Glassdoor scores have also grown to 4.4, ahead of our closest competitors.

Our move from Fanum House to our new Basingstoke office is the latest in our property moves aligning our office space with our new culture and modern ways of working. We held a farewell party to say goodbye to our historic home, opening a time capsule that was buried in 1975 revealing among many items, the company accounts from that time and various AA guide books. The move to our new building has been overwhelmingly positive, with the new space supporting a more dynamic pattern of working with multiple flexible spaces, a more comfortable environment and reduced utility usage, supporting our environmental targets.

In addition to our property investment, we have also invested in data, digital and AI capabilities, in order to create the conditions for improved productivity and accelerated growth, and further cementing our shift from an inward to an ambitious externally focused organisation.


## *Looking ahead*

In summary, FY25 has been a breakout year for us with progress on multiple key initiatives, a consistent performance demonstrating greater resilience despite ongoing headwinds and building further confidence in our strategy. The strong momentum in our core business, increasing traction with our broader offer and increasing confidence and optimism around the connected, electric future sets a fantastic further foundation for FY26.

Looking ahead, we are entering an exciting new phase—one where our focus shifts from transformation to acceleration. With a strong foundation in place, a clear roadmap for growth, and an ambitious, disciplined approach to investment, we are ready to take The AA to the next level.

# Group business model

*Our business model spans the motoring lifecycle from the moment our customers learn to drive, securing their first car and keeping them on the road, and when they choose to buy or sell a car.*

*Our operation sets us up as a market leader in the automotive sector with leading business units in roadside assistance, insurance, driving schools, service, maintenance & repair, used car sales and financial services.*

**LEARN TO DRIVE**
- Driving lessons
- Theory test app

**GET A CAR**
- Buying used cars
- Vehicle financing
- Leasing new cars
- Vehicle inspections

**GET ON THE ROAD**
- Insurance
- Vehicle warranty

**DRIVE DAY TO DAY**
- Route planning
- Driving monitoring
- Fuel & EV planning

**AVOID BREAKING DOWN**
- Predictive maintenance
- OEM recalls

**IF YOU BREAK DOWN**
- Roadside assistance
- Fuel/battery/ key assist
- Tyre cover

**IF YOU HAVE AN ACCIDENT**
- Accident assist
- Legal services

**MAINTAIN YOUR CAR**
- MOT
- Servicing
- Mobile mechanics

**GET A REPAIR**
- Repairs

**SELL YOUR CAR**
- Vehicle health certificate
- Vehicle sale

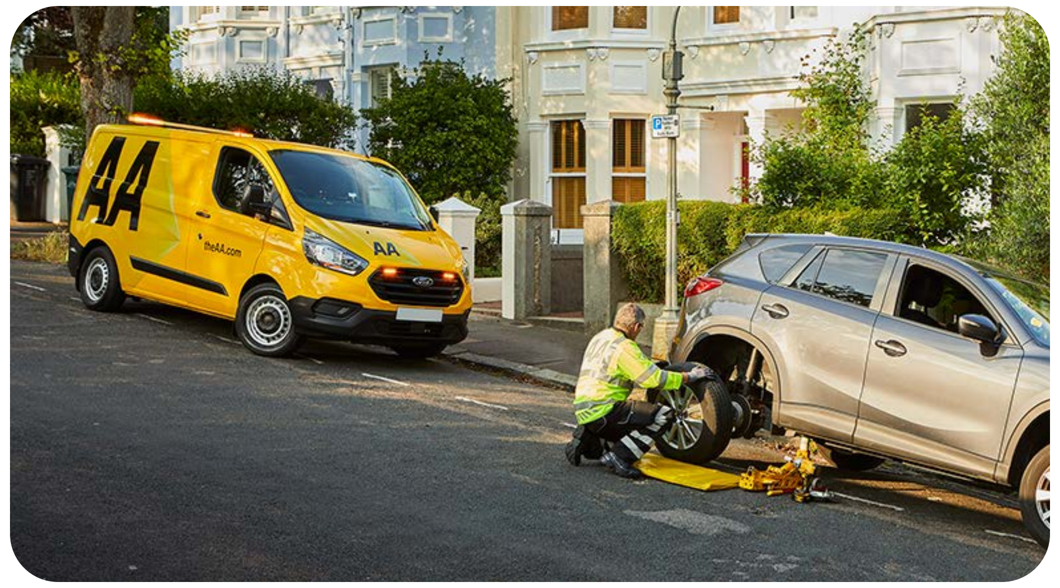
AA

***Creating confidence for drivers, now and for the future***

# Group at a glance

*We are the leading provider of roadside assistance services in the UK, with a successful insurance business and propositions across the driving services category. We end the year with 7,334 employees.*

## Roadside




### Roadside Assistance

- UK's largest provider of B2C and B2B roadside assistance
- Largest UK fleet of c.2,700 highly trained patrols
- In-house recovery fleet of >400 patrols


### Driving Services

- Market-leading driving schools, AA Driving School and British School of Motoring (BSM)
- Our in-house service, maintenance and repair (SMR) platform with mobile mechanics, our AA Autocentre, and 600+ network garages
- Drivetech driver education business, offering courses and support for individuals, companies and organisations

**Revenue**
**£1,021m**
(2024: £943m)

**Adjusted EBITDA margin**
**38.2%**
(2024: 38.2%)

**Adjusted EBITDA[1]**
**£390m**
(2024: £360m)

**Paid personal holdings**
**3.3m**
(2024: 3.3m)

**Business holdings**
**11.3m**
(2024: 11.0m)

**Breakdowns attended**
**3,499k**
(2024: 3,480k)

**Patrols**
**2,760**
(2024: 2,765)

[1] Non-Generally Accepted Accounting Principles (Non-GAAP) measures explained on page 12.

## Insurance

### Insurance Broker & Underwriter

- Insurance broker business operating a panel of motor and home policy distribution
- In-house underwriter (outside AA Intermediate Co Limited) leveraging AA proprietary data, supporting broker
- Multi-brand offer under AA and Beam brands

### Financial & Insurance Services

- Market-leading in-house claims management proposition, Accident Assist
- AA Cars platform enabling customers to buy used cars and vans
- Other financial services products such as personal loans, car financing and savings accounts offered in partnership with Natwest Boxed and other partners

**Revenue**
**£429m**
(2024: £355m)

**Adjusted EBITDA margin**
**14.0%**
(2024: 18.0%)

**Adjusted EBITDA[1]**
**£60m**
(2024: £64m)

**Net revenue[1]**
**£192m**
(2024: £178m)

**Adjusted EBITDA/ net revenue margin**
**31.3%**
(2024: 36.0%)

**Insurance policies broker**
**1,719k**
(2024: 1,727k)

**Motor policies broker**
**967k**
(2024: 996k)

**Insurance policies underwriter**
**1,049k**
(2024: 1,098k)

**Underwriter gross written premium**
**£291m**
(2024: £268m)

[1] Non-Generally Accepted Accounting Principles (Non-GAAP) measures explained on page 12.

# Key performance indicators

## Growth in average income and meaningful deleveraging

Our key performance indicators (KPIs) measure progress against our strategy. Further details can be found in the Financial review section.

### Roadside

| KPI | Definition | Performance | Relevance for The AA |
|---|---|---|---|
| **Average income per member (£)** | *Average income per paid personal member including insurance motor members* | 2022: 185; 2023: 190; 2024: 200; **2025: 218** | This measures the average income we generate from our personal member base as a proportion of the average paid personal membership holdings. We will continue to drive increases in the average income per customer through the quality of service, the brand and our distribution channels paired with digital capability. |
| **Average income per business holding (£)** | *Average income per business holding* | 2022: 23; 2023: 23; 2024: 24; **2025: 25** | This measures the average income we generate from our business holdings. Alongside growing the business customer base, we are targeting a growth in the average income per business holding through the launch of new services, such as onward mobility solutions through our agile platform. |
| **Paid personal holdings (thousands)** | *Number of personal members excluding free memberships at the period end* | 2022: 3,177; 2023: 3,252; 2024: 3,263; **2025: 3,298** | This demonstrates our ability to build on our market-leading position in the consumer market. Our strategy to innovate and differentiate our core Roadside proposition will enable us to grow our paid personal membership base in the long term. |
| **Business holdings (thousands)** | *Number of business holdings at the period end* | 2022: 8,842; 2023: 10,618; 2024: 10,995; **2025: 11,323** | We are market leaders in the business-to-business (B2B) market, with c.11m business holdings. A key tenet of our strategy in B2B is defending our core base as well as growing that base through new contract wins and generating new sources of income that improve the average income per business holding. |
| **Breakdowns attended (thousands)** | *Number of breakdowns attended* | 2022: 3,072; 2023: 3,179; 2024: 3,480; **2025: 3,499** | This is a key driver of our cost base and also demonstrates utilisation of our service by our members and customers. |

### Insurance

| KPI | Definition | Performance | Relevance for The AA |
|---|---|---|---|
| **Average income per policy (£)** | *Average income per insurance policy for motor and home* | 2022: 131; 2023: 147; 2024: 183; **2025: 222** | This figure shows the average income generated by our insurance broking business and includes the revenue from our underwriter and Accident Assist business, which we expect to increase longer term as we continue to grow and invest in new business. |
| **Insurance policies (thousands)** | *Total motor and home policies in force as at the year end* | 2022: 1,809; 2023: 1,754; 2024: 1,727; **2025: 1,719** | For our insurance strategy we place a focus on the value and number of policies. |
| **Underwritten insurance policies (thousands)** | *Total motor and home policies in force as at the year end with our in-house insurance underwriter* | 2022: 971; 2023: 958; 2024: 1,098; **2025: 1,049** | A key tenet of growing our insurance business is growing our in-house underwriting business. Our goal is to increase our penetration levels within the non-member and existing member base. |
| **Gross written premium (£ millions)** | *The total value of all insurance policies written by our in-house underwriter in the period.* | 2022: 186; 2023: 190; 2024: 268; 2025: **291** | We utilise our proprietary member data and adding value through this integrated model allows us to price more competitively. |

# Key performance indicators *continued*

## Financial sustainability

| KPI | Definition | Performance | Relevance for The AA |
|---|---|---|---|
| **Net revenue** | *Total revenue net of amounts due to reinsurer* | 2022: 987; 2023: 1,039; 2024: 1,121; **2025: 1,213** | This measure of revenue is used as a measure of performance internally by management |
| **Adjusted EBITDA (£ millions)** | *Defined on page 16* | 2022: 400; 2023: 409; 2024: 424; **2025: 450** | This is one of our key business performance measure. |
| **Operating profit (£ millions)** | *Statutory measure* | 2022: 116; 2023: 198; 2024: 192; **2025: 245** | Alongside Adjusted EBITDA, this is a key measure of performance and is a GAAP measure. As we execute our plans for growth, we expect to drive a meaningful growth in operating profit. |
| **Adjusted operating cash flow (£ millions)** | *Defined on page 18* | 2022: 310; 2023: 314; 2024: 377; **2025: 385** | This measures the level of net cash flow from operations before tax that is available for investment and debt management, subject to the restrictions of the WBS. |
| **Leverage (ratio)** | *Ratio of net debt to Adjusted EBITDA for continuing operations for the last 12 months* | 2022: 5.7; 2023: 5.4; 2024: 5.1; **2025: 4.4** | Proactive debt management remains a key focus for the Group. |
| **Senior leverage (ratio)** | *Ratio of Net Senior Secured debt to AA Intermediate Co Limited group debt covenant EBITDA* | 2022: 6.2; 2023: 5.8; 2024: 5.7; **2025: 5.3** | The Class A Notes only permit the release of cash providing the senior leverage ratio after payment is less than 5.5x. |
| **Interest cover (ratio)** | *Ratio of Adjusted EBITDA to cover interest payments on our debt* | 2022: 3.1; 2023: 3.3; 2024: 2.9; **2025: 3.1** | This measures the extent to which our earnings cover ongoing cash finance costs (see Note 6). |

## Sustainability

| KPI | Definition | Performance | Relevance for The AA |
|---|---|---|---|
| **Total Scope 1 & 2 greenhouse gas emissions (Tonnes $CO_2e$)** | *Calculations follow the GHG Protocol Corporate Accounting and Reporting Standard, using both the market-based and location-based methods.* | Market based — 2022: 34,030; 2023: 35,499; 2024: 36,513; **2025: 36,872**<br>Location based — 2022: 35,691; 2023: 36,660; 2024: 37,367; **2025: 37,593** | Our emissions are material to our environmental impact on issues such as climate change, with our operational fleet accounting for 96% of our total Scope 1 & 2 emissions. |

# Group overview

## Roadside

| | | Our proposition | The value we create | How we compete |
|---|---|---|---|---|
| Roadside Assistance | **Personal** | *We provide breakdown cover for our consumer members. Vehicle-based policies cover only a specific vehicle and personal memberships cover one or more individuals, including families, regardless of the vehicle, giving consumers choice and the confidence they need to be on the road.* | Consumer Roadside Assistance fees are principally paid through annual or monthly subscriptions. Subject to identifying customer needs, additional revenue is available from cross-selling (selling other services) or up-selling (selling higher value products and services) following a breakdown or specific call out. | The sector is dominated by three major players, of which The AA is the largest, with more than 40% of the consumer market. Our advantage is through quality of service, brand, and distribution channels paired with digital capability. The AA is well placed to take advantage of emerging trends given our leading market position, technology, and development of connected car propositions. |
| | **Business to Business (B2B)** | *We provide our Roadside Assistance cover to manufacturers' roadside programmes, banks (for premium added value account (AVA) holders) as well as leasing and rental companies (incl. large direct to fleet customers) and SMEs. The service for our over 11m business holdings is provided by The AA in a mixture of pay-for-use contracts, insured contracts and some hybrid contracts.* | B2B fees are either set per breakdown or per vehicle, with the contracts typically ranging from three to five years for large corporates and one year for our SME clients. We are developing new innovative solutions to better assist our customers with more of their vehicle lifecycle problems, continuing to deepen the relationship e.g. contact centre support, onward mobility services, preventative maintenance etc. | The AA has c.55% of the manufacturer segment, c.65% of the UK's largest fleet and leasing companies and over 65% of the banking AVA segment. Our market-leading position is based on our high service levels, strong partnerships, digital capability and ability to deliver innovative value-adding solutions to our partners that best serve their needs. |
| Driving Services | **Service, Maintenance and Repair** | *The AA has offered service, maintenance and repair (SMR) services to our fleet/B2B customers since 2019. This includes providing MOT, servicing, repairs and health checks for our customers. During FY25 we also launched our preventative maintenance service, Vixa, for B2C customers where we track vehicle health through connected car data and highlight steps to take to protect car health. Our members and retail customers can use our network of 600+ garages all approved to AA standards, our mobile mechanic service or our AA-operated autocentre in Dartford.* | SMR fees are set by repair or job type (e.g. MOT, service) adjusted by vehicle where required.<br><br>For our B2B partners, the contracts typically range from three to five years for large corporates and one year for our SME clients. We are working on a range of innovative solutions, including our breakdown service and predictive maintenance solutions, enabling our B2B partners to improve their offering to end customers while generating additional revenue for The AA. | The SMR market is highly competitive and fragmented with the majority of our competitors being independent garages. The AA has less than 5% market share but with an ageing car parc and growing costs to repair and service cars, our brand and customer trust is a competitive strength.<br><br>Our new proposition leveraging connected car data is market-leading and combines our expertise in driving and car care with the growing pool of connected cars and our SMR fulfilment channel to support customers. |
| | **Driving School** | *The Driving School business offers a comprehensive education for learner drivers with qualified and experienced driving instructors under the AA Driving School and British School of Motoring (BSM) brands. We are supporting our learners with additional products and services from The AA, for example, our Theory Test app which provides comprehensive, tailored support to leaners through flashcards, timed mock tests and over 700 questions.* | The Driving School revenue derives from the franchise fees paid by instructors for use of our branded cars and The AA's digital platform. The cars are funded by The AA under a lease arrangement. We also provide training for prospective driving instructors. | The UK driving school market is highly competitive and fragmented, but The AA and BSM brands have together approximately 8% of this market with more than 3,300 driving instructors. |
| | **Drivetech** | *The Drivetech business offers driver education, training and compliance for individuals, companies and organisations.* | Our driver training services are delivered under long-term service contracts and leverage Drivetech's extensive training content. | The AA has strong positions in both fleet and police markets. For the fleet market, The AA is market leader vs. a range of smaller competitors who compete primarily on price. |

# Insurance

| | Our proposition | The value we create | How we compete |
|---|---|---|---|
| **Broker** | *The AA's insurance broking business serves both personal members and non-members, selling both motor and home insurance policies under The AA and BEAM insurance brands. These policies are underwritten by a panel of underwriters, including The AA's in-house underwriter.* | As an insurance broker, The AA acts as an intermediary between those seeking insurance cover and the insurance underwriters. The AA earns commission on new business sales and renewing policies, as well as income from add-ons and premium finance. | More than 90% of motor insurance sales in the market are placed through price comparison websites (PCWs). The AA brand ranks highly in motor insurance, where price dominates, whilst in home insurance, our brand outperforms peers on PCWs. We continue to grow our share of new business and our renewal rates are in line with the market, reflecting customers' reactions to the well documented market challenges. We have plans to grow our <5% market share in the motor and home insurance markets through the successful execution of our strategy. |
| **Underwriting** | *The AA's in-house underwriter launched motor policies in January 2016 followed by home insurance policies in August 2016. As part of The AA Group, we utilise our extensive proprietary data as appropriate to hone our pricing. This enables us to price more competitively which supports The AA insurance broker's ability to win more business and deliver value for the customer.* | The underwriter targets an underwriting margin on the premiums it writes.<br>It also makes investment income on the premium cash flows. Profit commission from reinsurers is paid to the underwriter when the business performs better than target. The operation reduces its exposure through extensive use of reinsurance contracts. | Underwriters compete primarily on price. We target combined operating ratios of just under 100% (thus earning single digit margins) and the integrated model means that our underwriter drives our higher broker volumes which generate better margins for the group. |
| **Accident Assist** | *Our Accident Assist business is a complementary 24/7 accident claims service offered to our breakdown members and insurance customers. We remove the hassle by taking care of everything in the event of a vehicle accident once we have been contacted, managing the claims process, recovering the vehicle, allocating an AA-approved repairer and at times, providing a replacement car.* | Accident Assist acts on customers' behalf, no matter which company they are insured with or who was at fault for the accident. It works alongside the customer's vehicle insurance provider. If the accident wasn't the customers' fault, we recover their outlay costs from the other party's insurer and if it is their fault, we will liaise with their insurance provider regarding the claim. | Accident Assist leverages our in-house claims management expertise as well as our integrated supplier network including our recovery fleet, vehicle mobility providers and AA-approved repairers.<br>Accident Assist works with many of major insurers and given the differentiated nature of our product, we have very few direct competitors. |
| **Financial Services** | *In 2025, shortly after the close of this financial year, we started a new partnership with NatWest Boxed to offer unsecured personal loans and instant access savings to retail customers. During FY25 we transitioned our Lease business to a new partner, thereby substantially increasing the range of vehicles provided as well as the quality of deals. We seek to offer consumers more control, choice, and confidence over their finances, as well as multiple routes to finance their car – be it via a personal loan, a lease or secured car finance.* | The AA acts as the introducer to our trusted partners who provide financial products to our customers, supporting our customers' financial needs. The AA earns commission or a revenue share on the products offered by our partners. The AA does not take on any debt as part of these agreements. | The AA brings its trusted brand, proprietary routes to market and intermediary relationships to offer customers an alternative to traditional providers.<br>Our new partnership with NatWest Boxed will enable us to offer slick digital journeys alongside a differentiated product range for our personal breakdown members and insurance customers, thereby demonstrating and expanding the range of benefits of a membership with The AA. |
| **AA Cars** | *AA Cars provides a platform of trusted used car dealers who have committed to our standards for added reassurance for members and retail customers to find quality used cars.* | AA Cars check vehicle history, MOT, mileage, accident and police reports. Every new car sold receives exclusive breakdown discounts and we also offer warranty cover and financing through a selected third party. We provide dealers with a platform to list their vehicles, in exchange for a subscription fee under mostly 12-month contracts. | In relation to AA Cars, the market is heavily dominated by online marketplaces, particularly Autotrader but our brand position and the distribution network of our dealers provides us with a differentiated position. |

# Financial review

> "Delivering the fourth year of holdings, revenue and EBITDA growth demonstrates how continued positive momentum from our transformation is translating into an improving financial performance. Our balance sheet continues to strengthen, enabled by strong cash flow and the Stonepeak investment. We have confidence in continued Adjusted EBITDA growth and positive cash flow and will continue to invest in our market leading position and The AA of the future."
>
> ***Tom Mackay***
> ***Chief Financial Officer***

During the year, we continued to demonstrate our highly resilient and recurring financial performance with accelerating Revenue, Adjusted and Reported EBITDA growth, and continued operating cash flow growth.

We have grown our B2C and B2B membership by 1% and 3% respectively and maintained our Insurance policies. The growth in Adjusted and Reported EBITDA has accelerated for the fourth consecutive year to 6% driven by improvement in our top line revenue of 12%.

The Group's capital structure continued to improve and our strengthened balance sheet will support future investment. On 26 July 2024, we completed the transaction which saw Stonepeak invest into the AA Limited group. As part of Stonepeak's overall £450m investment, £167m was injected into the AA Limited group of which £158m was injected into the AA Intermediate Co Limited group to fund the redemption of £155m notional Class B3 Notes at a redemption price of 101.625%. The remaining £9m is being held at AA Limited level for initiatives supporting the next phase of our growth strategy.

From a financing perspective, the Group successfully refinanced £439m of Class A2 Notes during the year, well ahead of their scheduled repayment and in line with our ongoing maturity management programme. In addition, a further £15m of Class B3 notes were repaid due to headroom in our senior leverage ratio at the half year end.

We are pleased to announce that Group leverage has reduced from 5.1x net debt/ Adjusted EBITDA as of 31 January 2024 to 4.4x as of 31 January 2025. In addition, further progress in our senior leverage ratio at year end means we are announcing a further redemption of £62m of Class B3 Notes at par in the first half of FY26.

We remain confident in our cash flow generation, are on track to redeem the remaining Class B3 Notes in FY26 and plan to continue de-leveraging, aiming for a leverage ratio target below 4.0x.

Building on the positive momentum of the past four years, we have confidence in continued Adjusted and Reported EBITDA growth, and positive cash flow. Underpinned by our improved capital structure, we will continue to make investments in both our core Roadside and Insurance platforms, and the Horizon initiatives to maintain an AA of the future.

## Group Revenue and EBITDA

### Revenue

| | **2025 £m** | 2024 £m |
|---|---|---|
| Roadside business division | **1,021** | 943 |
| Insurance business division | **429** | 355 |
| **Revenue** | **1,450** | 1,298 |

### Net revenue

| | **2025 £m** | 2024 £m |
|---|---|---|
| Roadside business division | **1,021** | 943 |
| Insurance business division | **192** | 178 |
| **Net revenue** | **1,213** | 1,121 |

Our core Roadside business delivered significant top line growth with revenue up 8% from £943m to £1,021m driven by increasing income paid per member in both business-to- consumer (B2C) and business-to-business (B2B), continued expansion of our driving school and the acquisition of Key Care.

In Insurance, our strong brand presence, investment propositions and expansion of our Accident Assist business, coupled with increasing customer premiums and market stabilisation following the implementation of the FCA's new General Insurance Pricing Practices (GIPP) rules on 1 January 2022, resulted in significant revenue growth. Overall insurance revenue increased by 21% to £429m (2024: £355m).

Total revenue net of amounts due to reinsurers increased by 8% to £1,213m (2024: £1,121m). Insurance revenue also increased by 8% on a net basis to £192m (2024: £178m).

## Group Adjusted EBITDA

| | 2025 £m | 2024 £m |
|---|---|---|
| Roadside business division | **390** | 360 |
| Insurance business division | **60** | 64 |
| **Adjusted EBITDA**[1] | **450** | 424 |
| Roadside business division margin | **38.2%** | 38.2% |
| Insurance business division margin | **14.0%** | 18.0% |
| **Adjusted EBITDA margin** | **31.0%** | **32.7%** |
| Roadside business division net margin | **38.2%** | 38.2% |
| Insurance business division net margin | **31.3%** | 36.0% |
| **Adjusted EBITDA/net revenue margin** | **37.1%** | 37.8% |

1 Adjusted EBITDA is defined as profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation of intangible assets, amortisation of insurance acquisition costs, adjusting operating items, share-based payments, pension adjustments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense.

## Group Reported EBITDA

| | 2025 £m | 2024 £m |
|---|---|---|
| Roadside business division | **351** | 321 |
| Insurance business division | **31** | 40 |
| **Reported EBITDA**[1] | **382** | 361 |
| Roadside business division margin | **34.4%** | 34.0% |
| Insurance business division margin | **7.2%** | 11.3% |
| **Reported EBITDA margin** | **26.3%** | 27.8% |
| Roadside business division net margin | **34.4%** | 34.0% |
| Insurance business division net margin | **16.1%** | 22.5% |
| **Reported EBITDA/net revenue margin** | **31.5%** | 32.2% |

1 Reported EBITDA is defined as Adjusted EBITDA excluding the adjustment for amortisation of insurance acquisition costs.

Roadside Adjusted and Reported EBITDA increased by 8% and 9% respectively as a result of increased Holdings, price increases in 2024 to address inflation earning through, improved operational efficiencies and the successful introduction of risk based pricing for new business allowing us to improve margins. A £6m provision was recognised in the period for a specific B2B onerous contract, which will be released over the remaining four years of the contract life.

Insurance Adjusted and Reported EBITDA decreased by 6% and 23% respectively to £60m and £31m. Despite maintaining broker policies, an improvement in claims rate and the continued growth of the Accident Assist business, the increase in market premiums year-on-year resulted in a deterioration in retention, with more marketing spend on new customers to maintain volume.

Group Adjusted EBITDA grew from £424m in the prior year to £450m and Group Reported EBITDA grew from £361m to £382m. This reflected an increase in both average income per member and insurance customer premium, as well as strong volume growth in B2C holdings and operational efficiencies.

Group Adjusted and Reported EBITDA margin was down from 33% to 31% and 28% to 26% respectively, with maintained Road margins diluted by the faster growth of our Insurance business and the impact of high market premium increases.

Net Adjusted and Reported EBITDA margins both decreased by 1ppt during the year.

## Reconciliation of net revenue to revenue

| | 2025 Roadside £m | 2025 Insurance £m | 2025 Group £m | 2024 Roadside £m | 2024 Insurance £m | 2024 Group £m |
|---|---|---|---|---|---|---|
| Revenue | **1,021** | **429** | **1,450** | 943 | 355 | 1,298 |
| Amounts due to reinsurers | **–** | **(237)** | **(237)** | – | (177) | (177) |
| **Net revenue** | **1,021** | **192** | **1,213** | 943 | 178 | 1,121 |

## Reconciliation of Adjusted and Reported EBITDA to Operating profit

| | 2025 Roadside £m | 2025 Insurance £m | 2025 Group £m | 2024 Roadside £m | 2024 Insurance £m | 2024 Group £m |
|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | **390** | **60** | **450** | 360 | 64 | 424 |
| Amortisation of insurance acquisition cash flows | **(39)** | **(29)** | **(68)** | (39) | (24) | (63) |
| **Reported EBITDA** | **351** | **31** | **382** | 321 | 40 | 361 |
| Fulfilment finance costs (included within operating profit) | | | **(1)** | | | (1) |
| Share-based payments | | | **(3)** | | | (4) |
| Pension adjustment | | | **(6)** | | | (6) |
| Amortisation and depreciation | | | **(121)** | | | (110) |
| **Operating profit before adjusting items** | | | **251** | | | 240 |
| Adjusting operating items | | | **(6)** | | | (48) |
| **Operating profit** | | | **245** | | | 192 |

In the current year, net adjusting operating items were £6m. This primarily relates to a £12m investment in strategic review projects, including the ongoing research investment in our connected car capability and the re-platforming of our insurance sales and administration system. In addition there were £2m of impairments to intangible assets and joint ventures. These items were partly offset by £5m gain on the sale of fixed assets and a £3m fair value gain on the portion of the AA Media Limited joint venture held prior to acquisition.

## *Operating Profit*

Operating profit increased significantly, from £192m to £245m. This was predominantly attributable to the return to a typical level of adjusted operating items, after the one-off Stonepeak investment cost incurred in FY24. Excluding adjusting operating items, operating profit improved by £11m resulting from a strong trading result, but partly offset by the accelerated depreciation of software and property assets during the year.

## *Business combinations*

**Key Care Limited**
On 1 February 2024, the Group completed the acquisition of Key Care Limited (KeyCare), a company incorporated in England and its subsidiary. The Group obtained control through acquiring 100% of voting equity interest for cash consideration of £10m.

KeyCare is an insurance business offering insurance policies for lost and stolen keys operating in the UK and the Republic of Ireland. The acquisition enables the Group to expand its product base and increase its offerings for both business and consumer customers, enhancing its position in the market.

**AA Media Limited**
The Group previously held a 49% interest in AA Media Limited (AA Media), which was recognised as an investment in a joint venture. On 29 October 2024, the Group acquired the remaining 51% of voting equity interest for cash consideration of £5m to establish AA Media as a 100% owned subsidiary.

AA Media is a publisher which rates hotels, restaurants and attractions across the UK. The acquisition enables the Group to explore further opportunities to promote The AA brand and the chance for AA Media's offerings to play a part in the broader AA membership proposition.

## *Share schemes*

Basing TopCo Limited, an indirect parent company of AA Limited operates two management equity plans that grant senior management awards with vesting conditions linked to their continued employment. The second scheme was introduced following the completion of Stonepeak's investment into The AA. These plans have been accounted for as equity settled share-based payments, and where the participants directly benefit the AA Limited Group, the share-based payment charges have been accounted for within the Group (see Note 30).

The Group also operates a Long-Term Incentive Plan, granting benefits to key members of senior management. These benefits vest based on certain performance conditions. This scheme is accounted for as a cash-settled share-based payment scheme (see Note 30).

A £3m charge has been recognised in the income statement in relation to these schemes for the year ended 31 January 2025.

## *Net finance costs*

| | 2025 £m | 2024 £m |
|---|---|---|
| Interest on external borrowings | **140** | 145 |
| Finance charges payable on lease liabilities | **4** | 2 |
| Interest income on bank deposits | **(8)** | (7) |
| **Total ongoing cash net finance costs** | **136** | 140 |
| Ongoing amortisation of debt issue fees | **6** | 6 |
| Net finance expense on defined benefit pension schemes | **7** | 7 |
| **Total ongoing non-cash net finance costs** | **13** | 13 |
| Debt management and early repayment fees | **9** | 1 |
| Unamortised debt issue fees written off following repayment of borrowings | **2** | 2 |
| Gain on below par redemption of loan notes | **–** | (7) |
| **Adjusting finance costs/(income)** | **11** | (4) |
| **Fulfilment finance costs (within operating profit)** | **1** | 1 |
| **Net finance expense from insurance/reinsurance contracts** | **1** | 1 |
| **Total net finance costs** | **162** | 151 |

Net finance costs increased by £11m to £162m in the year. This was due to increased adjusting finance costs. Ongoing cash finance costs reduced by £4m to £136m primarily as a result of the Group reducing its Class B3 debt via cash redemptions (see Note 20).

Adjusting finance costs saw a net increase of £15m from FY24. In the current year the Group incurred £8m of early repayment penalties, £2m of write-offs of unamortised issue fees and £1m of debt management fees relating to the redemption of the A2 and B3 Notes.

In FY24 adjusting finance costs of £3m were offset by a £7m gain following below par redemption of the Class A7 and A2 Notes in the year.

## *Taxation*

The tax charge for the year increased by £5m to £20m (2024: £15m). The tax charge consists of a current tax charge of £25m (2024: £24m) and a deferred tax credit of £5m (2024: £9m). The effective tax rate was 23.8% (2024: 35.7%). The current tax includes the impact of Corporate Interest Restriction which is largely off set by the lower rate of tax charged on foreign profits. The current tax has remained at a similar level to 2024, despite the profit increase, largely as a result of the absence in the current year of the IFRS17 restatement that impacted on 2024.

## Profit after tax

Despite the increase in net finance costs and tax expense, strong overall trading growth and decreased adjusting operating items meant that profit after tax increased by £37m to £64m (2024: £27m).

## Pension liabilities

The net pension deficit has reduced by £39m at 31 January 2025 to £120m (2024: £159m) driven primarily by movements in the UK scheme, mainly due to an improvement in financial conditions and changes to the latest mortality assumptions, partially offset by falls in hedging assets designed to move in line with movements in liabilities.

## Cash flow and liquidity

| | 2025 £m | 2024 £m |
|---|---|---|
| Adjusted EBITDA | **450** | 424 |
| Amortisation of insurance acquisition cash flows | **(68)** | (63) |
| Pension payments | **(29)** | (31) |
| Working capital | **33** | 48 |
| Other items | **(1)** | (1) |
| **Adjusted operating cash flow** | **385** | 377 |
| Tax paid | **(22)** | (18) |
| Capital expenditure | **(72)** | (78) |
| Proceeds from sale of fixed assets | **7** | 4 |
| Other investing activities | **(1)** | (1) |
| Payment of lease capital | **(47)** | (36) |
| **Operating free cash flow after capital expenditure** | **250** | 248 |
| Net interest paid | **(138)** | (143) |
| **Operating free cash flow before adjusting operating items** | **112** | 105 |
| Acquisition of subsidiary | **(11)** | – |
| Adjusting operating items | **(24)** | (34) |
| **Free cash flow** | **77** | 71 |
| Refinancing transactions and debt buyback | **(19)** | (72) |
| **Net increase/(decrease) in cash and cash equivalents** | **58** | (1) |

The working capital and provisions in flow of £33m is primarily the result of increasing customer premiums in Insurance. There is a further benefit from timing of payments. These inflows are offset by an increase in trade receivables driven by the timing of settlements from B2B customers.

Adjusted operating cash flows for the year were an inflow of £385m, an improvement of £8m over the prior year, reflecting strong trading performance and cash management in the year.

Capital expenditure was reduced from the prior year at £72m (2024: £78m) after significant previous re-platforming. This includes replacing core systems, new digital propositions and upgrades to our data and operational infrastructure. The increase in payment of lease capital is driven by growth in the Roadside business and expansion of our mobile mechanics and driving school offering. There has also been a catch up on renewing our fleet following a shortage of vehicles across the industry post COVID.

Interest paid of £138m was £5m lower than the prior year, primarily linked to reduced interest costs on Class B3 Notes following the redemptions in the year.

Cash outflows relating to operating adjusting items of £24m (2024: £34) comprises £12m (2024: £28m) relating to strategic initiatives, of which £4m (2024: £15m) relates to investment in research on our connected car proposition, £11m transaction costs relating to the Stonepeak investment (2024: £3m) and £1m of proactive wage correction relating to previous years. The prior year also included £1m related to the closure of the CARE section of the AAUK pension scheme and transitional agreement made with employees in that scheme and £2m cost of living payments.

Proceeds relating to profit on sale of fixed assets within adjusting operating items are shown within proceeds from sale of fixed assets line item.

Refinancing outflows of £19m reflect the redemption of the £439m Class A2 Notes and redemption of £170m Class B3 Notes, offset by the issue of £435m Class A12 Notes and £167m cash received via issue of shares as a result of the Stonepeak investment. Early repayment penalties and fees for the redemption of the A2 and B3 Notes were £6m and £3m respectively. Issue costs relating to the A12 Notes were £3m.

We end the year with a strong cash position, remain well within our financial covenants, have good levels of liquidity and continue to generate positive operating cash flow.

We are required to hold segregated funds as ‘restricted cash’ to satisfy requirements governing our regulated businesses, including the Insurance Underwriting business. These restricted cash balances have increased to £87m (2024: £67m) following the positive trading of our underwriter.

Interest cover is calculated as the ratio of Adjusted EBITDA to total ongoing cash finance costs and was 3.1x (2024: 2.9x).

## Capital management

Capital is represented by our net debt position. As at 31 January 2025, net debt was £1,976m, a reduction of £198m compared to the prior year.

The Group aims to reduce both the amount of net debt and the cost of servicing it over time through a proactive approach to managing our debt. We continue to have significant headroom in respect of our covenants and in addition to the Senior Term Facility the Group has a Working Capital Facility available of £56m, of which £46m is available for cash drawings and remained undrawn at 31 January 2025.

On 22 May 2024, S&P Global Ratings upgraded the credit rating of the Group's Class A Notes from BBB- to BBB and reaffirmed the Class B3 Notes at B+.

Our leverage ratio based on Adjusted EBITDA reduced to 4.4x at 31 January 2025 compared to 5.1x in the prior year representing a continuing positive shift towards a rebalanced capital structure.

The Group continues to proactively manage its capital structure subject to market conditions.

The weighted average interest rate for all borrowings of 6.32% (2024: 6.22%) has been calculated using the interest rate and carrying values as at 31 January 2025.

While the majority of the Group's borrowings are long-term in nature, the outstanding Class B3 Notes of £110m at 31 January 2025 have a maturity date of 31 January 2026 and the Group intends to repay these notes using surplus cash.

As at 31 January 2025, the Group had £165m held under Senior Term Facilities due to mature on 10 March 2026. On 19 March the Group entered into two new debt arrangements, described on page 20, that enabled us to repay and cancel the existing Senior Term Facility commitments.

It remains a key assumption of the Directors that the Group continues to have ready access to public debt markets to enable these borrowings to be refinanced at affordable rates (see Note 20 for further details).

Our going concern assessment, shown on page 46, highlights our cash generative nature, our ability to service the interest obligations on our debt and the risks associated with refinancing. The Group remains committed to the proactive management of its capital structure and will continue to assess all options as we go through FY26.

## Net debt

Within the Group, there is a Whole Business Securitisation (WBS) structure. All of the Class A Notes within the WBS are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited (a subsidiary of the Company) and its subsidiaries. The Class A facility security over the AA Intermediate Co Limited group's assets ranks ahead of the Class B3 Notes.

The Class B3 Notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. Thus, cash held by the AA Intermediate group is ring-fenced within the WBS. Dividends can only be paid to AA Limited when certain debt to debt covenant EBITDA ratio and cash flow criteria are met.

| | | **2025 £m** | 2024 £m |
|---|---|---|---|
| *Class A2 Notes (31 July 2025)* | *6.27%* | **–** | 439 |
| *Class A8 Notes (31 July 2027)* | *5.50%* | **325** | 325 |
| *Class A9 Notes (31 July 2028)* | *3.25%* | **270** | 270 |
| *Class A10 Notes (31 July 2029)* | *7.38%* | **385** | 385 |
| *Class A11 Notes (31 January 2028)* | *8.45%* | **400** | 400 |
| *Class A12 Notes (31 July 2031)* | *6.85%* | **435** | – |
| Class A Notes | | **1,815** | 1,819 |
| Senior Term Facility | 3.49%/7.17% | **165** | 165 |
| Less: AA Intermediate Co Limited group cash and cash equivalents | | **(117)** | (87) |
| Net Senior Secured Debt[1] | | **1,863** | 1,897 |
| Class B3 Notes (31 January 2026) | 6.50% | **110** | 280 |
| Lease obligations for covenant reporting[2] | | **75** | 52 |
| Net Whole Business Securitisation (WBS) Debt[3] | | **2,048** | 2,229 |
| IFRS 16 lease adjustment for WBS lease obligations[4] | | **31** | 20 |
| AA Limited group lease obligations[5] | | **2** | 2 |
| Less: AA Limited group cash and cash equivalents[6] | | **(105)** | (77) |
| **Total Net Debt** | | **1,976** | 2,174 |
| | | | |
| AA Intermediate Co Limited debt covenant EBITDA[7] | | **350** | 335 |
| | | | |
| | Covenant | | |
| Class B leverage ratio[8] | | **5.9x** | 6.7x |
| Senior Leverage ratio[9] | | **5.3x** | 5.7x |
| Class A Free Cash Flow: Debt Service[10] | >1.35x | **2.7x** | 2.7x |

Ratios at 31 January 2025 calculated on an unrounded basis.

1 Principal amounts of the Senior Term Facility and Class A Notes less AA Intermediate Co Limited group cash and cash equivalents.
2 The lease obligations for covenant reporting value is presented based on frozen GAAP pre-IFRS 16, as required by the debt documents. The figure above is therefore different to the lease liabilities value shown in the statement of financial position.
3 Net WBS Debt represents the borrowings and cash balances within the WBS structure headed by AA Intermediate Co Limited. This includes the principal amounts of the Senior Term Facility, Class A Notes, Class B3 Notes and lease obligations for covenant reporting less AA Intermediate Co Limited group cash and cash equivalents.
4 Difference between lease obligations for covenant reporting based on frozen GAAP and the lease liabilities value shown in the statement of financial position having adopted IFRS 16 from 1 February 2019.
5 Total lease obligations for the Group excluding the value reported as the AA Intermediate Co Limited group lease obligations.
6 Total cash and cash equivalents for the Group excluding the value reported as the AA Intermediate Co Limited group cash and cash equivalents.
7 AA Intermediate Co Limited group debt covenant EBITDA including discontinued operations as required by the debt documents being Reported EBITDA based on frozen GAAP and accounting principles.
8 Ratio of Net WBS Debt[3] to AA Intermediate Co Limited group debt covenant EBITDA.
9 Ratio of Net Senior Secured Debt[1] to AA Intermediate Co Limited group debt covenant EBITDA.
10 Ratio of free cash flow to proforma debt service relating to the Senior Term Facility and Class A Notes.

The Class A Notes only permit the release of cash from the AA Intermediate Co Limited group of companies providing the Senior Leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The actual Senior Leverage ratio as at 31 January 2025 was 5.3x (2024: 5.7x), providing the Group with ample headroom to make a further redemption against the outstanding B3 Notes in H1 FY26.

The Class B3 Notes impose additional restrictions on certain payments and dividend flows.

| | 2025 | 2024 |
|---|---|---|
| Senior Leverage ratio[1] | **5.3x** | 5.7x |
| Excess cash flow[2] | **£263m** | £278m |
| Fixed charge coverage ratio[3] | **2.4x** | 2.3x |
| Consolidated net income[4] | **£522m** | £488m |

1 Ratio of Net Senior Secured Debt to AA Intermediate Co Limited group debt covenant EBITDA.
2 Cumulative free cash flow, since 1 February 2013, reduced by dividends paid by the AA Intermediate Co Limited group and adjusted for items required by the financing documents.
3 Ratio of fixed finance charges to debt covenant EBITDA of AA Intermediate Co Limited group for the last 12 months.
4 Cumulative profit after tax, since 1 May 2013, adjusted for items required by the financing documents and reduced by dividends paid by the AA Intermediate Co Limited group.

Note that the above table relates to the financial activities of the AA Intermediate Co Limited group and therefore the metrics therein will differ from those of the Group. Each of these metrics are required by the financing documents.

## *Events after reporting period*

**Liquidity, Senior Term and Working Capital Facilities**
On 10 February, the Group renewed its £200m Liquidity Facility with an effective date of 5 March 2025. The facility remains undrawn.

On 19 March 2025, the Group successfully refinanced its £165m Senior Term Facility and £56m Working Capital facility ahead of their 10 March 2026 maturity date.

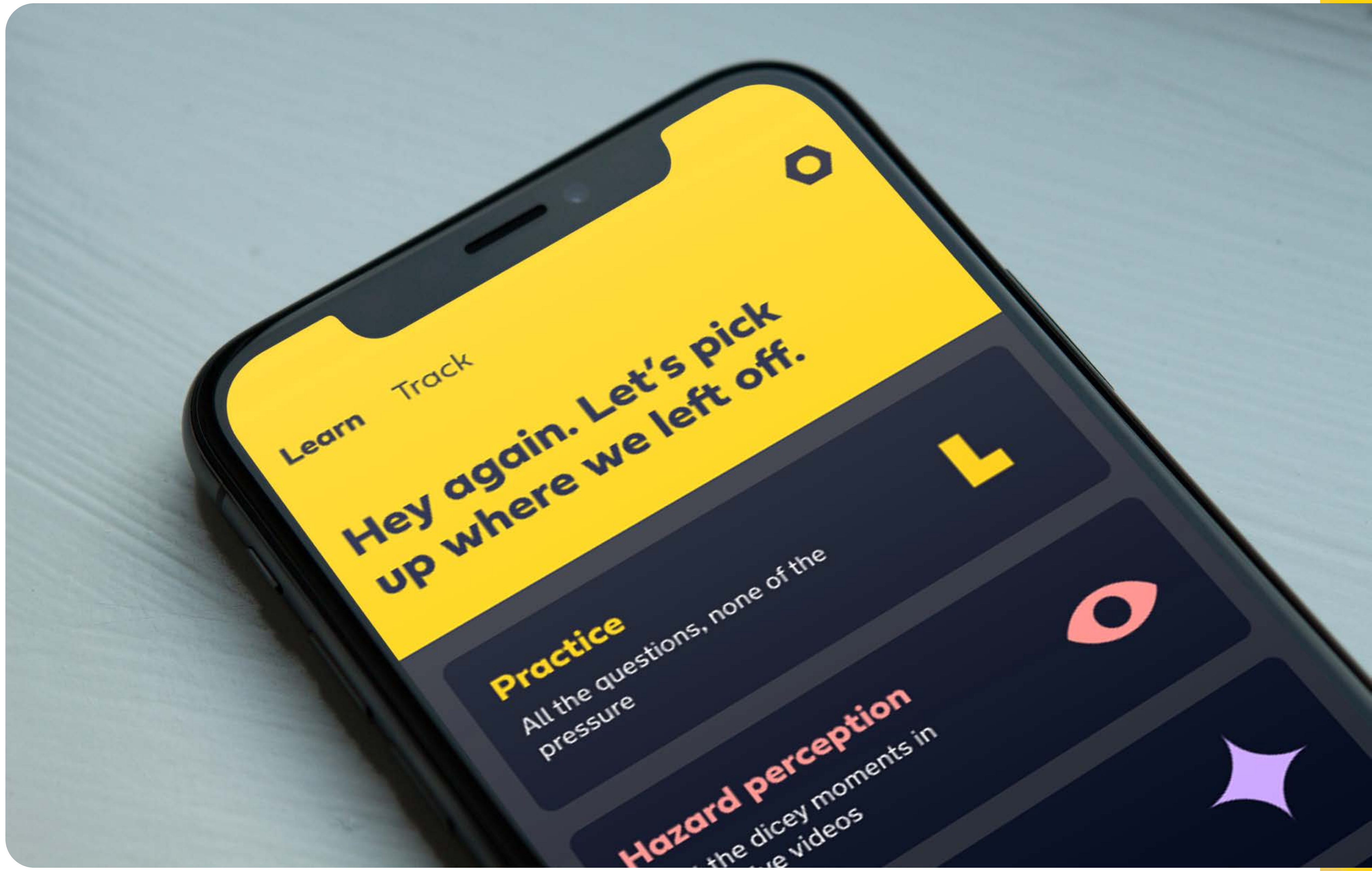
The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate Private Placement, both with maturity dates in March 2030. The new Senior Term Facility has a margin of 2.50% above SONIA and has been hedged through an interest rate swap.

A new Working Capital Facility for £56m has also been put in place at a margin of 2.50% above SONIA and is available until March 2030.

**B3 conditional notice of redemption**
On 14 April 2025, the Group issued a conditional notice of redemption for £62m of Class B3 Notes at par, subject to satisfaction of the condition precedent set out in that notice.

**Financing agreement**
On 1 April 2025 the Group entered into a financing arrangement with Basing TopCo Limited, an indirect parent of AA Limited. Under this arrangement the Group may borrow up to £60m for the sole purpose of redeeming Class B3 Notes, to the extent any remain outstanding on the 31 January 2026 maturity date.

At the date of signing of these financial statements no amounts have been drawn.



# Risk management report

## Overall responsibility

The Board of AA Limited is responsible for determining the level of risk that The AA is prepared to take, or that it is willing to accept, to achieve its strategic objectives. The levels of risk are articulated through a series of risk appetite statements, and we monitor performance of the business relative to risk appetite through our risk governance framework. Further information about the corporate governance arrangements for The AA is set out in the Director's report on pages 44 to 45.

## 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 agreed risk appetite.

The three lines of defence model at The AA operates as follows:

- First line of defence: the business units and support functions who 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, which is independent from operational management, and accountable for providing advisory support, oversight, and challenge to the first line of defence; and
- Third line of defence: The AA's Internal Audit function, which is accountable for providing independent assurance to the Board by performing ongoing reviews of the first and second lines of defence, as agreed with the Board Audit & Risk Committee.

The operation of the risk management framework is overseen by Committees established at Board and Group Executive Committee level as follows:

The Board has established an Audit, Risk and Compliance Committee ("ARCC") to provide oversight and challenge to management. The Committee assists the Board in its oversight of risk by assessing the effectiveness of the Group's financial controls and systems of risk management and control. The Committee also approves Risk Appetite on behalf of the Board, and reviews the operation of the business within the agreed limits and thresholds. Comprising at least two independent Non-Executive Directors, the ARCC sits 4 times per year, with additional meetings convened by the Chair as required.

The Enterprise Risk and Compliance Committee ("ERCC") is chaired by the Chief Risk Officer, and its membership comprises the Group Executive Committee, including the Chief Executive Officer. The role of the ERCC is to provide oversight and ensure that key risks across the AA Group are managed within appetite and policy. It assists Senior Management, through challenge and review, in ensuring all identified risks, issues and control weaknesses are mitigated in an effective and proportionate manner, including consistent delivery of good customer outcomes and mitigation of the risk of foreseeable customer harm.

## Risk management framework

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

- defined consistently
- made visible;
- discussed and understood;
- owned and appropriate action taken to manage;
- used to identify opportunities; and
- regularly reviewed to ensure 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 in place to demonstrate to the AA Limited Board that effective risk management, oversight and assurance is in place for all key risks faced by The AA. |
| ***Strategy and objectives*** | The process to ensure that risk assessment is an integral consideration in strategy and objective-setting, including the direction the AA Limited Board sets for taking, avoiding and considering opportunity from risk. |
| ***Risk identification and prioritisation*** | The process of recognising potential risks or uncertainties, evaluating their likelihood and impact, and prioritising them based on severity, urgency or impact. |
| ***Risk management and controls*** | A set of processes to review and assess the effectiveness of the risk and control environment. Our risk mitigation strategy is based on addressing high priority risks first. |
| ***Risk reporting and communication*** | The information and reporting in place to inform risk-based decision-making, and to support senior management and the Board in discharging their risk management oversight accountabilities effectively. |


## Own Risk and Solvency Assessment (ORSA)

The AA has an in-house underwriter in Gibraltar which is subject to Solvency UK compliance. As such, the underwriter operates a defined set of capital management processes to ensure solvency and liquidity requirements are met on a current and forward-looking basis. Results of the ORSA are presented to the underwriter's Board and the conclusions of the assessment are used to inform strategic decision-making. In the event of this assessment giving rise to any material concerns, an escalation process to the main Board is in place.

## Risk and control culture

The AA also has a range of activities in place to support an effective, embedded risk management and control culture throughout the Group. This includes:

- A clear link between the Group's values and sound risk management.
- Regular risk management education for all non-executive directors.
- Focused, mandatory training for all colleagues throughout the Group on key risk management and regulatory principles.
- Incorporation of risk criteria, including conduct and customer risks, in the development of products and services.
- Incorporation of risk management metrics into senior colleagues' objectives, with a direct link to individual financial outcomes.

## *Principal risks and opportunities*

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.

The principal risks faced by The AA over the last year are summarised in the table below. We monitor and assess these risks regularly to ensure they are managed appropriately and effectively.

| | |
|---|---|
| **Customer risk**<br>*The risk that we fail effectively to monitor, manage and develop the interaction between our colleagues, agents and our customers to ensure consistently fair treatment and good outcomes*<br>**Risk trend**<br>▶ | **Potential impact**<br>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.<br>**Mitigation activity**<br>We continually review and adapt our products and services to ensure we deliver consistently good outcomes. We have also been closely monitoring the rising cost of living crisis – we run a financial difficulty forum to identify how we can support our customers most effectively.<br>The FCA Consumer Duty is now embedded as the cornerstone of our business through product development, training for our colleagues, vulnerable customer treatment and consumer duty-focused management information on both customer and product outcomes for Group Executive-level review and governance. |
| **People risk**<br>*The risk that we are unable to attract and retain the critical skills, knowledge and experience we need to deliver our services*<br>**Risk trend**<br>▶ | **Potential impact**<br>The evolving social and macro-economic environment has driven changes to the labour force, and colleague expectations regarding ways of working have also evolved, which leads to challenges in being able to attract and retain talent across the UK.<br>**Mitigation activity**<br>Our people play a critical role in the success of our business and in our future growth. We invest in our learning and development programmes to retain and build talent within the organisation, and we have made some significant enhancements to our Employee Value Proposition in 2023 and we continue to review and enhance our Employee Value Proposition to ensure we adapt and respond to a changing environment. |
| **Cyber security**<br>*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*<br>**Risk trend**<br>▶ | **Potential impact**<br>Cyber attacks are an ever-increasing threat for businesses and could significantly impact our operations and our key third party suppliers. This risk has heightened because of the increasingly elaborate attacks, including state-sponsored cyber-attacks and the development of more sophisticated ransomware attacks.<br>**Mitigation activity**<br>We continue to operate a clearly defined cyber security strategy and we have invested in resources to strengthen further 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. |

***Risk Trend key:***

▲ *Risk exposure has increased* ▼ *Risk exposure has reduced* ▶ *Risk exposure remained the same*

| | |
|---|---|
| ***Insurance risk***<br>*The risk that we have higher claims costs than anticipated or that market conditions negatively impact our commercial outcomes*<br>***Risk trend***<br>▶ | **Potential impact**<br>There are risks of higher-than-expected claims frequency, higher average costs per claim or catastrophic claims. The UK has continued to experience market volatility due to the ongoing impact of geopolitical factors which have exacerbated inflationary pressures and interest rate impact on the economy. We have also seen an increase in extreme weather events, stretching our ability to deliver services on time and inflating claim volumes.<br>**Mitigation activity**<br>We have an agile pricing model, enabling us to adapt to movement in the market. Underwriting guidelines are used to ensure that claims frequency and costs remain within expected levels. We also have a robust reinsurance programme in place to ensure we can meet future assets and liabilities. |
| ***Health and Safety risk***<br>*The risk we are unable to maintain the safety of our workforce and customers*<br>***Risk trend***<br>▶ | **Potential impact**<br>Vehicles breaking down at the roadside is inherently dangerous – maintaining a safe environment for our members and for our workforce is absolutely critical to our business.<br>**Mitigation activity**<br>The AA has a robust and externally audited health and safety (H&S) management system. We regularly review our H&S risks to ensure that our control environment remains strong and effective. We have a dedicated team of H&S professionals, all of whom are members of the Institution of Occupational Safety and Health holding CMIOSH or Tech IOSH memberships.<br>The team drive internal and industry standards. We are active members of PROTECT, the industry group working towards improving safety for those working at the roadside. |
| ***Financial Risk***<br>*The risk that the geopolitical environment, interest rate costs, inflationary pressures and the rising cost of living has a negative impact on consumer behaviour and on our ability to service debt.*<br>***Risk trend***<br>▲ | **Potential Impact**<br>This risk could lead to unfavourable refinancing terms, a shrinking customer base and/or increased cost base all of which could adversely impact the financial performance of the company.<br>**Mitigation activity**<br>The profile of this risk has changed through FY25 with inflation trending towards expected levels albeit with underlying inflationary pressures persisting. We continue to diversify our product offering and invest in innovation to adapt and respond to changing consumer behaviours. We have continued to work with our suppliers and third-party partners to manage our cost base and mitigate the impact of a high inflationary environment. |

***Risk Trend key:***

▲ *Risk exposure has increased*   ▼ *Risk exposure has reduced*   ▶ *Risk exposure remained the same*

## Emerging risks

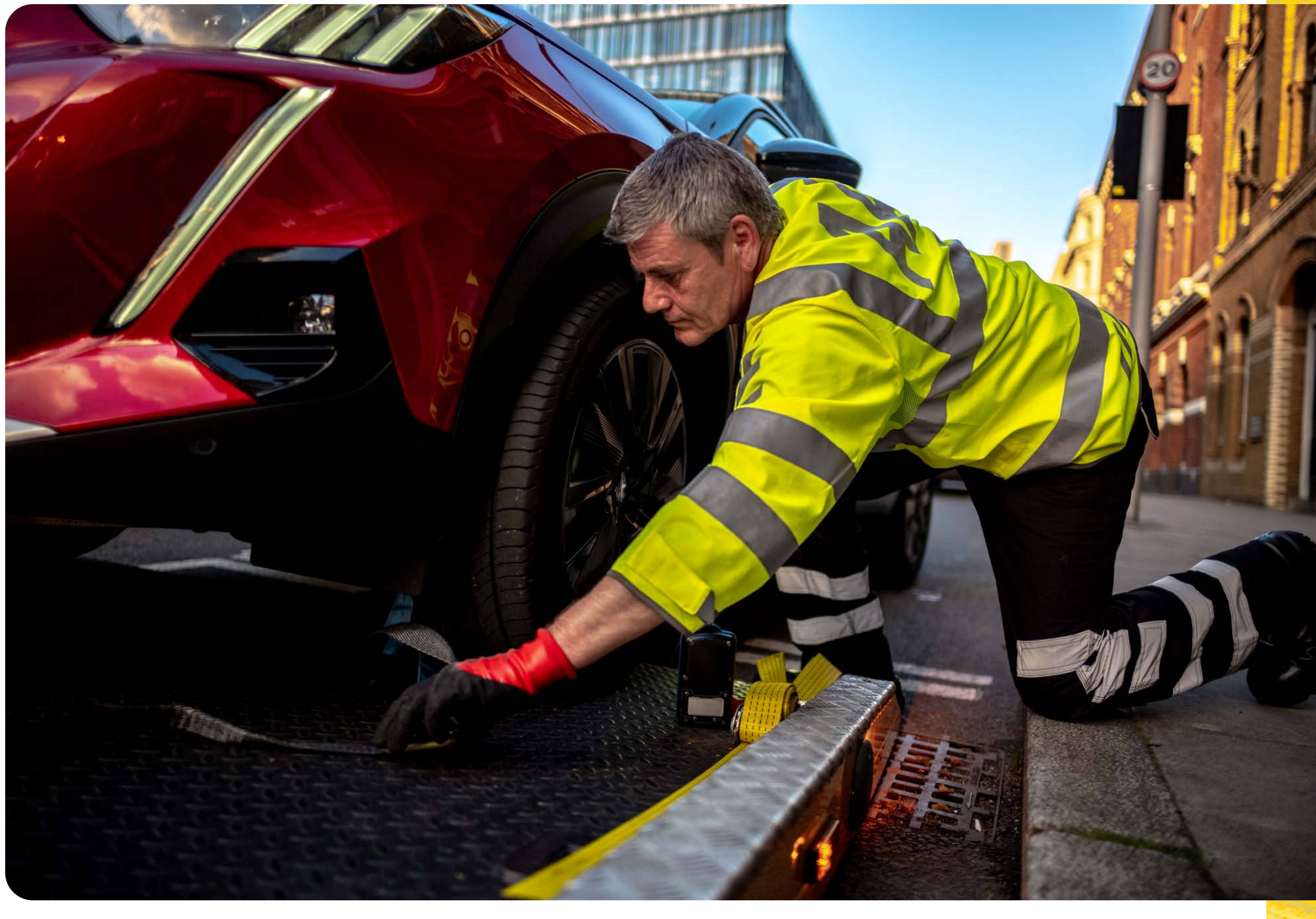
In addition to monitoring the risks currently faced by The AA, we identify risks and opportunities on the horizon i.e. the risks and opportunities that could have a material impact on The AA in the future but where the timescale and/or impact due to the nature of the risks remains uncertain.

The monitoring and management of emerging risks is a key part of The AA's strategic risk management process since these risks and opportunities can lead to changes in business strategy or operational ways of working that support The AA in it delivering long-term value to members, customers, employees and sponsors.

Emerging risks are identified using a PESTLE analysis, which categorises the risks into six high level themes:

| Risk type | Examples |
|---|---|
| ***Political*** | › Current tax policy or future tax policy<br>› Stability of government and geopolitical environment |
| ***Economic*** | › Interest rates or exchange rates<br>› Inflation |
| ***Social*** | › Consumer behaviour<br>› Brand and image |
| ***Technology*** | › Competing technology development<br>› Machine learning and artificial intelligence |
| ***Legal*** | › Regulatory change<br>› Legislative change |
| ***Environmental*** | › Climate change<br>› Energy availability and cost |

We report on our emerging risks to our Enterprise Risk and Compliance Committee and relevant Group company Boards. In addition, emerging risks that could impact our in-house underwriter are incorporated into the annual ORSA report.



The most notable emerging risks and opportunities for The AA are summarised in the table below.

| | |
|---|---|
| ***Public policy uncertainty***<br>*Given the change of Government in the UK and the economic pressures it is facing, changes to fiscal and public policy could both increase our cost base and impact demand for our products and services.*<br>***Category:***<br>*Political* | **Potential Impact**<br>This risk could lead to new financial, regulatory or legal challenges for our businesses that could increase our cost base or impact the way we need to operate.<br>**Mitigation activity**<br>We continue to actively engage with regulators, policy makers and other key stakeholders on the development of policy and regulation in the UK. |
| ***Global geopolitical instability***<br>*Geopolitical uncertainty remains high due to major policy shifts following government changes in major global economies, tariffs and the continued conflicts in Eastern Europe and the Middle East.*<br>***Category:***<br>*Economic* | **Potential Impact**<br>This risk could lead to increased costs for our business and other operational challenges.<br>**Mitigation activity**<br>We continue to engage with key stakeholders on these matters. We also proactively monitor and make long term purchasing decisions for significant cost base items like transport fuel that could be adversely impacted by geopolitical risk |
| ***Electric vehicles (EVs) across the driving lifecycle***<br>*The first year of the government's Zero Emissions Vehicle (ZEV) Mandate has now completed and we had another record year for EV sales in the UK in 2024. At the other end of the lifecycle, we are starting to see an aging EV population, which has the potential to impact other areas of our business.*<br>***Category:***<br>*Technology* | **Potential Impact**<br>This risk could lead to new operational and/or cost challenges for our business as we adapt to the changing needs of our customers.<br>**Mitigation activity**<br>We are training our front line colleagues to work on EVs and ensure we have good information sharing on EV-related developments across the group. We are also actively engaging with key external stakeholders on this topic whilst also introducing EVs into our own fleet in line with our Net Zero target. |
| ***Artificial intelligence (AI) and technological change***<br>*Artificial intelligence, quantum computing and other technological advancements have the potential to transform the competitive landscape in the sectors in which we operate.*<br>***Category:***<br>*Technology* | **Potential Impact**<br>This risk could lead both to increased competition and heightened cybersecurity risk that could impact the financial performance our business.<br>**Mitigation activity**<br>We are trialling AI technology in priority areas around the business , and making AI-related training available to all colleagues. |

## Climate-related risks

The AA recognises that climate change poses a number of transitional and physical risks and opportunities for our business. All climate-related risks and opportunities are identified, assessed, monitored and managed on an ongoing basis in line with our broader risk management framework outlined above. Our full climate-related financial disclosure can be found on pages 27 to 32.

# Environmental and climate-related disclosures

The AA launched its current environment, social and governance (ESG) framework in FY22 and has produced a standalone ESG report every year since. These ESG reports provide a more detailed account of our broader ESG performance and can be found on The AA Corporate website. In this report we provide a concise summary of our environmental performance and climate-related financial disclosures in line with the relevant regulation.

## Net Zero target

The AA is committed to supporting the transition to a low-carbon economy. We have set ourselves an ambitious target of being **net zero for our operational emissions by 2035**. This target covers our Scope 1 and 2 emissions and means reducing these emissions by at least 90% in absolute terms by 2035. Our ESG Report is available on The AA Corporate website with more information on our net zero transition plan and progress against this: **www.theaacorporate.com**

## Streamlined Energy & Carbon Reporting (SECR)

This section of our Strategic report discloses our operational energy and carbon footprint in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements.

### Methodology

The AA has reported on all emissions sources outlined in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and our greenhouse gas emissions inventory covers all entities/assets where we have operational control. The period covered is 1 February 2024 to 31 January 2025 and will be referred to as FY25 from here onwards.

Our emissions have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard. We calculate our Scope 2 emissions using a dual reporting approach, publishing both a location-based footprint and a market-based footprint. We calculate emissions from input data using emission conversion factors from varied sources including the UK's Department for Energy Security and Net Zero (DESNZ), the International Energy Agency (IEA) and contract specific factors for market-based Scope 2 emissions calculations.

The AA undertakes third party verification to verify independently the accuracy, completeness, and consistency of GHG emissions data against ISO 14064-1 and ISO 14064-3 to a Limited Level of Assurance. Emissions data for the last five years has also been independently assured by a third party.

### Annual Energy & Carbon

This year our total Scope 1 & 2 greenhouse gas emissions equated to 36,872 tonnes of $CO_2e$ using the market-based method. This is an increase of 359 tonnes of $CO_2e$ (+1%) compared to last year, and a decrease of 3,890 tonnes of $CO_2e$ (-10%) against our baseline year (FY20). The year-on-year increase can be explained by growth in fleet emissions related to increased demand for our services alongside an increase in fugitive gas leaks in some of our older properties. Our fleet emissions intensity metric has improved again showing we are decoupling business growth from emissions growth. More information on our emissions performance can be found in our ESG Report at **www.theaacorporate.com**

Table 1 shows our overall energy usage broken down by fuel type as stipulated in the Streamlined Energy and Carbon Reporting (SECR) guidelines. We procured 3,887,477 kWh of electricity backed by Renewable Energy Guarantee of Origin (REGO) certificates in FY25 covering 97% of the electricity used in our properties. However, given our significant use of transport fuel, renewable energy only represents 2% of our overall energy usage.

**Table 1: Energy usage (MWh)**

| | FY25 | FY24 (restated)[1] | FY20 (baseline) |
|---|---|---|---|
| Transport Fuel | **150,936** | 149,756 | 161,542 |
| Electricity | **4,322** | 4,491 | 9,372 |
| Natural Gas | **3,999** | 4,717 | 7,357 |
| Gas Oil | **4** | 1 | 0 |
| **Total energy usage** | **159,261** | 158,966 | 178,271 |

[1] For FY25 we've updated the methodology for calculating PHEV MWh from distance data to be more consistent with other calculations, resulting in an immaterial decrease in transport fuel (MWh) for FY24, which was previously published as 149,808 MWh and Total energy usage as 159,017 MWh,(<1% decrease in Scope 1 MWh).

Table 2 shows our Scope 1 emissions related to our consumption of natural gas, transport fuel, gas oil alongside relevant fugitive emissions.

**Table 2: Scope 1 Emissions (Tonnes $CO_2e$)**

| | FY25 | FY24 | FY20 (baseline) |
|---|---|---|---|
| Transport Fuel | **35,710** | 35,507 | 38,906 |
| Natural Gas | **731** | 863 | 1,353 |
| Fugitive Emissions | **253** | 64 | 240 |
| Gas Oil | **1** | 0 | 1 |
| **Total Scope 1 emissions** | **36,696** | 36,434 | 40,500 |

Table 3 shows our Scope 2 emissions related to the electricity we consume. These have been calculated using both the location-based method and the market-based methodology.

**Table 3: Scope 2 Emissions (Tonnes $CO_2e$)**

| Year | FY25 | FY24 | FY20 (baseline) |
|---|---|---|---|
| Electricity (Location-based) | **897** | 933 | 2,395 |
| Electricity (Market-based) | **176** | 79 | 262 |
| **Total Scope 2 emissions (Location-based)** | **897** | 933 | 2,395 |
| **Total Scope 2 emissions (Market-based)** | **176** | 79 | 262 |

Table 3 shows greenhouse gas emissions from the Scope 3 categories required under the SECR requirements relating to fuel used by our employees for business reasons either in a rental car or as claimed mileage on their personal car.

**Table 4: Scope 3 Emissions (Tonnes $CO_2e$)**

| | FY25 | FY24 | FY20 (baseline) |
|---|---|---|---|
| Grey Fleet & Employee Hire Cars | **106** | 232 | 577 |
| **Total Scope 3 emissions** | **106** | 232 | 577 |

A summary of all the emissions reported above are shown in Table 5 and Table 6.

**Table 5: Total location-based emissions (Tonnes $CO_2e$)**

| | FY25 | FY24 | FY20 (baseline) |
|---|---|---|---|
| Scope 1 emissions | **36,696** | 36,434 | 40,500 |
| Scope 2 emissions (Location-based) | **897** | 933 | 2,395 |
| Total Scope 1 & 2 emissions | **37,593** | 37,367 | 42,895 |
| Scope 3 emissions | **106** | 232 | 577 |
| **Total emissions (Location-based)** | **37,699** | 37,599 | 43,472 |

**Table 6: Total market-based emissions (Tonnes $CO_2e$)**

| | FY25 | FY24 | FY20 (baseline) |
|---|---|---|---|
| Scope 1 emissions | **36,696** | 36,434 | 40,500 |
| Scope 2 emissions (Market-based) | **176** | 79 | 261 |
| Total Scope 1 & 2 emissions | **36,872** | 36,513 | 40,761 |
| Scope 3 emissions | **106** | 232 | 577 |
| **Total emissions (Market-based)** | **36,977** | 36,745 | 41,338 |

Table 6 contains our intensity ratios. We have separate intensity ratios for our fleet emissions and our property emissions as the most appropriate denominator differs for each. The two intensity measures are as follows:

- Fleet: Operational fleet emissions per operational task.
- Property: Property emissions per square foot of space.

**Table 7: Emissions intensity ratios**

| | FY25 | FY24 (restated) | FY20 (baseline) |
|---|---|---|---|
| Fleet emissions per operational task (kg$CO_2e$/task)[1] | **10.58** | 10.74[1] | 11.58[1] |
| Property market-based emissions per square foot (kg$CO_2e$/sqft) | **2.92** | 2.48 | 3.55 |

[1] We've updated our methodology for calculating fleet emissions intensity in FY25 to exclude tasks not associated with fuel used in our vehicles. This provides a more precise measure of emissions intensity for our fleet. We have restated prior year figures to align with this methodology.

Our property emissions intensity ratio for FY25 is up on last year, mostly due to fugitive gas leaks in our older buildings. Our gas and electricity usage has continued to reduce year on year.

## *Energy Efficiency Actions*

The AA is always looking for ways to improve energy efficiency across our properties and our operational fleet. The below list outlines some of the energy efficiency actions we have introduced in FY25:

- Continued our remote-fix program to reduce fleet emissions by solving member issues over the phone rather than sending a vehicle to do the work.
- More than quadrupled the number of alternative fuel vehicles in our operational fleet as we continue our "test and scale" approach to fleet decarbonisation.
- Continued our property rationalisation strategy by moving into a smaller and more energy efficient office in Basingstoke.
- Closed our least energy efficient property on low occupancy periods to reduce significantly the energy used at this building.
- Ongoing review and adjustment of heating, ventilation and air conditioning (HVAC) plant, lighting, boilers and other ancillary equipment across all properties to reflect reduced occupation.
- Isolated unused floors and areas at key properties to minimise gas and electricity consumption.

# Climate-related financial disclosures

We continue to align our annual reporting with the requirements for climate-related financial disclosure set out within the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 under the UK Companies Act 2006. The intention is to provide transparency around the ways in which climate change could impact our business, now and for the future.

## Governance

### Board and Board Committees

The AA Limited Board is responsible for ensuring the sustained success of The AA business and has overall accountability for the business's climate strategy. Our target of achieving Net Zero operations by 2035 was approved by The AA Limited Board in FY22 and progress towards this target is monitored by the Board on at least an annual basis (for more details on our Net Zero target see page 27). The AA Limited Board also has overall responsibility for approving The AA's risk appetite and risk management framework. The Board delegates oversight of the operation and effectiveness of The AA's risk management framework to the Audit and Risk Committee which, supported by the Chief Risk Officer, has oversight of the system of risk management and internal controls within The AA.

### Management and management committees

Our group Chief Risk Officer holds accountability for our overall ESG strategy and is responsible for sharing ESG updates to The AA Limited Board. The Executive Risk and Compliance Committee (ERCC), chaired by the Chief Risk Officer, has responsibility for oversight of climate-related risks and opportunities within The AA. The ERCC reviews climate-related risks and opportunities on at least an annual basis. The AA also has an ESG Steering Committee comprised of functional leads from around The AA Group. This group is chaired by the Chief Risk Officer and meets quarterly to track ESG performance and ensure action is taken in relation to the focus areas of our ESG framework.

## Risk Management

The AA's broader risk governance approach and risk management framework are documented in the Risk Management Report on pages 21 to 26. These arrangements exist to ensure all risks and opportunities (including climate-related risks and opportunities) are identified, assessed, monitored and managed in line with our risk appetite on an ongoing basis.

We do not have climate change as a standalone principal risk as our key climate-related risks feed into other principal risks. For example, the physical risks from extreme weather events for our roadside assistance services is one of many contributing factors influencing our customer risk where we could fail to deliver good outcomes for our customers. Climate risk is highlighted as a sub-set of our strategic risk category, and we will continue to review if this is appropriate going forwards.

## Climate-related risk and opportunity assessment

We continue to identify and assess climate-related risks as part of our broader risk management framework. Our climate risks and opportunities were identified through a five-phase process managed by our sustainability team that is outlined below:

1. Identification of climate-related risks and opportunities: Identification of a long list of possible climate-related physical and transition risks and opportunities across The AA value chain based on sectoral guidance and desk research.
2. Prioritisation of climate-related risks and opportunities: Prioritisation of climate-related risks and opportunities by AA and external stakeholders based on possible impact to the business and time horizon for this impact.
3. High-level scenario analysis for prioritised risks and opportunities: Top priority climate-related risks tested through high-level scenario analysis against three climate scenarios to identify high impact risks and opportunities for the business.
4. Deep dive scenario analysis for high-impact risks and opportunities: High impact climate-related risks and opportunities used for more detailed financial modelling across the three climate change scenarios identified
5. Embedding climate-resilience processes: Engagement with AA stakeholders on identified risks and opportunities to improve mitigation/adaption activities and build climate risk into business planning, financial modelling and risk management processes.

### Time horizons used for climate-related risk assessment

The AA assesses climate-related risks and opportunities across three periods of time. We consider our **short-term horizon** to be the next 5 years (FY26 to FY30) as this is the period during which we undertake a more detailed financial planning process that allows us to perform higher quality modelling of potential impacts. Our **medium-term horizon** is the 10-year window after the short-term horizon has completed (FY31 to FY40). We chose this period because we know that this will be an important period for the net zero transition across the economy and for our business if we are to achieve our target of net zero operations by 2035. Our **long-term horizon** is the 10-year period after the medium-term horizon (FY41 to FY50). We chose this period because it allows us to assess the possible impact of physical risks on our business, as we see the most significant impacts from global warming in the late or no transition scenarios.

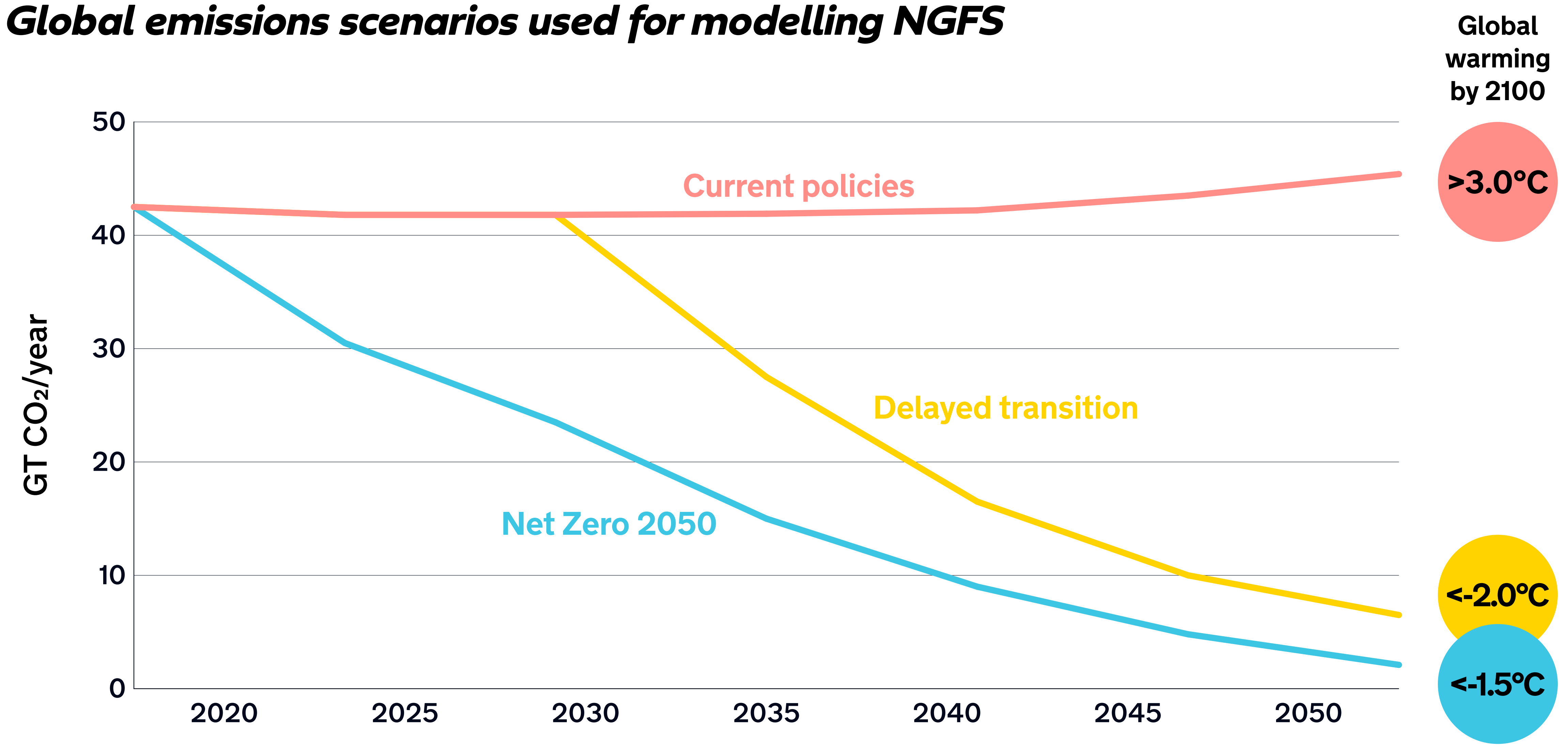
## *Climate scenarios used for climate-related risk and opportunity assessment*

To better understand the impact of climate-related risks and opportunities on our business across varied possible futures, we have used three external climate scenarios to support our analysis. These scenarios were produced by the **Network for Greening of the Financial System (NGFS)** and outline the global impacts of climate change in different transition scenarios. We selected three NGFS scenarios which were:

1. **Net Zero 2050 scenario (<1.5°C)** which assumes an earlier and smoother net zero transition around the world to ensure global warming of no more than 1.5°C.
2. **Delayed Transition scenario (<2.0°C)** which assumes a later but rapid net zero transition around the world to limit global warming to no more than 2.0°C.
3. **Current Policies scenario (>3.0°)** which assumes no further significant net zero transition activity leading to significant global warming of 3.0°C or more.

The emissions trajectories and projected levels of global warming from these scenarios are outlined in the line chart below. Emissions drop off steadily from today in the Net Zero 2050 scenario, from 2030 in the Delayed Transition scenario and not at all in the Current Policies scenario.

### *Global emissions scenarios used for modelling NGFS*




We used NGFS scenarios as they are credible, publicly available, regularly updated and have country level breakdowns for key elements of the model. We selected the **Net Zero 2050** scenario to better understand our transition risks and opportunities in a rapid transition scenario. We selected the **Current Policies** scenario to understand our physical risks and opportunities in a world with extreme global warming. We selected the **Delayed Transition** scenario as a middle ground where the impact of transition risks and opportunities are delayed but the worst global warming is avoided. Updated versions of all external scenarios have been used in our scenario analysis since last year's report.

Our scenario analysis across these time horizons considered both transition and physical climate risks and opportunities. Transition risks and opportunities arise from the changes required to move towards a low carbon economy whereas physical risks and opportunities arise from the actual changes to the climate that we will see because of global warming.

## Strategy

This year we have identified 7 climate-related risks that could be material to our business in different external climate scenarios on different time horizons. The table below outlines each risk, describes its impact under the climate scenarios used and details the mitigation activity we have in place or are introducing to reduce the risk presented.

| Climate-related risk | Impact to AA business (by climate scenario) | Mitigation activity |
|---|---|---|
| **1. Energy costs for fleet**<br>*Cost of vehicle fuel increases as carbon price pressures and/or net zero policies impact fuel markets.*<br>**Risk type:** *Transition risk*<br>**Related metric:** *Fleet emissions intensity (see page 28)* | Greatest impact seen in the Net Zero 2050 scenario with cost increases on all time horizons. Impact is delayed in the Delayed Transition scenario and less prominent in the Current Policies scenario. High impact possible in all scenarios in the long-term horizon without fleet decarbonisation. Short term impacts are less pronounced in all scenarios this year due to external model updates. | To achieve our net zero target, we will need to decarbonise our operational fleet. Currently electric vehicle (EV) equivalents do not meet our operational requirements for many of our services, but we are trialling relevant technology as it comes to market. We are also exploring other fuel efficiency initiatives across our fleet to reduce fuel dependency in the short term. |
| **2. Energy costs for properties**<br>*Cost of energy increases as carbon price pressures and/or net zero policies impact energy markets.*<br>**Risk type:** *Transition risk*<br>**Related metric:** *Property emissions intensity (see page 28)* | Moderate impact in both the Net Zero 2050 and Delayed Transition scenarios with the latter only seeing impacts from the medium-term onwards. Limited impact in the Current Policies scenario. | We continue to consolidate our property portfolio to ensure we use resources effectively. This year we have moved our colleagues in Basingstoke out of one of our least efficient buildings and into an efficient, modern office. We will continue to modernise our property portfolio in the years ahead. |
| **3. Costs from low emission zones regulation**<br>*Localised air quality regulation impacts the operating costs for our business.*<br>**Risk type:** *Transition risk*<br>**Related metric:** *Fleet emissions intensity (see page 28)* | Significant impacts modelled in the Delayed Transition scenario only and specially across the medium-term horizon. This is due to our ability to respond to LEZ regulation in most scenarios as they are introduced. | Our fleet decarbonisation plans will help to mitigate this risk. We are also engaging with policy makers to push for exceptions for recovery vehicles in LEZs where suitable and to support the broader move to electric vehicles across the UK. |
| **4. Impact of reduced vehicle usage in the UK**<br>*Policies and/or behaviour change reduces car usage and/or car ownership impacting demand for our services.*<br>**Risk type:** *Transition risk*<br>**Related metric:** *Fleet emissions intensity (see page 28)* | Substantive impact possible in both the Net Zero 2050 and Delayed Transition scenarios in the medium to long-term horizons if car ownership reduced significantly. Modelling challenges reduces confidence in these findings though as it is also possible our business could benefit from car usage reducing rather than car ownership reducing. | Due to the wide range of possible outcomes for this risk combined with the reliance on external and business assumptions that we are not confident with, our primary response is continued research and analysis to assess this risk on an ongoing basis – both from a business perspective and from a public policy perspective. The latest data from June 2024 showed the number of cars in the UK grew again showing demand is not slowing yet. |

| Climate-related risk | Impact to AA business (by climate scenario) | Mitigation activity |
|---|---|---|
| ***5. Impact to roadside business from extreme weather***<br>*More frequent and less predictable weather events impact operating costs for roadside business.*<br>**Risk type:** *Physical risk*<br>**Related metric:** *Fleet emissions intensity (see page 28)* | Significant impact possible in the short-term horizon in all climate scenarios. Medium and long-term horizons have not been modelled in this year's analysis, and this continues to be a focus for us in the year ahead. | Improving how we factor weather and climate modelling into our business planning processes is a key focus here. This year we have improved our weather modelling approach and track the financial impact of weather volatility on our roadside business monthly. Our annual budgeting and financial planning processes include weather data and this year we have also created a line item for weather volatility impact into our financial planning for the roadside business which will be reviewed on an annual basis. |
| ***6. Cost of operational fleet decarbonisation***<br>*Cost of transitioning our significant operational fleet to low and zero carbon alternatives to meet our net zero target by 2035.*<br>**Risk type:** *Transition risk*<br>**Related metric:** *Fleet emissions intensity (see page 28)* | Cost impacts from this risk are relevant across all scenarios given our ambitious internal net zero target accompanied by the UK Government's existing legislation that will decarbonise all new van sales before 2035. Increased urgency for this transition is likely under a Net Zero 2050 scenario but specific policies are not included in the NGFS models. | Our fleet decarbonisation plans have moved on significantly in FY25 and we have over 40 alternative fuel vehicles in operation at the end of the year. We have also assessed the impact of the UK's zero emissions van regulation in the short and medium term and the projected cost impact of buying zero emissions vans to align with this. The output of this analysis is now included as a line item in our long-term financial planning. We will continue to closely monitor the market and can foresee a scenario where zero emissions vans meet price parity with internal combustion vans before 2030. |

As a summary, we continue to see more transition risks than physical risks. This means an early transition like the **Net Zero 2050 scenario (<1.5°C)** impacts our business more significantly and earlier as stringent national net zero policies come in more quickly. In a slower transition like the **Delayed Transition scenario (<2.0°C)**, the impacts to our business occur later due to the delay in transition policy being introduced. In the **Current Policies scenario (>3.0°C)** we see less of an impact in the short and medium term but can expect to see high physical risk impacts in the longer time horizon.

We are using the Delayed Transition (<2.0°C) scenario as our baseline for financial planning as we see this as the most plausible scenario that still avoids the worst global warming. In this scenario our biggest impact in the short term is the physical risk of increased weather-related costs for our roadside business.

Longer term climate-related risks identified have been embedded into our emerging/horizon risk process and the Executive Risk & Compliance Committee (ERCC) will continue to review all material horizon risks on at least a six-monthly basis. Key horizon risks are also reported to The AA Limited Board on at least an annual basis and included in our annual report.

# Getting you home safely every day

The AA prides itself in maintaining a positive health and safety culture which not only supports our people, our customers and our communities at their time of need; but fundamentally ensures they get home safely every day.

This year has continued on a positive trajectory, and we have continued to strengthen our safety foundations and deliver projects that enable us to improve our safety performance. This year's highlights include:

## The AA is recognised externally for the work we do:

This year, The AA has been awarded The Royal Society for the Prevention of Accidents (RoSPA) Gold award for the sixth consecutive year for demonstrating high health and safety standards.

The AA was also awarded the Health and Wellbeing award at the Fleet News awards 2024 for our health and wellbeing strategy.

## Our Health and Safety performance:

We have invested in our people: over 72,500 hours have been spent on Health and Safety related training in FY25, including our induction training which ensures new colleagues have the skills and knowledge to operate safely.

The AA has continued to see a reduction in total Reporting of Injuries Diseases and Dangerous Occurrence (RIDDOR) reports. Excluding 2020, the number of total RIDDOR reports is the lowest since available records show (first data: 2010). The number of specified RIDDOR reports did however increase albeit they did not show any trends and were seemingly isolated accidents.

Accident Incidence Rate (AIR) has reduced from the previous year; lowering from 7,255 to 6.767.

Lost Time Injury Frequency Rate in 2024 has increased to 22.5 when compared to 2023 (21.9) and 2022 (21.4). This will be a focus area for the year ahead.

1,727 referrals have been made into the Occupational Health service to provide support for colleagues. 47% of these were for musculoskeletal conditions. Over the same period sickness absence has reduced 0.3% to 3.3%.

We recorded one occupational disease (tendonitis).

We confirm zero fatalities.

## We haven't taken our foot off the accelerator:

### Our fleet:

- The AA has continued to successfully lead the industry by lobbying on important safety topics, such as enabling the breakdown and tyre operators to utilise rear facing flashing red lamp capability on their vehicles. Such 'red lights' will make breakdown vehicles more visible to oncoming traffic, especially in poor weather conditions. At the end of FY25 The AA had introduced these to 1260 breakdown vehicles and 46 recovery vehicles. By drawing attention to stationary breakdown vehicles, the new lighting system could reduce the number of collisions and enhance the safety of our people, AA members and other road users.
- We have improved driver safety by streamlining our vehicles' in-cab dashboard configurations through the removal of third party auxiliary equipment. This has improved cross-cab access and reduced the need for multiple screens which reduce visibility and could increase distraction.
- The AA has now introduced safety cameras to over 2,500 of our service vehicles. In parts of our fleet these are now fitted to 100% or nearing 100% of our vehicles. Due to fleet replacement schedules some parts of our fleet are further behind in their fitment programme but our intention is to fit safety cameras on all new vehicles on these fleets.

- Last year alone, these safety cameras have been utilised to understand the facts of events that have been reported to involve our people or our vehicles. Supporting over 270 safety investigations, over 725 insurance claims, nearly 30 police requests and 55 data privacy requests.
- In relation to claims, the safety cameras are providing a healthy return on our investment:
  - We are seeing a reduction in claims volume in FY25 compared to FY24 and FY23. Costs have increased compared to FY24 and although data is still in its infancy costs are notably lower than expectation (given year-on-year 20% claims inflation).
  - Claim life cycles (days a claim takes to close) have reduced as the safety camera footage is giving our third party insurer confidence in their denials of liability. This has resulted in them reducing estimates on their system and closing claims.
  - Decisions on when to admit liability and pay third party claims are proving quicker and therefore, AA costs are reducing by proactively managing the claim using the safety camera footage.
  - There is a reduction in the percentage of claims that fail to settle amicably and move to the litigation phase. This reduces associated costs and delays in settling the claim.

## *Our property:*

- We continue to invest in our building infrastructure to ensure we provide a compliant and safe working environment for all our people. This ongoing commitment includes regular assessments and upgrades to our facilities, ensuring that we meet and exceed health and safety standards. By prioritising the well-being of our employees, we aim to create a workplace where everyone feels secure and supported. For example, in the last year, we have:
  - relocated The AA headquarters reducing risk and exposure to hazards such as fire and asbestos.
  - conducted extensive works on fire doors at our Newcastle site improving our fire safety controls on site.
  - invested in a new lighting project at our Oldbury site, bringing improved lighting both internally and externally to improve wellbeing and security onsite.

## *Our Safety management system:*

- We have invested in our systems and grown the existing team to improve Health and Safety auditing capability. This will enable a greater focus on proactive hazard identification as The AA moves into FY26. This enabled a thorough review of The AA's Health and Safety management system to proactively identify opportunities for continuous improvement. This has formed the foundation of The AA's Health and Safety team Strategy for FY26-29.
- In 2023 The AA took a calculated risk to embed and improve the detail of our near miss incident reports. This has resulted in a decreased number of these incidents being reported again in 2024 compared to the previous two years. However, the quality of reported content has continued to provide more actionable content as intended by the change made in 2023. Examples of reports included the proactive identification of a number of issues that could have led to accidents if undetected at this early stage.
- Whilst The AA has a comprehensive risk assessment programme covering 100% of its sites we are reflecting on how these assessments and controls can be improved to keep our people safer whilst at work. The AA has undertaken a number of workshops to review its risk assessments and safe systems of work with people from our recovery and breakdown roles. These were also supported by Community, our recognised trade union. These have proven successful in engaging our people in Health and safety, reviewing accuracy of content and ensuring additional hazards are identified by our workforce and we work collaboratively to identify alternative controls to keep our people and our customers and their assets safe.

## *Occupational health:*

- We have changed our Occupational Health provider. This now means colleagues are provided faster support (5 days from referral, appointment to the provision of a report). With this move we are also offering an onsite physio to conduct in person workstation assessments for colleagues at our Oldbury office and remote neurodiversity assessments to ensure all colleagues are supported as needed.
- The same Occupational Health provider have also taken over our Onboarding medicals, health surveillance questionnaires, physiotherapy and mental health services allowing employees to be inter-referred quickly to the right service when needed to achieve the best possible colleague outcomes.

# Our people and social matters

## Culture

Our objective is to create a safe and inclusive workplace that attracts and develops the widest talent pool and underpins our business sucess.

We are proud of the progress we made in FY25 to support this, including:

- **Recruitment and promotion:** We continue to monitor senior leadership gender and ethnic representation to ensure we are attracting and promoting talent from the widest pool and we introduced mandatory diverse shortlists for all management roles
- **Talent and career development:** We promote our internal career opportunities to all colleagues and achieved the highest percentage of vacancies being filled with internal talent
- **Inclusive culture:** We have continued to grow and support our five Employee Network groups and to celebrate key events and festivals
- **Voluntary disclosure:** We have increased disclosure of personal characteristics which demonstrates high levels of trust
- **Engagement:** In our annual engagement survey, we ask our colleagues if The AA acknowledges and respects the differences of our people. In the December 2024 survey we scored 77% positive engagement for this question, an increase of 4 points since December 2023 and considered best in class.

| | Male % | Female % | Numbers |
|---|---|---|---|
| GEC | 78 | 22 | 9 |
| Senior Leaders | 55 | 45 | 51 |
| People Managers | 64 | 36 | 793 |
| All Other Employees | 70 | 30 | 6,490 |
| **All Employees (total)** | 69 | 31 | 7,343 |

## Developing our people

Investing in our people is critical to our success. We offer self-led learning for all via a market leading learning platform, bespoke AA technical development, and a range of leadership and professional programmes.

## Leadership

Investing in building People Leader capability for both new and existing people leaders is a focus. Our offerings range from interventions for newly promoted Line Managers to advanced Leadership Programmes and Masterclasses.

In our Roadside People Leader population, Leaders have started their Team Leader apprenticeships and operational management alongside gaining a professional qualification with the Institute for Leadership and Management.

## Technical and professional

We invest in key areas of professional and technical capability. For example, we have built Digital and IT technical career pathways, run technical masterclasses in Insurance, and have provided comprehensive technical insights training for our Patrols.

## Early careers and apprenticeships

In FY25 we welcomed a new cohort of Customer Operations apprentice, and also graduates in Data Science, Data Engineering and Pricing. We piloted a Trainee Patrol Programme, offering opportunities for aspiring roadside mechanics without formal qualifications to become certified through our bespoke programme.

Our colleagues have access to apprenticeships to develop their careers and this year new apprenticeships have been offered in Digital Product, Insurance, Counter Fraud and Intelligence.

## Respect for human rights

At The AA, we believe that acting ethically and responsibly is not only the right thing to do, but essential for our business. As a brand which is admired and held in high regard of trust, The AA has strong values and principles which remain a powerful driver in our continual desire to remain a sustainable and commercially successful business. Importantly, this approach covers both our own business operations and our wider supply chain.

The AA respects human rights and it is committed to safe operations throughout its supply chain. We believe in doing the right thing and in doing it safely, without unnecessary risk to people's health or to the environment. Furthermore, The AA has a policy of zero tolerance towards acts of modern slavery which are unlawful or are a violation of fundamental human rights. You can read more about The AA's approach to modern slavery in the statement on our corporate website at **www.theaacorporate.com**

# Stakeholder engagement

Strong stakeholder relationships have been crucial for the transformation journey that The AA has been on since 2021. Both within The AA and outside, we have been focussed on understanding these relationships and working to strengthen and improve them. Engaging all stakeholders, including employees, customers, investors, and communities helps us build trust, strengthen relationships, and gather valuable insights for making informed decisions, and it forms the essential foundation for the long future of The AA.

## Our people

**We engage with our people in a variety of ways, focusing on a safe and inclusive workplace and ensuring that employee voices are heard so that they can help to influence the future of our business**

## Customers

**We aim to deliver industry-leading value, service and quality for our customers and we are regularly judged as 'best in class'.**

## Communities and societies

**We always seek to make a positive impact on the places where we work, with the aim of participating in flourishing communities and strengthening our business**

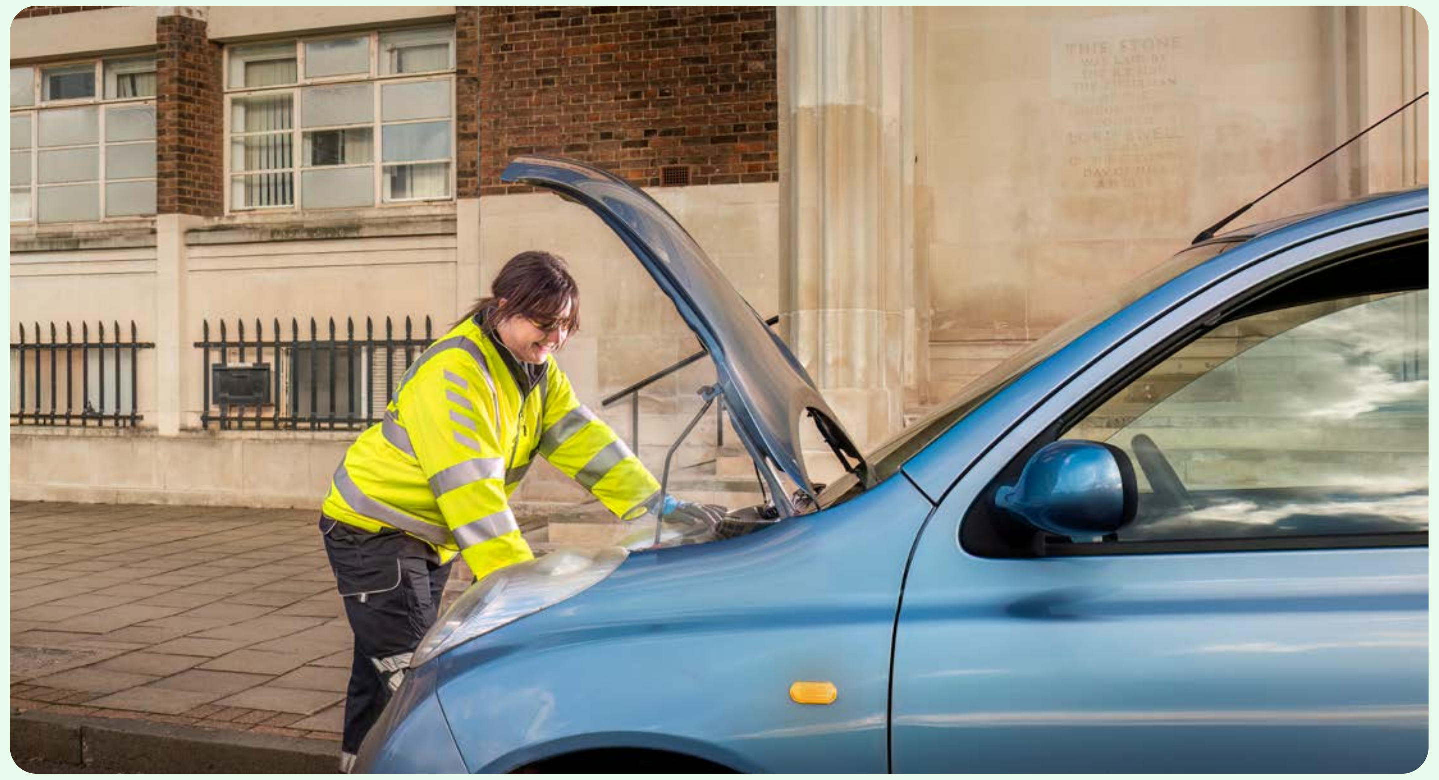
## Examples in 2024/2025

### Our people

- We held The Next Chapter Live, our first all-colleague experience with different ways to join. 1,000 colleagues came in person, with many more joining virtually and watching content on-demand. For the first time in decades, possibly ever, we brought together colleagues from across the business in an interactive Expo-style event, showcasing the breadth of services for UK drivers, but also celebrating the progress we've made over the past three years.
- We achieved our highest-ever engagement score (75% positive engagement) which is an increase of +5 points since December 2023 and well into the "best in class" category, with all areas increasing in scores. Since 2021 when we started tracking our engagement in this way, our employee engagement has increased by 14 points and we have seen an increase of up to 26 points in key areas like culture and leadership.
- Our rating on Glassdoor increased from 4.0 to 4.4 based on reviews from former and current employees.
- We said a fond farewell to Fanum House, our Basingstoke headquarters for more than 50 years, and moved to Plant, our modern new office that suits our needs, aligns with our ambition to modernise The AA and supports our cultural change journey.

### Customers

- On Trustpilot, both The AA's breakdown service and AA Insurance reached an "Excellent" rating status of 4.6 and 4.4 stars respectively, based on customer reviews alone, with the breakdown service having had over 100,000 consumer reviews, of which 77% were 5 stars.
- The AA was an award winner in Consumer Intelligence for motor insurance in the categories of "customer trust", "customer service", "customer satisfaction" and "recommendation by customers" in awards voted for by consumers.
- We won the Defaqto Car Insurer of the Year.



### Communities and societies

- At the end of 2023, colleagues voted Cancer Research UK as our first charity partner. During 2024, colleagues across the business have been involved in a variety of fundraising activities and we are delighted to have raised over £130,000 for this vital cause.
- Drivetech, in collaboration with the AA Charitable Trust, expanded its free 'Drive Confident' training program to support Afghan refugees arriving in the UK.
- The AA Charitable Trust promotes road safety for new drivers and their passengers. The latest campaign proposes limiting the number of peer-aged passengers for the first six months after any young driver has passed their test. AA research estimates at least 58 lives could be saved annually and at least 934 serious injuries prevented by introducing a graduated drivers licence.
- The AA Charitable Trust continued to support and promote the benefits of helping teenagers in care and care leavers to learn to drive to enhance their mobility, job prospects and self-esteem.
- We continued as a signatory of the Armed Forces Covenant, and holder of their coveted Employer Recognition Scheme Gold Award.

## Government and regulators

**In our conversations with the Government, the Opposition, and regulators, we promote the interests of all UK motorists**

### Examples in 2024/2025

- Prior to the local and national elections we produced a Motoring Manifesto based on polling of drivers to outline their views.
- The Pothole Partnership we formed with cycling, motorcycling and industry groups has been successful by making potholes an election issue and winning more funding for more permanent road repairs.
- Following our work with the Competition and Markets Authority, the new Government has agreed to our calls and is legislating to introduce a ‘fuel finder’, which would let people know the cheapest price on offer in their local area.
- Throughout the year we have worked on helping with the transition to zero emission vehicles with the Government, industry and broader stakeholders. Our president is a member of The Council for Zero Emission Transport and our CEO has put forward proposals on the EV transition to the Transport Secretary.
- We continue to campaign to improve the safety of ‘Smart Motorways’ and successfully campaigned for the retrofitting of 150 new Emergency Areas and improved Stopped Vehicle Detection systems.

## Industry

**We believe that effective, system-wide change is only possible if we work with our wider industry peers, partners and supply chain**

- We are active members of various Government bodies and advisory groups such as the Motorists’ Forum, Parliamentary Council for Transport Safety (PACTS), and have regular dialogue with the SMMT, BVRLA, Logistics UK and Office for Zero Emission Vehicles.
- We are members of the Fédération Internationale de l’Automobile (FIA), the global organisation representing the interests of motoring organisations and drivers.
- We are also members of the Confederation of British Industry (CBI).
- We continue to work with other industry organisations, stakeholders, and our members to help enable the transition towards vehicle electrification and the uptake of cleaner, greener transport.

## Investors

**The Group continues to maintain material levels of debt in the form of publicly issued bonds and so we actively engage with our bondholders and other investors**

- We hosted calls with the CEO and CFO with associated Q&A in April and October 2024 for credit investors, banks and other market participants to present our Group results for full year and half year respectively, and intend to do the same in the coming year.
- For increased transparency, we published interim accounts for AA Intermediate Co Limited and for the Group.
- We had significant engagement with bond investors as part of our successful Class A2 tender offer and Class A12 issuance in May 2024.
- We announced the completion of the minority investment by Stonepeak in July which permitted the redemption of £155m of B3 Notes.
- We had our Class A Notes upgraded from BBB- rating to BBB by S&P, with B3 Notes reaffirmed at B+.

# S172(1) statement

The Directors are bound by the duties set out in section 172(1) of the Companies Act 2006, which requires them to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, whilst having due regard for all stakeholders.

In this section, the term 'Director' refers to the statutory directors of AA Limited, as well as their alternate directors, to the extent that they acted in such capacity during the year.

The Directors take into consideration the interests of all relevant stakeholders when taking decisions and aim to balance this with The AA's governance framework and strategic vision, so that it can confidently drive long-term sustainable success. The Board is cognisant of the trust in The AA brand from its stakeholders and places great importance of maintaining high standards of business conduct. The Board has considered the need to act fairly between all of its stakeholder groups. Nevertheless, the Board acknowledges that stakeholder interests may conflict with each other and that not every decision can result in a positive outcome for all stakeholders.

Board considerations with regards to its stakeholders, and specifically to compliance with all parts to section 172(1), are set out below.

| Section 172(1) | Relevant disclosures | Decisions/considerations |
|---|---|---|
| **(a) The likely consequence of any decision in the long term** | *Chair's statement on page 4*<br>*CEO's statement on page 5*<br>*Group business model on page 9*<br>*Group at a glance on page 10*<br>*Financial review on page 15*<br>*Stakeholder engagement on page 36*<br>*Directors' report on page 43* | Through the continued pursuit of the refreshed strategy shared last year, the Board has demonstrated its desire to promote the long-term, sustainable success of The AA, balancing the need for transformation in the short term against long term strategic aims aligned to macro trends. |
| **(b) The interests of the Company's colleagues** | *Chair's statement on page 4*<br>*CEO's statement on page 5*<br>*Group business model on page 9*<br>*Environmental and climate-related disclosures on page 27*<br>*Health and safety on page 33*<br>*People and social matters on page 35*<br>*Stakeholder engagement on page 36*<br>*Non-financial info on page 41*<br>*Directors' report on page 43* | Our colleagues are at the heart of all that we offer and the Directors have a clear understanding of that.<br>For example, at The Next Chapter Live event our Chair gave the opening address to colleagues and fellow Directors in the audience, celebrating the success of The AA and thanking colleagues for all that they do. Providing visible leadership such as this gives colleagues the chance to connect directly with the Board.<br>Following the example set by other Directors, our newest Director, Amélie Petit, took part in a "patrol day", spending a day on the road with one of our patrols in their iconic yellow van. Taking up these opportunities on the front line allows our Directors an insight in to the experience of thousands of patrol colleagues, as well as an insight in to the experience of our customers being rescued. |

| Section 172(1) | Relevant disclosures | Decisions/considerations |
|---|---|---|
| **(c) The need to foster the Company's business relationships with suppliers, customers and others** | *CEO's statement on page 5*<br>*Group business model on page 9*<br>*Group at a glance on page 10*<br>*KPIs on page 11*<br>*Financial review on page 15*<br>*Risk management on page 21*<br>*Stakeholder engagement on page 36*<br>*Directors' report on page 43* | Much like their approach to colleague engagement, the Directors appreciate that successful relationships underpin all that we do.<br><br>During the course of the year the Board carefully considered strategic proposals regarding the direction of our financial services business, from multiple perspectives. Having provided the benefit of their insights and debated different options available they have supported the creation of a new partnership with NatWest Boxed to provide a new and exciting offering to The AA's customers.<br><br>The importance of ensuring that B2B relationships are sustainable for both partners and The AA has continued to be a key topic this year and the Board has continued to seek assurance that those relationships are appropriately maintained. The renewal and expansion of key B2B relationships during the year represents the fruition of the effort that is put into those relationships and demonstrates the sustainability that both parties are striving for. |
| **(d) The impact of the Company's operations on the community and the environment** | *Chair's statement on page 4*<br>*CEO's statement on page 5*<br>*KPIs on page 11*<br>*Environmental and climate-related disclosures on page 27*<br>*People and social matters on page 35*<br>*Stakeholder engagement on page 36*<br>*Non-financial info on page 41*<br>*Directors' report on page 43* | The Board has overseen continued progress towards The AA's environmental targets. During the year the number of alternative fuelled vehicles in our fleet has been tripled, including bringing in to service the UK's first electronic recovery truck. We've also reduced the number of plastic membership cards sent out to members by 95%. |
| **(e) The desirability of the Company maintaining a reputation for high standards of business conduct** | *Chair's statement on page 4*<br>*CEO's statement on page 5*<br>*Health and safety on page 33*<br>*Stakeholder engagement on page 36*<br>*Non-financial info on page 41*<br>*Directors' report on page 43* | In order to continue to be a brand that commands trust and reliance by its many stakeholders, the Company holds itself to a high standard of care and expects the same of those it deals with.<br><br>Mandatory training for employees plays a key part in ensuring a consistent expectation is set for employees and certain of the Directors directly monitor completion rates in respect of that training.<br><br>Similarly, we set a consistent expectation with our suppliers that they will need to comply with our Supplier Code of Conduct. |
| **(f) The need to act fairly as between the Company's owners** | *Chair's statement on page 4*<br>*Stakeholder engagement on page 36*<br>*Directors' report on page 43* | Recognising the need to act fairly between shareholders, the Board welcomed a new Director, Amélie Petit, to the Board to represent the interests of Stonepeak.<br><br>Notwithstanding that the largest shareholders participate directly in the oversight of the Company through their representatives on the Board, smaller shareholders also have enshrined rights with regard to their participation. Such rights came to the fore upon the completion of Stonepeak's minority investment in July, which every shareholder of the Company was entitled to benefit from. |

## Key stakeholders

The Board continuously monitors The AA's key stakeholders to ensure due consideration is given to all relevant stakeholders in the context of principal decisions. During the year, the following key stakeholders were identified:

- Our people
- Communities and societies
- Government, the Opposition and regulators
- Industry (including the supply chain)
- Investors
- Customers

Read more about our engagement with key stakeholders and our approach to each of the groups mentioned above, on page 36.

# Group non-financial and sustainability information statement

| Reporting requirement | The AA's key policies and standards which govern our approach and controls |
|---|---|
| **Environmental matters**<br>*Further details in this Report:*<br>❯ Our commitment to safe operations, page 33<br>❯ Risk management report, page 21<br>❯ Environment and climate-related disclosures, page 27 | *ESG Strategy Report (E) and (I)*<br>*Environmental Policy (I)*<br>*EV Charging Policy (I)* |
| **Company employees**<br>*Further details in this Report:*<br>❯ Diversity and inclusion, page 35<br>❯ Developing our people, page 35<br>❯ Our commitment to safe operations, page 33 | *ESG Strategy Report (E) and (I)*<br>*Our Behaviours (I)*<br>*Time Off Work and Public Duties Policy (I)*<br>*Absence policies including Attendance Management Policy and Family Friendly Procedures (e.g. maternity leave, paternity leave and shared parental leave, adoption leave, surrogacy and fostering) (I)*<br>*Flexible Working Policy (I)*<br>*Capability Policy(I)*<br>*Diversity and Inclusion Policy (I)*<br>*Whistleblowing Policy (I)*<br>*Grievance Policy (I)*<br>*Menopause Policy (I)*<br>*Health and Safety Policy (I)*<br>*Environmental Policy (I)*<br>*Dignity at Work Policy (I)* |
| **Social matters**<br>*Further details in this Report:*<br>❯ Supporting wider communities and society, page 36<br>❯ Stakeholder engagement, page 36 | *ESG Strategy Report (E) and (I)*<br>*Complaints Policy (I)*<br>*Vulnerable Customers Policy (I)*<br>*The AA Charitable Trust (UK charity no.1125119)*<br>*Time Off Work and Public Duties Policy (I)*<br>*Customer Policy (I)* |

| Reporting requirement | The AA's key policies and standards which govern our approach and controls |
|---|---|
| **Respect for human rights**<br>*Further details in this Report:*<br>❯ Diversity and inclusion, page 35<br>❯ Respect for human rights, page 35 | *ESG Strategy Report (E) and (I)*<br>*Diversity and Inclusion Policy (I)*<br>*Dignity at Work Policy (I)* |
| **Anti-corruption and anti-bribery**<br>*Further details in this Report:*<br>❯ Employee engagement (in the Directors report, page 46) | *Anti-Bribery and Allowable Gifts, Hospitality and Donations Policy (I)*<br>*Conflicts of Interest Policy (I)*<br>*Financial Crime Policy (I)*<br>*Securities Dealing Policy (I)*<br>*Whistleblowing Policy (I)* |
| **Due diligence, outcome and principal risks**<br>*Further details in this Report:*<br>❯ Risk management report, page 21 | *Risk Management Framework Policy (I)*<br>*Annual Internal Audit Plan (I)*<br>*Risk Register (I)*<br>*ISO 14001 and ISO 9001 certification for specified business areas (E)*<br>*Customer Policy (I)*<br>*Procurement Policy (I)* |
| **Business model and company strategy**<br>*Further details in this Report:*<br>❯ CEO's statement, page 5<br>❯ Group business model, page 9 | *Our Purpose (I)*<br>*Our Strategic Vision (I)* |
| **Non-financial key performance indicators**<br>*Further details in this Report:*<br>❯ Key performance indicators, page 11 | |

I Group policies, standards and guidelines that are published internally only.
E Group policies, standards and guidelines that are published on **www.theaacorporate.com**.

The Strategic report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board on 14 April 2025 and signed on its behalf by:

***Jakob Pfaudler***
***Chief Executive Officer***

# Governance report

# Directors’ report

The Directors present their annual report and the audited consolidated financial statements of AA Limited (the Company) for the year ended 31 January 2025 (Companies Act 2006, s415). This Directors’ report meets the requirements set out in the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Companies (Miscellaneous Reporting) Regulations 2018. Some disclosures are included in other sections of this Annual Report & Accounts and are incorporated into this Directors’ report by way of cross-reference.

Index to Directors’ report and other required disclosures



## Ownership of The AA

Since 10 March 2021, the immediate parent company of the Company has been Basing Bidco Limited (Bidco). Bidco is a subsidiary of Basing Topco Limited (Topco), an investment company controlled by a consortium of (i) funds advised by TowerBrook Capital Partners (U.K.) LLP or its affiliates (TowerBrook); and (ii) private equity funds managed by Warburg Pincus LLC or its affiliates (Warburg Pincus).

On 26 July 2024, Stonepeak Alpine Bidco Limited, an investment company acting on behalf of Stonepeak, a leading alternative infrastructure firm, became a minority shareholder of Topco.

## Board of Directors

Management control of the Group is exercised by the Board of Directors of the Company. The AA subsidiary undertakings consolidated in the Group financial statements are listed in Note 7 to the Company’s financial statements on page 101.

The Directors of the Company during the year were:

- Rick Haythornthwaite (Chair and Non-Executive Director);
- Kory Sorenson (Non-Executive Director);
- Gordon Holmes (on behalf of TowerBrook);
- James O’Gara (on behalf of Warburg Pincus);
- Amélie Petit (on behalf of Stonepeak) (appointed 26 July 2024);
- Jakob Pfaudler (Group CEO); and
- Tom Mackay (Group CFO).

Solely in the absence of their appointing Directors, the following Alternate Directors were and are authorised to act:

- Andrew Sibbald as Alternate Director for James O’Gara (on behalf on Warburg Pincus)
- Joseph Knoll as Alternate Director for Gordon Holmes (on behalf of TowerBrook)
- Nikolaus Woloszczuk as Alternate Director for Amélie Petit (on behalf of Stonepeak)

The Board has a number of matters formally reserved for its consideration and approval. Additionally, it has delegated its authority in respect of certain matters to a Remuneration and Nomination Committee and an Audit and Risk Committee, and these committee matters are detailed in their respective terms of reference.

# *Statement of corporate governance arrangements*

The AA Group is subject to the requirements for Large Private Companies under the Companies (Miscellaneous Reporting) Regulations 2018 and must include a statement of its corporate governance arrangements in its Annual Report & Accounts.

The AA Group continues to adopt the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles) and was compliant with them for the year ending 31 January 2025. The Directors' Report details how the Directors have applied the Wates Principles in respect of their leadership and oversight of The AA Group.

| The Wates Principles | Application during FY25 |
|---|---|
| ***1. Purpose and leadership*** | The Board remains committed to continuing the long and successful history of The AA, as is tangibly demonstrated by their sustained efforts to reduce The AA Group's debt burden. Necessarily for a business such as The AA, the short-term cannot be ignored in light of those long term aspirations and the Board has been adept at balancing those competing aims throughout the year. For example, by seeking assurance that The AA's roadside business is properly set up to deal with the increasing number of weather events that now occur whilst also thoughtfully considering the operational transformation required in that space to address future trends.<br><br>The Board has also provided visible leadership as the cultural transformation of the organisation continues to embed. The Next Chapter Live event in October was a key milestone in that transformation and our Chair, Rick Haythornthwaite, was explicit when he addressed the audience and highlighted his and the Board's role of ensuring The AA's strategy, governance, and long term vision are all aligned with the values and ambitions that have been a foundation for The AA for over a century. |
| ***2. Board composition*** | The Board continues to maintain a healthy balance and diversity with a composition of Directors who have a high level of understanding and knowledge relevant to the Group's business needs. The breadth and depth of the Board's experience is played out in its make-up of (i) executive directors involved with daily management of the Group, (ii) representatives from the Company's largest shareholders, Warburg Pincus, Towerbrook and (as of July 2024), Stonepeak, and (iii) non-executive directors.<br><br>The Board was pleased to further increase diversity with the appointment of Amélie Petit in July, as a representative of Stonepeak. As a Managing Director at Stonepeak, Amélie brings with her a wealth of experience in managing investments.<br><br>As recommended by the Wates Principles, there is a clear separation between the role of the Chair and CEO of The AA. The Chair, proactively offers external perspective and constructive challenge both on the Board and its delegated committees. Whilst this is the case with all Non-Executive Directors, the significant experience that the Group's Chair has in successfully leading businesses, in particular, enables him to facilitate effective discussion, debate and decision making. |
| ***3. Director responsibilities*** | The Directors have an inherent understanding of their general responsibilities and accountabilities that comes from the broad experience they each draw upon. Nevertheless, specific responsibilities and accountabilities are further clarified through formal governance means. A prime example is the formal list of matters reserved for the approval of the Board.<br><br>Responsibilities and accountabilities are also made explicit through the continued delegation of authority for relevant matters to the Remuneration and Nomination Committee and to the Audit and Risk Committee. The members of the committees bring specific experience and skills to their role. For example the Chair of the Audit and Risk Committee, Kory Sorenson, holds equivalent roles at other companies, not to mention the experience gained during her executive career in Banking and Financial Services. In addition, subject matter experts will also attend meetings of the Board and its Committees to provide additional information to ensure effective decision making. |
| ***4. Opportunity and risk*** | The companies within The AA operate both regulated and unregulated products and services, for which formal governance applies as appropriate. The Board, with the assistance of the AA Limited Audit and Risk Committee ("ARC"), is responsible for overseeing how risk is managed and stakeholders are held accountable. The ARC meets 3 times per year to formally review each of the Group's principal risks and consider any emerging risks, including those identified within various functions of the Company.<br><br>Risks are identified throughout The AA in accordance with the Risk Management Framework Policy that asks each area of the business to own and maintain a risk register, which must be updated at least quarterly. This supports the "three lines of defence" risk model that The AA operates, allowing the business to take responsibility for identifying, owning and managing their own risks (the first line), oversight and control functions to support these identified risks (the second line) and independent assurance functions to check and challenge any outstanding risks and risk management (the third line).<br><br>The Board encourage investigation of any opportunities that the business may take advantage of, both in the relevant external markets and within the organisation itself. Long term opportunities are identified and incorporated into the business strategy where they can be tracked and measured, or adjusted as relevant. Short term opportunities that the business may take advantage of are presented to the Board as is appropriate.<br><br>Read more about how risk management was applied during the year on page 21. |

| The Wates Principles | Application during FY25 |
|---|---|
| **5. Remuneration** | The AA continues to align its executive remuneration structures to the Company's long-term sustainable success and the contributions of individuals. Remuneration at the Company is transparently linked both to the Company's performance and the behaviours and achievement of the individuals. The reward metrics are communicated in a timely manner to enable all employees, including executives, to work towards their personal goals as well as corporate objectives.<br><br>The Remuneration and Nomination Committee attend to matters of remuneration amongst the executive and align the Company bonus structure with the agreed balanced scorecard. The balanced scorecard takes consideration of The AA's annual targets as agreed by the Board with respect to key pillars of the business and engagement with stakeholders and, in conjunction with the desired cultural behaviours communicated through the Blueprint, forms the basis of the corporate bonus structure. The Remuneration and Nomination Committee also review pay levels amongst the staff, comparing to market benchmarking, inflation and the cost of living amongst other factors. The Company frequently engages with Community, the recognised trade union, on matters of the relevant employee's pay, and applies a similar principle of fairness to secure and retain high-quality directors, senior management and wider employees.<br><br>The Company continues to report on the gender pay gap on its corporate website. Whilst there are further improvements to strive towards for gender pay parity, it is worth noting that The AA's workforce is approximately 70% male, in line with other similar organisations and those within the automotive industries. However, the Company has a focus on gender diversity (amongst other targets) at a senior management level and other initiatives to ensure a sustainable future in the Company with a varied workforce.<br><br>Read more about our gender diversity in Our People and Social Matters section on page 35. |
| **6. Stakeholder relationships and engagement** | The Board is focussed on enabling the Company to make and maintain strong stakeholder relationships. Having identified our key stakeholder groups of employees, customers, broader society, governing and regulating bodies, our industries, and our investors we have been proactively engaging with all stakeholders to foster trust, enhance relationships, and glean invaluable insights to drive informed decision-making. Communication with stakeholder groups takes on many different forms.<br><br>Read more about our stakeholder engagement during the year on page 36. |

## The Guidelines for Enhanced Disclosure by Portfolio Companies and Private Equity Firms (the Walker Guidelines)

The AA falls within the definition of a portfolio company according the Walker Guidelines meaning that it has enhanced reporting responsibilities. The private equity funds that own The AA are (i) funds advised by TowerBrook; (ii) private equity funds managed by Warburg Pincus; and (iii) (since July 2024) Stonepeak, which holds a minority stake in The AA.

The senior executives of the private equity funds who have oversight of The AA, on behalf of the funds are:

- Gordon Holmes and Joseph Knoll for TowerBrook;
- James O'Gara and Andrew Sibbald for Warburg Pincus; and
- Amélie Petit and Nikolaus Woloszczuk for Stonepeak.

The Directors confirm that The AA was fully compliant with the Walker Guidelines for the year ending 31 January 2025. The specific disclosures required under the Walker Guidelines:

- The main trends and factors that may affect the Company's business, including its future development, performance and position, which are included in the 'Group business model' and 'Financial review' sections of the Strategic report on page 3;
- Information about (i) environmental matters (please see the Environmental and climate section on page 27), (ii) employee matters, and (iii) social and community matters (for both of which please see the Our people and social matters section on page 35)
- Information about arrangements with persons The AA considers essential to its business, which is included in the Stakeholder engagement section on page 36.

## Auditor information

The Auditor of the Company is PricewaterhouseCoopers LLP.

## Internal controls over financial reporting

The Audit and Risk Committee monitors the effectiveness of the Group's risk management framework and internal financial controls. It should be noted that the Group's risk management systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and they can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit and Risk Committee receives regular updates in respect of financial reporting, internal audit, and risk and control matters from the Chief Financial Officer and the Chief Risk Officer respectively, as well as other relevant subject matter experts. In addition, the Head of Internal Audit and Group Finance Director attend all Committee meetings and the chair of the Committee regularly meets with the Chief Financial Officer, the Chief Risk Officer and Head of Internal Audit independently of Committee meetings. The external Auditors are invited to attend all Audit and Risk Committee meetings throughout the year, as well as an executive session at least once annually.

## Directors' indemnities and insurance

The Company maintains appropriate directors' and officers' liability insurance cover. The Company also grants indemnities to each of its Directors to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by Section 234 of the Act) were in force during the year ended 31 January 2025 and remain in force, in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Group.

## Employee engagement

We are dedicated to fostering employee engagement across the entire business. The Board believes that having a shared purpose, strategic vision, and organisational culture throughout the organisation enables the best decision-making. This belief has continued to shape employee engagement initiatives and actions throughout the year and been the driving force to continually assess and monitor the organisational structure and values.

Communication and alignment between senior management and their colleagues about The AA's strategy, vision and achievements is achieved through regular emails, video calls, and posts on the Company's intranet. Interaction between employees and leaders of the Company is facilitated and encouraged through questions from the audience in video calls, comments on blogs and discussions with line management. In addition, we have clear and transparent policies that allow employees to raise concerns about misconduct and unethical practices at The AA, including but not limited to: a Whistleblowing Policy, a Conflicts of Interest Policy, and an Anti-Bribery and Allowable Gifts, Hospitality and Donations Policy. More information about our workforce engagement and our people can be found on page 35.

The latest employee engagement survey, held in December 2024, had an employee engagement score of 75%, which is comfortably into the categorisation of "best in class" engagement. Read more about how the Board has engaged with our people in the S172(1) statement on page 38.

## Employees with disabilities

The AA continue to actively support employees with disabilities. Supported by our Ability network, The AA launched the Hidden Disabilities Sunflower scheme across the business, reinforcing our commitment to creating an inclusive environment. The Sunflower is a symbol for people living with non-visible disabilities to indicate they might need additional support, understanding or time. With specialist training implemented across the business, the Sunflower scheme will enable our colleagues to support our customers and each other better, helping us achieve our goal of creating a safe and inclusive environment where everyone feels they belong.

## Going concern

The Group's operations are highly cash generative with a large proportion of its revenues coming from recurring transactions. Net cash flows from operating activities in the year were £339m (2024: £325m). The significant customer loyalty demonstrated by high renewal rates and lengthy customer tenure underpins this. In addition to £135m (2024: £97m) of unrestricted cash balances at the reporting date, the Group has agreed undrawn credit facilities of £46m (2024: £46m). A further £87m (2024: £67m) of restricted cash is held by the Group for insurance solvency requirements.

The majority of the Group's borrowings are long term in nature, and the Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its Class A2 Notes which had a maturity date of 31 July 2025. As at 31 January 2025, the full £500m of A2 Notes have already been redeemed, through the issue of £435m Class A12 Notes on 22 May 2024, with the remainder repaid and cancelled using available cash. See Note 20 for details.

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

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity date of 31 January 2026. On 31 July 2024 the Group used cash received as part of the Stonepeak investment to redeem £155m of Class B3 Notes. On 25 October 2024, the Group redeemed a further £15m of Class B3 Notes. As at the statement of financial position date, £110m of Class B3 Notes remained outstanding. The Group expects to redeem the remainder of B3 Notes ahead of maturity using cash held by the business.

The Group may only make payments against the balance of Class B3 Notes if its senior leverage ratio is below 5.5x. As at the reporting date the ratio is 5.3x allowing the Group to redeem £62m of the outstanding B3 Notes in H1 of FY26. In the event this ratio increases above 5.5x at the next measurement date (31 July 2025), alternative financing arrangements have been secured via a committed facility with Basing TopCo Limited, an indirect parent of the Group. See Note 32 for further details. Under this arrangement the Group may borrow up to £60m for the purposes of redeeming any remaining Class B3 Notes. This cash would not be subject to the payment restrictions imposed by the senior leverage ratio. The Directors have made appropriate enquiries and are satisfied that Basing TopCo, through its own committed facility with its investors, has access to sufficient liquidity to provide the Company with funding as required.

At the statement of financial position date, the Group had £165m held under Senior Term Facilities due to mature on 10 March 2026. On 19 March 2025, the Group successfully refinanced these facilities. The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. See Note 32 for details.


After the Class B3 Notes the Group has no other debt maturing until the Class A8 Notes on 31 July 2027.

The Directors consider the going concern period as twelve months from the date of signing these financial statements and have reviewed detailed monthly cash flow forecasts for this period. In addition, the Directors have considered and confirm there are no significant or material events that have been identified beyond the going concern period that may cast significant doubt upon the continuing use of the going concern basis. The forecasts incorporate severe but plausible downside scenarios relating to business performance and covenant thresholds. The Directors have concluded that the Group has sufficient funds to continue trading for this period and the foreseeable future without significant curtailment of operations. Therefore, the financial statements have been prepared using the going concern basis.

## Political donations and expenditure

No political donations were made during the year ended 31 January 2025 (2024: £nil). The AA has a policy of not making donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world.

## Suppliers' payment policy

It is the Company's policy to develop and maintain key commercial relationships with its suppliers and to obtain mutually agreeable payment terms. For the full year period ended 31 January 2025, the average time taken to pay invoices was 22.51 days.

The Directors' report has been approved by the Board on 14 April 2025 and signed on its behalf by:

***Jakob Pfaudler***
***Chief Executive Officer***

## *Statement of Directors' responsibilities in respect of the financial statements*

The Directors are responsible for preparing the Annual Report & Accounts 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 Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK 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 Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and UK Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and 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 Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## *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 Group's and 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 Group's and Company's Auditors are aware of that information.

The Directors' Responsibilities Statement was approved by the Board on 14 April 2025 and signed on its behalf by:

***Jakob Pfaudler***
***Chief Executive Officer***

# Financial statements

# Independent auditors' report to the members of AA Limited

## Report on the audit of the financial statements

**Opinion**
In our opinion:

- AA Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2025 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts 2025 (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 January 2025; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

## Basis for opinion

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

**Independence**
We remained independent of the Group 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.

## Our audit approach

**Overview**
*Audit scope*
- We conducted audit testing over seven components.
- Five components were subject to an audit of their complete financial information.
- Specific audit procedures were performed on certain balances and transactions in respect of a further two components.
- Procedures were also performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, pension scheme balances, liability for incurred claims, asset impairment assessments and cash balances within the Group which were not covered through the audit of the components referenced above.
- We obtained coverage of 94% of revenue.

*Key audit matters*
- Recognition of revenue in respect of the Consumer roadside business (Group)
- Recognition of revenue in respect of the Business services roadside business (Group)
- Valuation of defined benefit pension scheme net liabilities (Group)
- Goodwill impairment assessment (Group)
- Valuation of liability for incurred claims (Group)
- Investment in subsidiaries impairment assessment (Company)

*Materiality*
- Overall Group materiality: £11.1m (2024: £10.2m) based on approximately 3% of Reported EBITDA with adjustments.
- Overall Company materiality: £14.1m (2024: £12.5m) based on approximately 1% of Total Assets, but for the purposes of the audit of the Group financial statements, we limited the Company materiality to £3.0m.
- Performance materiality: £8.3m (2024: £7.7m) (Group) and £10.6m (2024: £9.4m) (Company).

**The scope of our audit**
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## *Our audit approach continued*

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Recognition of revenue in respect of the Business services roadside business is a new key audit matter this year. Adoption of IFRS 17 and restatement of comparatives, which was a key audit matter last year, is no longer included because of the fact it is no longer the first year of adoption. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of revenue in respect of the Consumer roadside business (Group)** | |
| Refer to Note 1.3(n) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, and Note 2.<br><br>The Group has recognised revenue of £637m in respect of the Consumer roadside business.<br><br>There are known issues with the underlying policy management system used in the Consumer roadside business and the way in which it records the revenue transactions. A set of manual provisions are held and updated in order to appropriately record the revenue.<br><br>We focused on whether revenue from these policies was correctly recognised, and whether the correcting provisions held are complete. Given the known issues, there is an increased completeness risk that there are undetected errors in the policy management system calculations that are not reflected within the correcting provisions. | We assessed the design and implementation of the Consumer roadside business revenue processes and related financial controls; however, we concluded that we would not rely on the controls over financial reporting and therefore we performed only substantive procedures in this area.<br><br>For a sample of Consumer roadside contracts, we performed detailed testing of revenue transactions including agreeing to the underlying contracts, recalculating the revenue recorded in the period based on transactional data and contractual terms, and agreement to cash receipt. We performed detailed testing over the element of unrecognised revenue included within the liability for remaining coverage at period end to underlying contracts and recalculated the corresponding balance.<br><br>In addition to the above, we performed substantive testing procedures over the completeness of the provisions through the following procedures: sample testing policies and tracing any identified differences to the corresponding provision held, obtaining an understanding of key policy types and ways of policy set up and the corresponding accounting entries for each of these, and understanding the nature of complaints through review of the complaints log to understand whether these could be indicative of further unidentified material issues. We have also followed up from the prior year on any releases and utilisations of the provisions held to ensure that these are properly accounted for.<br><br>We found no material misstatements from our testing performed. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of revenue in respect of the Business services roadside business (Group)** | |
| Refer to Note 1.3(n) and 1.3(o) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, and Note 2.<br><br>The Group has recognised revenue of £280m in respect of the Business services roadside business.<br><br>There are some known issues with the Business services roadside contracts management process, where signed contracts, amendments or price variation agreements were not available for latest contract terms or to evidence agreed prices changes. This creates a heightened risk that revenue billed and recognised could be at an incorrect amount, if not contractually supported.<br><br>We focused on whether revenues billed were supported by a contractual agreement and/ or a corresponding price variation agreement and that revenue had been appropriately recognised according to the latest terms. | We assessed the design and implementation of the Business services roadside business revenue processes and related financial controls; however, we concluded that we would not rely on the controls over financial reporting and therefore we performed only substantive procedures in this area.<br><br>For a sample of Business services roadside contracts, including both pay-for-use and insured customers, we performed detailed testing of revenue transactions.<br><br>For pay-for-use customers, we agreed the revenue recognised for a sample of transactions to the underlying invoice and contractual agreement including price variation agreements where applicable. We also obtained support to confirm the appropriateness of call out volumes and use rate figures, as well as agreeing the amounts recognised through to cash receipt.<br><br>For insured customers, we agreed the revenue recognised for a sample of transactions to the underlying invoice and contractual agreement including price variation agreements where applicable. For our sample we also obtained support to confirm the appropriateness of the volumes declared each month and third party confirmations for all risk rates applied to the contracts. We used the confirmed risk rates per the contract to derive the rate per unit, applying this to the declared volumes, we recalculated for our sample the revenue recognised. We also agreed the amounts recognised through to cash receipt.<br><br>We found no material misstatements from our testing performed. |

## *Report on the audit of the financial statements continued*
## *Our audit approach continued*
### **Key audit matters** continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of defined benefit pension scheme net liabilities (Group)** | |
| Refer to Notes 1.3(l) and 1.3(u) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, and Note 24 to the financial statements.<br>The Group operates three defined benefit pension schemes, the most significant of which is the AA UK Pension Scheme (AA UK), which combined have a total net defined benefit pension deficit of £120m, comprising gross assets of £1,431m and gross liabilities of £1,551m.<br>Valuation of the liabilities requires significant levels of judgement and technical expertise in determining the appropriate assumptions to measure it. Changes in assumptions (including discount rate, mortality, inflation and pension increases) can have a material impact on the calculation of the liabilities either individually or in combination. The Directors used independent actuaries to prepare the year end valuation under International Accounting Standard 19, 'Employee benefits' ("IAS 19").<br>Valuation of the scheme assets requires judgement due to the nature of certain complex and illiquid assets held, for which there are no quoted prices available. Of the total asset value held, the majority do not have a quoted price available. Prices are obtained directly from the relevant investment managers who apply judgement in valuing those assets. In addition, the bulk annuity policies held are valued using actuarial assumptions which requires significant levels of judgement and technical expertise in determining the appropriate assumptions to measure them.<br>We focused on the reasonableness of the assumptions used in the calculation of the AAUK defined benefit liability, the valuation of assets held by the AAUK scheme and the disclosure of postretirement benefit scheme assets and obligations. | We obtained an understanding of the pensions process and assessed the design and implementation of controls, including complementary user entity controls in place where service organisations are used.<br>We involved our specialists in our assessment of the reasonableness of actuarial assumptions and the overall pension liability calculations by comparing the key assumptions, including the discount rate and inflation rate, mortality and pension increases, to benchmark ranges, performing sensitivity analysis, checking whether methods have been consistently applied and are reasonable and assessing the impact of the assumptions in combination with one another. We agreed that the judgements taken by the Directors were reasonable.<br>We obtained external confirmations to test the existence of pension assets as at 31 January 2025. In order to test the valuation of the complex and illiquid assets, we obtained a range of supporting evidence as available, including recent transaction prices, audited fund financial statements and fund controls reports, to assess whether the value provided was reliable and appropriate. In respect of the bulk annuity policies held, we utilised our actuarial specialists to test the valuation of the assets and performed testing of the insured members to data provided by both the scheme actuary and the administrator. We did not identify any material misstatements from this testing.<br>We reviewed the disclosures against the requirements of IAS 19 and were satisfied with the nature and extent of the disclosures provided. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Goodwill impairment assessment (Group)** | |
| Refer to Notes 1.3(i) and 1.3(u) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, and Note 9.<br>The Group holds £1,173m of goodwill allocated to cash generating units (CGU) Roadside Assistance, Insurance Services, AA Cars, Drivetech and AA Media. Goodwill is subject to annual impairment review for which the Directors analyse discounted cash flows at the CGU level.<br>Cash flow forecasts are an area of particular focus given the judgements relating to future growth and discount rate assumptions. No impairment charge was highlighted in respect to the Goodwill for any of the CGUs.<br>The risk that we focused on in the audit was that the goodwill balance allocated across the CGUs in the Group, excluding AA Media which was acquired in the year, may have been impaired in value and this has not been recognised. | For the four CGUs, we obtained an understanding of the impairment process and assessed the design and implementation of the corresponding controls.<br>We checked that the cash flow forecasts used by the Directors in the assessment of goodwill impairment were consistent with the approved five year plan and considered the reasonableness of key assumptions in relation to recent trading, including roadside membership rates and the number of motor and home insurance policies sold or renewed. We also challenged the extent to which climate change considerations had been reflected, as appropriate, in the cash flow forecasts.<br>We found that the forecasts have been completed on a basis consistent with prior years and were an appropriate basis upon which the Directors could base their conclusions. We evaluated the historical accuracy of the cash flow forecasts for these businesses. We compared certain key market assumptions within the forecasts to available industry research data, specifically in respect to insurance pricing assumptions, which supported the assumptions made.<br>We tested the assumptions for long term growth rates and the discount rate by comparing them to economic forecasts and by engaging our valuation experts to assess the cost of capital for the Company and comparable organisations respectively. We found the assumptions to be consistent and in line with our expectations based on industry benchmarks.<br>We obtained and tested the Directors' sensitivity calculations over the four CGUs and agreed with their conclusion that there are no reasonably possible changes, caused by estimation uncertainty, that could give rise to a material impairment. We also evaluated the related disclosures and were satisfied they were appropriate. |

## *Our audit approach continued*

### Key audit matters continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of liability of incurred claims (Group)** | |
| Refer to Notes 1.3(m) and 1.3(u) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and Note 18 to the financial statements.<br>The Group financial statements include gross liabilities for incurred claims of £197m for the estimated cost of settling general insurance claims. The estimation of the liability for incurred claims involves a significant degree of judgement. The liabilities are based upon management's best estimate of the ultimate cost of all claims incurred but not settled at the year end, whether reported or not, together with the related claims handling costs.<br>Our work in this area focused on:<br>› Whether the liability for incurred claims had been calculated appropriately, including whether any trends in the underlying claims experience were appropriately reflected, and all key assumptions included within the best estimate liabilities are reasonable; and<br>› The methodologies and assumptions used in deriving the risk adjustment and discount rate. | Our work to address the valuation of the liability for incurred claims was supported by our internal non-life actuarial specialists. We assessed the design and implementation of the relevant IT system controls and related internal financial controls for this area; we concluded that we would perform only substantive procedures in this area.<br>We performed independent actuarial projections of the undiscounted best estimate liability as at 31 December 2024, rolling forward our estimates to the year end based on claims experience in January 2025. These projections were carried out at varying degrees of granularity, including claim type and policy type projections, which were subsequently aggregated in order to produce our independent view.<br>We tested, on a sample basis, the completeness and accuracy of the underlying source data on which our actuarial projections are based.<br>We reviewed management's methodology and policy paper for deriving both the risk adjustment and discount rate and confirmed it was in accordance with the requirements of IFRS 17.<br>We challenged management's assumptions used in calculating both the risk adjustment and discount rate, for example regarding management's view of the compensation of risk used in the calculation of the risk adjustment, and obtained relevant documentation to corroborate management's position.<br>We tested the independent excel replica model of the risk adjustment to ensure the Group's actuarial model was calculating the adjustment accurately.<br>We independently recalculated the impact of discounting, using the same inputs and assumptions used by management, to ensure the Group's actuarial model was calculating this accurately.<br>We reviewed the financial statement disclosures in relation to the actuarial assumptions to ensure they were both consistent with the understanding we obtained from our audit procedures and in accordance with the disclosure requirements of IFRS 17.<br>We concluded that the year end liability for incurred claims is reasonable based on the independent projections performed, and that the calculations and disclosures are consistent with financial reporting requirements and our understanding of the business. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Investment in subsidiaries impairment assessment (Company)** | |
| Refer to Notes 1.3(a), 1.3(b) and 2 to the Company financial statements. The Company hold investments in subsidiaries of £1,365m representing the AA Insurance Holdings Limited Group (the underwriting business) and AA Mid Co Limited (which owns the rest of the Group).<br>The Directors prepared a set of 'dividend distribution' forecasts to reflect the cash flows available for distribution to the Company from the Group's subsidiaries. These incorporated interest and tax cash flows in addition to the enterprise value cash flows used in support of the goodwill impairment assessment, reflecting that the Group's debt is materially held in those subsidiaries. These cash flows were then discounted at an equity discount rate to determine the value in use of the investment.<br>No impairment charge has been recorded by the Directors in the current financial year.<br>The risk that we focused on in the audit is that the investment in subsidiaries may have been impaired in value and this has not been recognised. | We obtained an understanding of the impairment process and assessed the design and implementation of the corresponding controls.<br>We evaluated the appropriateness of the 'dividend distribution' model prepared. We evaluated the Directors' impairment assessment of the investment in subsidiaries' carrying value by agreeing amounts to supporting documentation and checking calculations. This leveraged the Directors' calculations for the Group goodwill impairment assessment referred to above. We found the model to be prepared on an appropriate basis.<br>We evaluated the assumptions with regard to anticipated interest flows as debt is refinanced over the coming years and the basis for calculating tax cash flows. We found these to be reasonable and, in relation to interest flows, supported by current market rates. With the support of our valuation experts, we evaluated the Directors' determination of the equity discount rate and found this to be reasonable.<br>We agreed with the Directors' conclusion that there is no impairment charge required.<br>We also evaluated the related disclosures, including in relation to potential discount rate, terminal period growth rate and cash flow sensitivities, and were satisfied they were appropriate. |

## *Our audit approach continued*

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

AA Limited has two reportable operating segments. Within these segments there are 55 reporting units, of which the following are considered significant due to risk or size: Automobile Association Developments Limited, Automobile Association Insurance Services Limited, AA Corporation Limited, AA Limited and AA Bond Co Limited. In addition, two reporting units were in scope for specific audit procedures, being AA Underwriting Insurance Company Limited and AA Senior Co Limited. These two components were selected based on the contribution of each to specific financial statement line items, including: revenue, insurance liabilities for remaining coverage and incurred claims and associated expense accounts, reinsurance contract assets and associated income accounts, and other investments; and borrowings, external interest expense and long term derivative financial assets respectively. Certain financial statement line items within AA Underwriting Insurance Company Limited were audited by a PwC component audit team based in Gibraltar. Acting in our capacity as the Group audit team, we held upfront planning and risk assessment meetings with the component team, in addition to carrying out the required supervision and oversight procedures throughout the audit. We also reviewed their audit work in support of their inter office reporting to us. These, together with the procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, pension scheme balances, liability for incurred claims, asset impairment assessments and cash balances within the Group which were not covered through the audit of the components referenced above, gave us the evidence we needed for our opinion on the financial statements as a whole. Having undertaken certain procedures to understand the accounting processes and controls at the Group, we determined it was appropriate to perform a largely substantive audit for the reporting units in scope. All audit procedures, aside from those undertaken on AA Underwriting Insurance Company Limited mentioned above, were performed by the Group engagement team, with no additional component auditors involved. This is alongside procedures performed as part of the audit for the AA Limited standalone parent Company.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements. Further procedures performed are included in the "Goodwill impairment assessment" Key Audit Matter above.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements – Group | Financial statements – Company |
|---|---|---|
| **Overall materiality** | £11.1m (2024: £10.2m). | £14.1m (2024: £12.5m). |
| **How we determined it** | approximately 3% of Reported EBITDA with adjustments | approximately 1% of Total Assets, but for the purposes of the audit of the Group financial statements, we limited the Company materiality to £3.0m |
| **Rationale for benchmark applied** | EBITDA, which is a common performance measure for PE backed companies, reflects the fact that this is typically the most relevant measure of profitability. Based on the benchmarks used in the Annual Report, EBITDA is the primary measure used by the shareholders and other users of the financial statements in assessing the performance of the Group, and that by adjusting this to exclude certain items (such as the pension service charge, the share-based payments charge and the impairment of investments in joint ventures), it provides a clearer view of the performance of the underlying business. | We believe that total assets is the appropriate measure as the Company is a non-profit oriented entity. In the current year, overall materiality has been reduced to £3.0m for the purposes of the audit of the Group financial statements, to ensure the Company did not have a higher materiality than the overall Group materiality allocation. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £3m to £9.5m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £8.3m (2024: £7.7m) for the Group financial statements and £10.6m (2024: £9.4m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £0.55m (Group and Company audits) (2024: £0.50m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## *Conclusions relating to going concern*

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

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

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

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

## *Reporting on other information*

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

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 2025 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 Group and Company and their 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 Group's and 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 Group or 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.

## *Responsibilities for the financial statements and the audit continued*

**Auditors' responsibilities for the audit of the financial statements** continued

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 Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and 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 and tax legislation. 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 Reported EBITDA and the potential for management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors 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 Group and the 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, in particular in relation to the valuation of post-retirement benefit assets and obligations, insurance liabilities for incurred claims and remaining coverage, subsidiary investment and goodwill impairment assessments, as described further in the Key audit matters above.
- Designing risk filters to search for journal entries, such as those posted with unusual account combinations 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.

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

**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 Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Nicholas Smith (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
*Chartered Accountants and Statutory Auditors*
*Southampton*
*14 April 2025*

# Consolidated income statement

***for the year ended 31 January 2025***

| | Note | Year ended 31 January 2025 £m | Year ended 31 January 2024 £m |
|---|---|---|---|
| Insurance revenue | 18(e) | **883** | 759 |
| Other revenue | | **567** | 539 |
| **Total income** | 2 | **1,450** | 1,298 |
| Insurance service expenses | 18(e) | **(459)** | (444) |
| Net expense from reinsurance contracts | 18(f) | **(56)** | (9) |
| Other operating expenses | | **(690)** | (653) |
| **Operating profit** | 3 | **245** | 192 |
| Net finance expense from insurance contracts | 18(e) | **(8)** | (8) |
| Net finance income from reinsurance contracts | 18(f) | **7** | 7 |
| Other finance income | 5 | **8** | 14 |
| Other finance costs | 6 | **(168)** | (163) |
| **Profit before tax** | | **84** | 42 |
| Tax expense | 8 | **(20)** | (15) |
| **Profit for the year** | | **64** | 27 |

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

# Consolidated statement of comprehensive income

***for the year ended 31 January 2025***

| | Note | Year ended 31 January 2025 £m | Year ended 31 January 2024 £m |
|---|---|---|---|
| **Profit for the year** | | **64** | 27 |
| **Other comprehensive (expense)/income on items that may be reclassified to the consolidated income statement in subsequent years** | | | |
| Changes in fair value of cash flow hedges | | **2** | 2 |
| Reclassification from cash flow hedge reserve | | **(7)** | (8) |
| Tax effect | 8 | **1** | 1 |
| | | **(4)** | (5) |
| **Other comprehensive income/(expense) on items that will not be reclassified to the consolidated income statement in subsequent years** | | | |
| Remeasurement gains/(losses) on defined benefit schemes | 24 | **23** | (8) |
| Tax effect | 8 | **(6)** | 2 |
| | | **17** | (6) |
| **Total other comprehensive income/(loss)** | | **13** | (11) |
| **Total comprehensive income for the year** | | **77** | 16 |

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

# Consolidated statement of financial position

## *as at 31 January 2025*

| | Note | 31 January 2025 £m | 31 January 2024 £m |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 16 | **222** | 164 |
| Trade and other receivables within 1 year | 15 | **226** | 208 |
| Financial assets at amortised cost within 1 year | 25 | **–** | 1 |
| Current tax receivable | | **3** | 4 |
| Financial Investments | 14 | **13** | 11 |
| Inventories | 13 | **4** | 4 |
| Reinsurance contract assets | 18(a) | **218** | 194 |
| Trade and other receivables after 1 year | 15 | **1** | 1 |
| Derivative financial instruments after 1 year | 21 | **6** | 11 |
| Deferred tax assets | 8 | **11** | 13 |
| Investments in joint ventures and associates | 12 | **5** | 5 |
| Right-of-use assets | 11 | **115** | 77 |
| Property, plant and equipment | 10 | **29** | 28 |
| Goodwill and other intangible assets | 9 | **1,368** | 1,359 |
| **Total assets** | | **2,221** | 2,080 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | 17 | **(366)** | (332) |
| Lease liabilities due within 1 year | 27 | **(35)** | (26) |
| Provisions due within 1 year | 22 | **(7)** | (5) |
| Borrowings and loans due within 1 year | 19 | **(109)** | – |
| Insurance contract liabilities | 18(a) | **(365)** | (342) |
| Lease liabilities due after 1 year | 27 | **(73)** | (48) |
| Derivative financial instruments after 1 year | 21 | **(1)** | (1) |
| Borrowings and loans due after 1 year | 19 | **(1,960)** | (2,238) |
| Cash-settled share-based payments | 30 | **(7)** | (6) |
| Provisions due after 1 year | 22 | **(17)** | (7) |
| Defined benefit pension scheme net liabilities | 24 | **(120)** | (159) |
| **Total liabilities** | | **(3,060)** | (3,164) |
| **Net liabilities** | | **(839)** | (1,084) |

| | Note | 31 January 2025 £m | 31 January 2024 £m |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 23 | **4** | 4 |
| Share premium | | **954** | 787 |
| Cash flow hedge reserve | | **8** | 12 |
| Retained earnings | | **(1,805)** | (1,887) |
| **Total equity** | | **(839)** | (1,084) |

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

The financial statements on pages 57 to 97 were approved by the Board of Directors on 14 April 2025 and signed on its behalf by

***Jakob Pfaudler***
***Chief Executive Officer***

***Tom Mackay***
***Chief Financial Officer***

# Consolidated statement of changes in equity

## for the year ended 31 January 2025

| | Note | Share capital £m | Share premium £m | Cash flow hedge reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|
| **At 1 February 2023** | | 4 | 787 | 17 | (1,909) | (1,101) |
| Profit for the year | | – | – | – | 27 | 27 |
| Cash flow hedges fair value changes | | – | – | 2 | – | 2 |
| Reclassification from cash flow hedge reserve | | – | – | (8) | – | (8) |
| Remeasurement losses on defined benefit schemes | | – | – | – | (8) | (8) |
| Tax effect | | – | – | 1 | 2 | 3 |
| Total comprehensive income | | – | – | (5) | 21 | 16 |
| Equity-settled share-based payments | 30 | – | – | – | 1 | 1 |
| **At 31 January 2024** | | 4 | 787 | 12 | (1,887) | (1,084) |
| Profit for the year | | **–** | **–** | **–** | **64** | **64** |
| Cash flow hedges fair value changes | | **–** | **–** | **2** | **–** | **2** |
| Reclassification from cash flow hedge reserve | | **–** | **–** | **(7)** | **–** | **(7)** |
| Remeasurement gains on defined benefit schemes | | **–** | **–** | **–** | **23** | **23** |
| Tax effect | | **–** | **–** | **1** | **(6)** | **(5)** |
| Total comprehensive income | | **–** | **–** | **(4)** | **81** | **77** |
| Issue of shares | 23 | **–** | **167** | **–** | **–** | **167** |
| Equity-settled share-based payments | 30 | **–** | **–** | **–** | **1** | **1** |
| **At 31 January 2025** | | **4** | **954** | **8** | **(1,805)** | **(839)** |

### Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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

# Consolidated statement of cash flows

## for the year ended 31 January 2025

| | Note | Year ended 31 January 2025 £m | Year ended 31 January 2024 £m |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | **84** | 42 |
| Amortisation and depreciation | 9,10,11 | **121** | 110 |
| Net finance costs | 5,6,18(j) | **162** | 151 |
| Difference between pension charge and cash contributions | | **(23)** | (25) |
| Other adjustments to profit before tax (see note below) | | **(4)** | 3 |
| Working capital and provisions: | | | |
| Increase in trade and other receivables | | **(17)** | (23) |
| Increase in trade and other payables | | **29** | 38 |
| Increase in provisions | | **10** | 1 |
| Changes in insurance and reinsurance contract assets/liabilities | 18(a) | **(1)** | 46 |
| Total working capital and provisions adjustments | | **21** | 62 |
| **Net cash flows from operating activities before tax** | | **361** | 343 |
| Tax paid | | **(22)** | (18) |
| **Net cash flows from operating activities** | | **339** | 325 |
| **Investing activities** | | | |
| Capital expenditure | | **(72)** | (78) |
| Proceeds from sale of fixed assets | | **7** | 4 |
| Investment in joint venture | | **(1)** | (1) |
| Receipt of principal from financial asset at amortised cost | | **1** | 3 |
| Payment for acquisition of subsidiary, net of cash acquired | 31 | **(11)** | – |
| Financial investments | | **(1)** | (3) |
| Interest received | | **8** | 7 |
| **Net cash flows used in investing activities** | | **(69)** | (68) |
| **Financing activities** | | | |
| Proceeds from borrowings | 20 | **435** | 537 |
| Issue costs on borrowings | 20 | **(3)** | (5) |
| Debt management and early repayment fees | 6 | **(9)** | – |
| Repayment of borrowings | 20 | **(609)** | (604) |
| Equity contribution via issue of shares | 23 | **167** | – |
| Net refinancing transactions | | **(19)** | (72) |
| Interest paid on borrowings | | **(141)** | (147) |
| Payment of lease capital | | **(47)** | (36) |
| Payment of lease interest | | **(5)** | (3) |
| **Net cash flows used in financing activities** | | **(212)** | (258) |
| **Net increase/(decrease) in cash and cash equivalents** | | **58** | (1) |
| Cash and cash equivalents at 1 February | | **164** | 165 |
| **Cash and cash equivalents at 31 January** | 16 | **222** | 164 |

## *Consolidated statement of cash flows continued*

Other adjustments to profit before tax outflow of £4m (2024: £3m inflow) includes a profit on sale of fixed assets of £5m (2024: £2m profit), a gain of £3m in respect of the AA Media Limited (‘AA Media’) joint venture held prior to acquisition and a £1m (2024: £nil) fair value gain on financial investments, offset by share-based payment charge of £3m (2024: £4m), impairment of investment in joint ventures of £1m (2024: £1m) and impairment of intangible assets of £1m (2024: £nil).

Non-cash investing activities include the acquisition of right-of-use assets (see Note 11).

The accompanying notes are an integral part of this consolidated statement of cash flows.


# *Notes to the consolidated financial statements*

## *1 Basis of preparation and accounting policies*

### 1.1 General information

The consolidated financial statements for the year ended 31 January 2025 comprise the financial statements of AA Limited (‘the Company’) and its subsidiaries (together referred to as ‘the Group’). AA Limited is a private company, limited by shares, and is incorporated and domiciled in England and Wales, UK.

These statements and the prior year comparatives have been presented to the nearest £million.

### 1.2 Basis of preparation

The Group has prepared these statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These consolidated financial statements have been prepared under the historic cost convention as modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss (as applicable).

### a) Going concern

The Group’s operations are highly cash generative with a large proportion of its revenues coming from recurring transactions. Net cash flows from operating activities in the year were £339m (2024: £325m). The significant customer loyalty demonstrated by high renewal rates and lengthy customer tenure underpins this. In addition to £135m (2024: £97m) of unrestricted cash balances at the reporting date, the Group has agreed undrawn credit facilities of £46m (2024: £46m). A further £87m (2024: £67m) of restricted cash is held by the Group for insurance solvency requirements.

The majority of the Group’s borrowings are long term in nature, and the Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its Class A2 Notes which had a maturity date of 31 July 2025. As at 31 January 2025, the full £500m of A2 Notes have already been redeemed, through the issue of £435m Class A12 Notes on 22 May 2024, with the remainder repaid and cancelled using available cash. See Note 20 for details.

For the Group’s longer-term viability, it remains a key assumption of the Directors that the Group continues to have ready access to public debt markets to enable these borrowings to be refinanced at affordable rates of interest. Deleveraging the business remains a central long-term aim of the business.

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity date of 31 January 2026. On 31 July 2024 the Group used cash received as part of the Stonepeak investment to redeem £155m of Class B3 Notes. On 25 October 2024, the Group redeemed a further £15m of Class B3 Notes. As at the statement of financial position date, £110m of Class B3 Notes remained outstanding. The Group expects to redeem the remainder of B3 Notes ahead of maturity using cash held by the business.

## 1 Basis of preparation and accounting policies *continued*

### 1.2 Basis of preparation continued

#### a) Going concern continued

The Group may only make payments against the balance of Class B3 Notes if its senior leverage ratio is below 5.5x. As at the reporting date the ratio is 5.3x allowing the Group to redeem £62m of the outstanding B3 Notes in H1 of FY26. In the event this ratio increases above 5.5x at the next measurement date (31 July 2025), alternative financing arrangements have been secured via a committed facility with Basing TopCo Limited, an indirect parent of the Group. See Note 32 for further details. Under this arrangement the Group may borrow up to £60m for the purposes of redeeming any remaining Class B3 Notes. This cash would not be subject to the payment restrictions imposed by the senior leverage ratio. The Directors have made appropriate enquiries and are satisfied that Basing TopCo, through its own committed facility with its investors, has access to sufficient liquidity to provide the Company with funding as required.

At the statement of financial position date, the Group had £165m held under Senior Term Facilities due to mature on 10 March 2026. On 19 March 2025, the Group successfully refinanced these facilities. The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. See Note 32 for details.

After the Class B3 Notes the Group has no other debt maturing until the Class A8 Notes on 31 July 2027.

The Directors consider the going concern period as twelve months from the date of signing these financial statements and have reviewed detailed monthly cash flow forecasts for this period. In addition, the Directors have considered and confirm there are no significant or material events that have been identified beyond the going concern period that may cast significant doubt upon the continuing use of the going concern basis. The forecasts incorporate severe but plausible downside scenarios relating to business performance and covenant thresholds. The Directors have concluded that the Group has sufficient funds to continue trading for this period and the foreseeable future without significant curtailment of operations. Therefore, the financial statements have been prepared using the going concern basis.

#### b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has rights to variable returns from its involvement with the entity and has the ability to influence those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

AA Limited and AA Intermediate Co Limited have agreed to provide a legal guarantee under s479A-C of the Companies Act 2006 to the below subsidiaries for audit exemption:

| Name | Registered Number | Legal Guarantor |
|---|---|---|
| AA The Driving School Agency Limited | 02733119 | AA Limited |
| Prestige Fleet Servicing Limited | 06254669 | AA Limited |
| Accident Assistance Services Limited | 10293691 | AA Limited |
| Longacre Claims Limited | 09564972 | AA Limited |
| AA Technical Solutions Limited | 08970395 | AA Limited |
| AA Pension Funding GP Limited | SC460990 | AA Limited |
| AA Acquisition Co Limited | 05018987 | AA Intermediate Co Limited |
| Drivetech (UK) Limited | 03636328 | AA Intermediate Co Limited |

#### c) New accounting standards, amendments and interpretations adopted in the year

The following amendments were applicable to the Group from 1 February 2024:

- Amendments to IAS 1, 'Presentation of financial statements' on non-current liabilities with covenants; and
- IFRIC agenda decision on IFRS 8, 'Operating segments' on specified items of revenue and expense.

As a result of the adoption of the amendments to IAS 1 and IFRS 8, the Group provided new disclosures relating to the covenant requirements of its borrowings (see Note 20) and its material expense categories in operating segments (see Note 2) respectively.

The Group did not identify any other new accounting standards coming into effect in the current year with a material impact on the financial statements.

#### d) New accounting standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations have been issued and will be effective for AA Group financial years beginning after 1 February 2025 but have not been applied by the Group in these Financial Statements. These are set out below (effective dates are UK effective dates for periods beginning on or after this date).

- Annual Improvements to IFRS Accounting Standards – Amendments to:
  - IFRS 9 Financial Instruments (effective date 1 January 2026);
  - IFRS 10 Consolidated Financial Statements (effective date 1 January 2026); and
  - IAS 7 Statement of Cash flows (effective date 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (effective date 1 January 2027).

For these new accounting standards, management are currently assessing their impact to the Group.

## 1 Basis of preparation and accounting policies *continued*

### 1.3 Material accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these consolidated financial statements.

**a) Interests in joint ventures and associates**

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participating in the financial and operating policy decisions of the entity. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results, assets and liabilities of joint ventures and associates are incorporated in these financial statements using the equity method of accounting. Investments in joint ventures and associates are carried in the Group consolidated statement of financial position at cost, including direct acquisition costs, as adjusted by post-acquisition changes in the Group's share of the net assets less any impairment losses.

**b) Foreign currencies**

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

Transactions in currencies other than the functional currency of each consolidated undertaking are recorded at rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency at rates of exchange ruling at the statement of financial position date. Gains and losses arising on the translation of assets and liabilities are taken to the consolidated income statement.

**c) Business combinations and goodwill**

All business combinations are accounted for by applying the acquisition method.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Goodwill arising on consolidation represents the excess of the consideration paid over the Group's interest in the fair value of the identified assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset at cost less accumulated impairment losses.

Any contingent consideration payable is recognised at fair value at the acquisition date, and subsequent changes to the fair value of the contingent consideration are taken to the consolidated income statement.

**d) Intangible assets**

Intangible assets other than goodwill which are acquired separately are stated at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful economic lives. The only intangible assets with finite lives held by the Group are customer relationships, software and development costs. Customer relationships are amortised over 10 years and software and development costs over 5 years.

**e) Software and development costs**

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

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

Following initial recognition of the development expenditure as an asset, the cost model is applied. The asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised on a straight-line basis over its useful life.

Software-as-a-Service arrangements are service contracts providing the Group 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.

## 1 Basis of preparation and accounting policies *continued*

### 1.3 Material accounting policies continued

#### f) Property, plant and equipment

Land and buildings held for use in the production of goods and the provision of services or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value for assets acquired in a business combination less any subsequent accumulated depreciation and impairment losses. If relevant conditions are met, borrowing costs are capitalised.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of property, plant and equipment less their expected residual value is depreciated on a straight-line basis over their useful economic lives. In assessing residual values and asset lives consideration have been given to the impact of climate change. These lives are as follows:

| | |
|---|---|
| Buildings | 50 years |
| Related fittings | 3 – 20 years |
| Leasehold properties | over the period of the lease |
| Plant, vehicles and other equipment | 3 – 10 years |

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.

#### g) Inventories

Inventories are stated at the lower of cost and 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.

#### h) Financial instruments

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

*Trade 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 Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables.

*Trade payables*

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

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with an original maturity less than three months. Restricted cash is cash which is subject to contractual or regulatory restrictions.

*Debt instruments*

Debt is initially recognised in the consolidated statement of financial position at fair value less transaction costs incurred directly in connection with the issue of the instrument. Debt issue fees in respect of the instrument, including premiums and discounts on issue, are capitalised at inception and charged to the consolidated income statement over the term of the instrument using the effective interest method.

Remaining issue costs on debt are written off to the consolidated income statement when the debt is extinguished. An exchange with an existing lender of debt instruments with substantially different terms, or a substantial modification of the terms of an existing financial liability or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

*Equity instruments (share capital issued by the Group)*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments are recognised at the fair value of proceeds received less direct issue costs.

*Derivative financial instruments*

The Group's capital structure exposes it to the financial risk of changes in interest rates and fuel prices. The Group uses interest rate and fuel swap contracts to hedge these exposures.

Derivative financial instruments are recorded in the consolidated statement of financial position at fair value. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement unless they qualify for hedge accounting as described below.

*Financial investments*

The Group classifies its financial investments, including unhedged derivative instruments and equity instruments held for trading, as financial assets at fair value through profit or loss. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the consolidated income statement.

## 1 Basis of preparation and accounting policies continued

**1.3 Material accounting policies** continued

**h) Financial instruments** continued

*Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the cash flow hedge reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement.

In the same year or years during which the hedged expected future cash flows affect profit or loss, the associated cumulative gain or loss on the hedged forecast transaction is removed from equity and recognised in the consolidated income statement.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

**i) Impairment of assets**

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, goodwill and intangible assets not yet available for use are tested for impairment annually.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating units or 'CGUs'). The goodwill acquired in a business combination is allocated to CGUs so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any allocated goodwill and then to reduce the carrying amounts of the other assets on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**j) Leases**

*Lease liabilities*

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

*Measurement of right-of-use assets*

The associated right-of-use assets for leases are initially measured at cost, being the initial lease liability plus any direct initial costs and an estimate of end-of-life costs, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position.

Subsequently the right-of-use assets are depreciated over their lease terms. Useful economic lives of leased assets are reviewed for appropriateness on a continuous basis including in relation to climate change impacts such as electric vehicles.

For property leases, where a decision has been made prior to the year end to permanently vacate the property, the right-of-use asset is impaired to the extent that the value cannot be recovered through rental or other income expected to be received up to the estimated date of final disposal.

As permitted by IFRS 16, the Group has opted to take exemptions from recognising a lease asset or liability for the following lease categories:

- Leases with a term of 12 months or less
- Leases for which the underlying asset is of a low value (under £5,000 in cost)

Payments relating to leases falling under either of these categories are recognised as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the Group's benefits. The Group does not take the short-term exemption over the accounting for lease extensions.

**k) Provisions and contingent liabilities**

A provision is required when the Group has a present legal or constructive obligation as a result of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Provisions are discounted where the impact is material. Material contingent liabilities are disclosed unless the likelihood of transfer of economic benefits is remote. Contingent assets are only disclosed if an inflow of economic benefits is probable.

## 1 Basis of preparation and accounting policies *continued*

**1.3 Material accounting policies** continued

**k) Provisions and contingent liabilities** continued

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

Provisions for onerous contracts are recognised when the unavoidable costs of meeting the contractual obligations outweigh the economic benefits.

**l) Retirement benefit obligation**

The Group's position in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The Group determines the net interest on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, with maturity dates approximating the terms of the Group's obligations, and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets (excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in administrative and marketing expenses in the consolidated income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the consolidated income statement when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

For defined contribution schemes, the amounts recognised in the consolidated income statement are the contributions payable in the year.

**m) Insurance and reinsurance contracts**

*Classification*

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

*Recognition*

The Group has identified insurance contracts written and reinsurance contracts purchased within the scope of IFRS 17. The insurance contracts written by the Group are largely home and motor insurance policies underwritten by the Group, where the fixed fee exemption does not apply, and Roadside contracts underwritten by the Group, where the fixed fee exemption does not apply.

The Group has identified four portfolios for insurance contracts written by the Group, being Roadside, Motor Insurance, Home Insurance and Other Insurance, and each portfolio is disaggregated into the following groups of contracts:

- Contracts that are onerous at initial recognition;
- Contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- A group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Insurance contracts written will be allocated to groups within these portfolios based upon the expected profitability and ensuring that groups of contracts contain only contracts issued no more than one year apart.

All reinsurance contracts purchased by the Group have been identified as within the scope of IFRS 17 and sit within three portfolios; Motor Insurance, Home Insurance and Other Insurance. Reinsurance contracts are not aggregated together and instead are recognised at an individual contract level.

All other contracts written or purchased by the Group are outside of the scope of IFRS 17.

Management is required to decide upon the granularity level at which to disclose detail relating to insurance and reinsurance contracts where useful information is not obscured either by the inclusion of large amounts of insignificant detail or by the aggregation of items that have different characteristics.

For insurance contract liabilities, management have determined that the level of disclosure that provides the most useful information is at the level which products are managed together. This is an aggregated level for Roadside (Roadside portfolio), Insurance (Motor, Home and Other portfolios) and Reinsurance.

The Group initially recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; or
- The date when the group of insurance contracts is onerous.

## 1 Basis of preparation and accounting policies *continued*

**1.3 Material accounting policies** continued

**m) Insurance and reinsurance contracts** continued

*Recognition continued*

The Group initially recognises a group of reinsurance contracts held:

- From the beginning of the coverage period of the group unless the reinsurance contracts provide proportionate coverage, in which case it is from the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract at or before that date.

The Group separates any distinct services other than insurance coverage and accounts for them as separate contracts with customers (i.e., not as insurance contracts). A service is distinct if the policyholder can benefit from it either on their own or with other resources that are readily available to the policyholder. A service is not distinct if the cash flows and risks associated with the service are highly inter-related with the insurance component and the entity provides a significant service in integrating the good or service with the insurance component.

*Measurement*

All of the Group's insurance contracts written and reinsurance contracts purchased have been assessed as eligible for the simplified Premium Allocation Approach ('PAA'), either because most contracts provide coverage for one year or less, or the Group expects the measurement of the liability or asset for remaining coverage would not be materially different from measuring the contract under the General Measurement Model ('GMM').

For insurance contracts written, under the PAA the liability for remaining coverage at initial recognition is measured as the premium received less acquisition cash flows incurred. Acquisition cash flows are deferred over the groups of contracts to which the costs relate.

Subsequently, the liability for remaining coverage is increased for any premiums received and then decreased by the amount recognised as insurance revenue for services provided. As there are no significant financing components to the contracts, the Group does not adjust the liability for remaining coverage for the time value of money and the effect of financial risk.

For reinsurance contracts held, on initial recognition the Group measures the remaining coverage at the amount of ceding premiums paid.

The Group will recognise a liability for incurred claims at the amount of fulfilment cash flows related to incurred claims. This will represent the best estimate of the expected value of the incurred claims and a risk adjustment to allow for uncertainty in timing and volume of incurred claims, discounted at the current rate.

The liability for incurred claims largely impacts the Insurance business where the duration of claims from incurrence to settlement can exceed one year. For the Roadside insurance contracts where claims (breakdown recoveries) are incurred and settled in a short time period (within the same day) there is not expected to be any liability for incurred claims outstanding at any point in time.

*Onerous contracts*

The Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. In such cases, an additional assessment is performed to distinguish onerous contracts from non-onerous ones.

If at any time before, or during coverage, facts and circumstances indicate that a group of contracts is onerous, then the Group will increase the liability for remaining coverage by including a loss component, with the loss being recognised in the consolidated income statement.

The loss component is then amortised over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

The loss recovery component is calculated by multiplying the initial loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts.

The loss recovery component is included in the asset for remaining coverage and the recovery is recognised immediately in net income in amounts recoverable from reinsurers. The loss recovery is subsequently amortised in amounts recoverable from reinsurers.

*Discount rates*

The Group uses a bottom-up approach to derive discount rates. The bottom-up approach consists of a risk-free rate, based upon UK Government yield curves of appropriate durations, with an illiquidity premium determined by the Group using market data. See Note 18 for more detail.

*Risk adjustment*

The risk adjustment for non-financial risk is set using a confidence interval technique to align to management's view of the compensation for risk required. Under this approach the Group determines a probability distribution of the expected present value of future cash flows from the contracts at each reporting date and calculates the risk adjustment as the excess of the value at risk at the target confidence interval over the expected present value of future cash flows allowing for associated risks over all future years. The Group has elected not to disaggregate the changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income and expenses.

## 1 *Basis of preparation and accounting policies continued*

**1.3 Material accounting policies** continued

**m) Insurance and reinsurance contracts** continued

*Investment component*

The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs, or the contract matures or is terminated without an insured event occurring. Investment component cash flows are excluded from insurance revenue and insurance service expenses.

The Group has determined that a number of the reinsurance contracts it holds contain an investment component. The terms of the reinsurance contracts include a profit commission payable if the loss performance is favourable against target, and therefore the Group receives a pay-out from the reinsurance policy in any event.

There is no investment component within the insurance contracts.

*Acquisition cashflows*

Insurance acquisition cash flows are allocated to groups of insurance contracts using all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group recognises an impairment loss in the consolidated income statement.

Externally underwritten contracts where the Group acts as broker have been identified as outside the scope of IFRS 17 and as such no related costs to these contracts are treated as acquisition cashflows.

*Reinsurance contracts*

Reinsurance contracts are measured in-line with the PAA as outlined above, adapted to reflect reinsurance contracts held (i.e., the generation of expenses rather than revenue) except for the following differences:

- Asset for incurred claim allowance is made for the non-performance risk of the reinsurer.
- Reinsurance contracts held cannot be onerous, however a loss recovery component is recognised when the underlying groups of contracts are onerous, and the reinsurance contract was entered into at the same time or before recognition of that group.
- There are no insurance acquisition cashflows recognised in respect of reinsurance contracts held.

*Derecognition and contract modification*

The Group derecognises a contract when it is extinguished – i.e., when the specified obligations in the contract expire or are discharged or cancelled. The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. Any resultant gain or loss is recognised in the consolidated income statement.

**n) Insurance revenue**

As the Group provides insurance contract services under the group of insurance contracts, it reduces the liability for remaining coverage and recognises insurance revenue. The amount of insurance revenue recognised in the reporting year depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

The allocation of insurance revenue for the year under PAA is performed either based on the passage of time (straight-line) or release of risk.

*Roadside portfolio*

There is no significant financing component in Roadside insurance contracts. As such, there is no accrual of interest on the remaining coverage.

Revenue is earned on a straight-line basis during the coverage period as the expected pattern of release of risk does not differ significantly from the passage of time for which management has considered the seasonality effects on expected claim costs incurred.

*Insurance portfolios*

Policyholders are given the choice to pay for the policy in full at the point of sale or pay by instalments over twelve months. For those making the payments in instalments, the Group accrues interest at an agreed APR for loaning the value of the contract. This amount is included in the associated insurance revenue in accordance with the definition of expected premium receipts under IFRS 17.

There is minor seasonality in the Motor and Household businesses during the winter and due to weather events, however the Group currently recognises the associated insurance revenue on a straight-line basis as the deviation is not considered material. Management monitors the release of risk and, should the facts and circumstances for either portfolio indicate significant changes to the risk release pattern, will update the recognition policy accordingly.

The Other portfolio includes Stop Loss contracts, which the Group underwrites to complement its corporate breakdown partnerships with business customers. The policy protects these customers from exposure if their call-out frequency exceeds a pre-determined level. As the revenue received for these contracts is small there is no material difference between the allocation methods and so a straight-line basis is used.

## 1 Basis of preparation and accounting policies *continued*

### 1.3 Material accounting policies continued

#### o) Non-insurance revenue

Non-insurance revenue is measured at the fair value of the consideration receivable less any discounts and excluding value added tax and other sales related taxes. When invoicing exceeds revenue recognised, the balance is included in deferred income.

Roadside contracts outside of the scope of IFRS 17 are accounted for under IFRS 15 and are apportioned on a time basis over the period where the Group is liable for risk cover as the relevant performance obligations are settled over time, with the Group acting as principal.

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.

Where customers choose to pay by instalments, finance income for the Group, which is classified as Revenue, is recognised in the year to which it relates using the effective interest rate method. This stream is accounted for under IFRS 9.

Fees receivable on franchise agreements with driving instructors are recognised as revenue over time across the term of the franchise agreements. This includes fees receivable under the franchise agreement in respect of provision of tuition vehicles, which is not considered to be a sub-lease arrangement. The Group acts as principal in this relationship. This stream is accounted for under IFRS 15.

Commission income from the sale and related marketing and administrative services of financial products is recognised on a point in time basis at the point of the provision of the service. Profit share income is earned based on the cumulative profits earned by the financial services partnership with the Bank of Ireland, which is recognised over time when certain thresholds of profitability in the partnership are reached. This stream is accounted for under IFRS 15.

For all other non-insurance 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.

#### p) Adjusting operating items

Adjusting operating items are events or transactions that fall within the operating activities of the Group and which, by virtue of their size or incidence, have been disclosed in order to improve a reader's understanding of the financial statements. Some items may span over more than one year.

In addition, occasionally there are events or transactions that fall below operating profit that are one-off in nature and items within operating profit that relate to transactions that do not form part of the ongoing segment performance and which, by virtue of their size or incidence, have been separately disclosed in the financial statements.

#### q) Finance income and costs

Finance costs comprise interest payable, finance charges on lease liabilities recognised in profit or loss using the effective interest method, amortisation of debt issue fees, unwinding of the discount on provisions (including the net defined benefit obligations), defined benefit pension scheme interest costs, debt maintenance and early repayment fees, debt issue fees written off, interest fulfilment costs and losses on interest rate swaps.

Finance income comprises net finance income from defined benefit pension schemes, interest receivable, gains on interest rate swaps and gains on below par redemption of loan notes.

Finance income and expense from insurance and reinsurance contracts represents the unwinding of the discounting applied to insurance contract liabilities and reinsurance contract assets, and the effect of changes in the discount rate during the year.

#### r) 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 prior 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 goodwill; 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.

#### s) Segmental analysis

The Group reports its operations using the segments that are reported for management purposes. Segments are based on business operations because this is where Group risk and return is focused.

## 1 Basis of preparation and accounting policies *continued*

### 1.3 Material accounting policies continued

#### t) Share-based payments

The Group operates equity-settled and cash-settled share-based payment compensation plans for employees.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using a valuation model, taking into account the terms and conditions upon which the awards were granted. 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.

For share-based payment awards with market vested and non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes. On change of control, if the vesting date is brought forward, the share-based payment charge and increase in equity for the remainder of the vesting term will be accelerated and recognised as at that date (see Note 30).

Share-based payment transactions in which the Group 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 consolidated income statement.

#### u) Critical accounting estimates and judgements and other estimates

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 Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has exercised judgement in applying the Group's accounting policies and in making critical estimates. The underlying assumptions on which these judgements are based are reviewed on an ongoing basis.

The principal estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Retirement benefits*
The Group's retirement benefit assets and liabilities, which are actuarially assessed each year, are based on key assumptions including return on plan assets, discount rates, mortality rates, inflation, future salary and pension costs. These assumptions may be different to the actual outcome (see Note 24 for sensitivity analysis).

For buy-in policies held by the defined benefit schemes the fair value of the insurance policies is deemed to be the present value of the related defined benefit obligations under IAS 19. Hence a key area of judgement is the assumptions used to derive the value of the corresponding obligations.

*Eligibility for PAA measurement*
The underwritten portfolio is automatically PAA eligible as all policies are annual, however the Group's reinsurance arrangements are not automatically PAA eligible given the duration of these contracts are greater than one year.

Based on PAA eligibility assessments including quantitative analysis, management have used their judgement to conclude that the liability for remaining coverage under the GMM and PAA is materially consistent, and therefore have applied the PAA approach to these reinsurance contracts.

*Intangibles*
The Group has significant software development programmes and there is judgement in relation to which programmes and costs to capitalise under IAS 38. The assessment is made using the criteria detailed in Note 1.3(e).

Additionally, there is an estimate in respect of the future usage period of software on which the Group bases the useful economic life of related assets. A reduction in the useful economic life of Customer relationships and Software would result in an increase in the amortisation charge based on the new useful life (see Note 9).

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

*Share-based payments*
The Group has issued a number of share-based payment awards to employees which are measured at fair value. Calculating the share-based payment charge for the year involves estimating the number of awards expected to vest, which in turn involves estimating the number of expected leavers over the vesting period and the extent to which non-market-based performance conditions will be met. Determining the fair value of an award with a market-based performance condition also involves factoring in the impact of the expected volatility of the share price.

*Accident Assist revenue*
When the Group is engaged for accident assist services, the Group has an obligation to arrange for the provision of hire, repair, recovery and necessary associated services by a third party to the customer. The Group has determined that they are acting as agent for these services as the Group does not control the services by third parties before they are transferred to the customer and accident assist revenue is presented net of these costs.

## 1 Basis of preparation and accounting policies *continued*

### 1.3 Material accounting policies continued

### u) Critical accounting estimates and judgements and other estimates continued

*Leases*

The Group recognises lease liabilities in relation to leases, measured at the present value of the minimum lease payments, discounted using the discount rate implicit in the lease, or, where this is not available, the corresponding incremental borrowing rate as at the date of inception of the lease. Management's approach to determining the incremental borrowing rate for a right-of-use asset involves using data provided by the Group's external advisers on the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the relevant right-of-use asset.

*Goodwill*

The Group tests goodwill for impairment annually. The recoverable amounts of CGUs have been determined based on value in use calculations which require the use of estimates (see Note 9). Management has prepared discounted cash flows based on the latest strategic plan. The value in use calculation is most sensitive to assumptions in growth and discount rate, and cash flows incorporate the latest business-led assumptions including contract wins and renewals, sales volumes and investment requirements including an assessment of the impact of climate change.

*Identification of contract portfolios and profitability*

The Group is required to classify insurance contracts together in portfolios and uses judgement in identifying contracts that are subject to similar risks and managed together.

Within each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether individual groups contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous.

*Liabilities for incurred claims*

The Group's insurance provisions are an estimate of the expected ultimate cost of claims, including the cost of claims incurred but not yet reported to the Group, less any amounts paid, as at the statement of financial position date.

Due to the level of reinsurance the results in the consolidated income statement for the year are not subject to significant risk of misstatement caused by changes to the assumptions in the next 12 months.

The estimation of these claims is based on actuarial projection methodologies which incorporate analysis of historic patterns on a peril-by-peril basis to make assumptions about the development of incurred claims. A risk adjustment is held over and above the best estimate reserves, using a probability distribution. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided (see Note 18). Discounting is applied to reflect this time element.

## 2 Segmental information and revenue disaggregation

The Group has two key segments – Roadside and Insurance. These segments are consistent with the way in which information is presented to the chief operating decision maker. Head Office costs have been allocated to these two key segments as these costs principally directly support the operations of these segments. Head Office costs are predominantly allocated on a percentage of revenue basis.

The two reportable operating segments are as follows:

- **Roadside:** This segment is the largest part of The AA's business. The AA provides a nationwide service, sending patrols out to members stranded at the side of the road, repairing their vehicles where possible and getting them back on their way quickly and safely. In addition, this segment includes The AA and BSM driving schools, Drivetech which provides driver training and educative programmes, Prestige which provides service, maintenance and repair services through both mobile mechanics and garages, KeyCare which offers policies covering lost and stolen keys and AA Media, a publisher which rates hotels, restaurants and attractions across the UK.
- **Insurance:** This segment includes the insurance brokerage activities of The AA, primarily in arranging motor and home insurance for customers and its intermediary financial services business. This segment also includes the insurance underwriting and reinsurance activities of The AA, as well as AA Cars which sells used vehicles.

| | 2025 £m | 2024 £m |
|---|---|---|
| **Revenue** | | |
| Roadside business division | **1,021** | 943 |
| Insurance business division | **429** | 355 |
| **Total revenue** | **1,450** | 1,298 |

| | 2025 Roadside £m | 2025 Insurance £m | 2025 Group £m | 2024 Roadside £m | 2024 Insurance £m | 2024 Group £m |
|---|---|---|---|---|---|---|
| **Reported EBITDA** | **351** | **31** | **382** | 321 | 40 | 361 |
| Fulfilment finance costs (included within operating profit) | | | **(1)** | | | (1) |
| Share-based payments | | | **(3)** | | | (4) |
| Pension adjustment | | | **(6)** | | | (6) |
| Amortisation and depreciation | | | **(121)** | | | (110) |
| Operating profit before adjusting items | | | **251** | | | 240 |
| Adjusting operating items | | | **(6)** | | | (48) |
| **Operating profit** | | | **245** | | | 192 |

Operating profit by segment has been replaced by Reported EBITDA by segment in FY25 to better reflect one of the Group's key segmental performance measures as presented to the chief operating decision maker.

All segments operate principally in the UK (including Gibraltar). Revenue by destination is not materially different from revenue by origin.

## 2 Segmental information and revenue disaggregation *continued*

The segmental results presented include the following material expense categories:

| | Roadside business division £m | Insurance business division £m | Total £m |
|---|---|---|---|
| **2025** | | | |
| Employee costs | **284** | **118** | **402** |
| Amortisation of insurance acquisition cash flows | **39** | **29** | **68** |
| **2024** | | | |
| Employee costs | 270 | 101 | 371 |
| Amortisation of insurance acquisition cash flows | 39 | 24 | 63 |

Segment performance is primarily evaluated using the Group's key performance measures of revenue and operating profit before adjusting operating items. Adjusting operating items are not allocated to individual segments as they are managed on a Group basis.

Segmental information is not presented for items in the consolidated statement of financial position as management does not view this information on a segmental basis.

### Disaggregation of revenue:

| | 2025 £m | 2024 £m |
|---|---|---|
| **Roadside business division** | | |
| Consumer (B2C) | **637** | 591 |
| Business services (B2B) | **280** | 256 |
| Roadside other[1] | **104** | 96 |
| **Total roadside business division** | **1,021** | 943 |
| **Insurance business division** | | |
| Brokering activities | **108** | 102 |
| Insurance underwriting | **306** | 234 |
| Insurance other[1] | **15** | 19 |
| **Total insurance business division** | **429** | 355 |
| **Total revenue** | **1,450** | 1,298 |

1 Roadside other comprises the Group's Driving Schools, Drivetech, Prestige, Keycare and Media businesses as well as a number of other smaller operations. Insurance other comprises the Group's AA Cars and Financial Services businesses.

Roadside B2C and B2B mostly consists of revenue from roadside membership subscriptions.

Brokering activities revenue relates to commission income from policies sold to insurers and interest income on policies purchased in instalments, whereas insurance underwriting largely consists of premiums receivable on underwritten insurance products. The Insurance business division revenue includes £13m (2024: £12m) within brokering activities which is recognised under the effective interest method. Please see corresponding accounting policy in Note 1.3(o) for further details.

### Reconciliation of insurance and other revenue by segment:

| | 2025 £m | 2024 £m |
|---|---|---|
| **Roadside business division** | | |
| Insurance revenue | **554** | 511 |
| Other revenue | **467** | 432 |
| **Total roadside business division** | **1,021** | 943 |
| **Insurance business division** | | |
| Insurance revenue | **329** | 248 |
| Other revenue | **100** | 107 |
| **Total insurance business division** | **429** | 355 |
| **Total revenue** | | |
| **Total insurance revenue** | **883** | 759 |
| **Total other revenue** | **567** | 539 |
| **Total revenue** | **1,450** | 1,298 |

For further detail on the Group's revenue streams see the 'Financial Review' section of the Annual Report.

## 3 Operating profit

Operating profit is stated after charging:

| | 2025 £m | 2024 £m |
|---|---|---|
| Amortisation of owned intangible assets (see Note 9) | **66** | 61 |
| Depreciation of owned tangible fixed assets (see Note 10) | **11** | 14 |
| Depreciation of right-of-use assets (see Note 11) | **44** | 35 |
| Amortisation of insurance acquisition cashflows (see Note 18(e)) | **68** | 63 |
| Share-based payments (see Note 30) | **3** | 4 |
| Pension service charge adjustment (see Note 24) | **6** | 6 |
| Adjusting operating items (see Note 4) | **6** | 48 |
| | **204** | 231 |

### Auditors' remuneration

| | 2025 £m | 2024 £m |
|---|---|---|
| **Amounts receivable by the Company's auditors and their associates in respect of:** | | |
| Audit of the Group consolidated financial statements | **1** | 1 |
| Audit of financial statements of subsidiaries of the Company | **1** | 1 |
| **Total auditors' remuneration** | **2** | 2 |

Fees for non-audit services provided by the Company's auditors were £0.3m (2024: £0.2m) principally relating to other assurance services associated with the debt refinancings in both the current and prior years.

## 4 Adjusting operating items

| | 2025 £m | 2024 £m |
|---|---|---|
| Transaction fees related to investment | – | 15 |
| Strategic review projects | 8 | 13 |
| Investment in research project | 4 | 15 |
| Closure costs of the CARE section of the AAUK pension scheme and the transitional agreement made with employees in that scheme | – | 1 |
| Other adjusting operating items | (6) | 4 |
| **Total adjusting operating items** | 6 | 48 |

Strategic review projects of £8m (2024: £13m) relates to transformation and organisational redesign as well as costs relating to one-off projects such as re-platforming of an insurance sales and administration system, and acquisition and integration costs of Keycare and AA Media.

The £4m (2024: £15m) investment in research project relates to our connected car business propositions. The investment spend is governed and approved by the Board of Directors.

Other adjusting operating items of £6m comprise gains of £5m on sale of fixed assets and a fair value gain of £3m in respect of the AA Media joint venture held prior to the acquisition (see Note 31 for further information). These gains are partially offset by £1m impairment of intangible assets and £1m impairment of investment in joint ventures.

In the prior year £15m of transaction fees arose relating to the investment from Stonepeak into The AA Limited Group. Other adjusting operating items of £4m comprised £1m of impairment in investments in joint ventures, £2m of proactive wage correction relating to previous years backdated to February 2018, £2m cost-of-living payments and £2m one-off property move costs, which were partially offset by £2m profit on sale of fixed assets and £1m of legal costs recovered from third parties for cases that were resolved in our favour. The cost-of-living payments related to a single £4m scheme paid over the prior two years.

## 5 Other finance income

| | 2025 £m | 2024 £m |
|---|---|---|
| Interest income on bank deposits | 8 | 7 |
| **Total ongoing cash finance income** | 8 | 7 |
| Gain on below par redemption of loan notes | – | 7 |
| **Total adjusting cash finance income**[1] | – | 7 |
| **Total finance income** | 8 | 14 |

[1] Adjusting finance income relates to income related to refinancing activities.

In the prior year, the Group redeemed £308m of A7 Loan Notes using £302m cash proceeds and repurchased £61m of A2 Loan Notes using £60m of available cash. This resulted in gains on below par redemptions of £6m and £1m respectively.

See Note 20 for more information on refinancing transactions in the year.

## 6 Other finance costs

| | 2025 £m | 2024 £m |
|---|---|---|
| Interest on external borrowings | 149 | 153 |
| Reclassification from cash flow hedge reserve to the consolidated income statement | (9) | (8) |
| Finance charges payable on lease liabilities | 4 | 2 |
| **Total ongoing cash finance costs** | 144 | 147 |
| Ongoing amortisation of debt issue fees | 6 | 6 |
| Net finance expense on defined benefit pension schemes | 7 | 7 |
| **Total ongoing non-cash finance costs** | 13 | 13 |
| Debt management and early repayment fees | 9 | 1 |
| **Total adjusting cash finance costs**[1] | 9 | 1 |
| Unamortised debt issue fees written off following repayment of borrowings | 2 | 2 |
| **Total adjusting non-cash finance costs**[1] | 2 | 2 |
| **Total other finance costs** | 168 | 163 |
| Fulfilment interest costs (included in insurance service expenses) | 1 | 1 |
| **Total finance costs** | 169 | 164 |

[1] Adjusting finance costs relate to costs related to refinancing activities.

During the current year, in order to redeem its Class A2 Notes, the Group issued £435m of Class A12 Notes. The issues of the Class A12 Notes were not a modification of any existing debt and the associated issue fees were capitalised. The Group also redeemed £170m of Class B3 Notes using a combination of cash received as part of the Stonepeak investment into The AA and existing cash held. See Note 20 for details.

The Group incurred adjusting finance costs of £11m consisting of £9m early repayment penalties and other debt management fees following repayment of the A2 and B3 Notes and £2m write-offs of unamortised issue fees associated with the B3 Notes.

## 7 Employee costs

| | 2025 £m | 2024 £m |
|---|---|---|
| Wages and salaries | 332 | 303 |
| Social security costs | 34 | 31 |
| Other pension costs | 33 | 33 |
| Share-based payments expense (see Note 30) | 3 | 4 |
| | 402 | 371 |

2025 wages and salaries costs includes £3m of staff costs incurred in respect of strategic review projects within adjusted operating items (see Note 4). In the prior year wages and salaries included £2m of one-off cost-of-living payments and £2m of proactive wage correction relating to previous years both within adjusted operating items (see Note 4).

## 7 Employee costs continued

The average monthly number of persons employed under contracts of service during the year was:

| | 2025 | 2024 |
|---|---|---|
| Operational | **5,706** | 5,741 |
| Management and administration | **1,839** | 1,784 |
| | **7,545** | 7,525 |

### Directors' remuneration

| | 2025 £m | 2024 £m |
|---|---|---|
| Aggregate remuneration in respect of qualifying services | **3** | 2 |
| | **3** | 2 |

Emoluments of highest paid Director:

| | 2025 £m | 2024 £m |
|---|---|---|
| Aggregate remuneration in respect of qualifying services | **2** | 1 |
| | **2** | 1 |

Retirement benefits are not accruing for any Directors under a defined benefit scheme (2024: nil), or a money purchase scheme (2024: nil).

Four Directors exercised share options in the current year (2024: nil). The number of shares exercised was 3,696,686 (2024: nil).

£6m has been received by Directors under long-term incentive schemes in respect of qualifying services in the current year (2024: £nil). The payment has been borne by an indirect parent of the Group.

Two Directors have received shares in respect of qualifying services under long-term incentive schemes in the current year (2024: nil).

**Compensation of key management personnel of the Group**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel consist of the Chief Executive Officer, Chief Financial Officer, the Executive Committee and the Non-Executive Directors.

The amounts recognised as an expense during the financial year in respect of key management personnel were as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Short-term employee benefits | **7** | 6 |
| Share-based payments (see Note 30) | **1** | 1 |
| **Total compensation paid to key management personnel** | **8** | 7 |

## 8 Tax

The major components of the income tax expense are:

| | 2025 £m | 2024 £m |
|---|---|---|
| **Consolidated income statement** | | |
| **Current income tax** | | |
| Current income tax charge | **25** | 25 |
| Adjustments in respect of prior years | **–** | (1) |
| | **25** | 24 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(5)** | (11) |
| Adjustments in respect of prior years | **–** | 2 |
| | **(5)** | (9) |
| **Tax expense in the consolidated income statement** | **20** | 15 |
| **Consolidated statement of comprehensive income** | | |
| Deferred tax on changes in fair value of cash flow hedges | **(1)** | (1) |
| Deferred tax on remeasurements of defined benefit pension liability | **6** | **(2)** |
| **Income tax expensed/(credited) directly to other comprehensive income** | **5** | **(3)** |

### Reconciliation of tax expense to profit before tax multiplied by UK's corporation tax rate

| | 2025 £m | 2024 £m |
|---|---|---|
| Profit before tax | **84** | 42 |
| Tax at rate of 25% (2024: 24%) | **21** | 10 |
| Adjustments in respect of prior years | **–** | 1 |
| Lower rate of foreign tax | **(2)** | (1) |
| Expenses not deductible for tax purposes: | | |
| – Corporate Interest Restriction disallowance | **3** | 2 |
| – Transaction costs | **–** | 3 |
| – Business combinations | **(1)** | – |
| – Reversal of deferred gains not taxable | **(2)** | – |
| – Other disallowable expenses | **1** | – |
| **Income tax expense reported in the consolidated income statement at effective rate of 23.8% (2024: 35.7%)** | **20** | 15 |

## 8 Tax *continued*

### Deferred tax by type of temporary difference

| | Consolidated statement of financial position | | Consolidated income statement | |
|---|---|---|---|---|
| | **2025 £m** | **2024 £m** | **2025 £m** | 2024 £m |
| Accelerated depreciation for tax purposes | **19** | 17 | **(4)** | (2) |
| Rollover relief | **–** | (2) | **(2)** | – |
| Pension | **(12)** | (3) | **3** | 3 |
| Revaluation of cash flow hedges | **(1)** | (3) | **(1)** | – |
| Share-based payments | **2** | 2 | **–** | (2) |
| Short-term temporary differences | **3** | 2 | **(1)** | (8) |
| **Deferred tax credit** | | | **(5)** | (9) |
| **Net deferred tax asset** | **11** | 13 | | |

### Reconciliation of net deferred tax asset

| | **2025 £m** | 2024 £m |
|---|---|---|
| **At 1 February** | **13** | 1 |
| Tax credit recognised in the consolidated income statement | **5** | 9 |
| Tax (expense)/credit recognised in other comprehensive income | **(5)** | 3 |
| Business combinations | **(2)** | – |
| **At 31 January** | **11** | 13 |

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

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

The Group has a £2m (2024: £2m) deferred tax asset relating to other tax losses which has not been recognised due to the uncertainty of the availability of suitable future profits to enable recovery. The Group has carried forward interest expenses of £22m (2024: £11m, deferred tax equivalent £3m) on which a deferred tax asset of £6m has not been recognised due to the uncertainty of future reversal.

The effective tax rate is 23.8% which differs from the standard rate of corporation tax. This rate is reduced as a result of the lower rate of tax applying to the Gibraltar subsidiary which is largely offset by the disallowance under the corporate interest restriction rules.

The effective rate for 2024 was 35.7% which differs from the standard rate of corporation tax. This increased rate was as a result of significant disallowable transaction costs and the impact of Corporate Interest Restriction disallowance.

### Pillar two

The Group is subject to the global minimum top-up tax under Pillar Two tax legislation and the first year to which top-up taxes could apply is the year from 1 February 2024 to 31 January 2025. The top-up tax relates to the Group's operations in Gibraltar where the statutory tax rate increased from 12.5% to 15% during the year. The Group has recognised a current tax expense less than £1m related to the top-up tax (2024: nil) which is levied on the Group.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two as provided in the amendments to IAS 12 issued in May 2023.

The Group is monitoring developments as Pillar Two is fully implemented in relevant territories, and as further guidance is published.

## 9 Goodwill and other intangible assets

| | Goodwill £m | Customer relationships and reacquired rights £m | Software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 February 2023 | 1,197 | 11 | 409 | 1,617 |
| Additions | – | – | 65 | 65 |
| Disposals | – | – | (1) | (1) |
| **At 31 January 2024** | 1,197 | 11 | 473 | 1,681 |
| Additions | **–** | **–** | **60** | **60** |
| Additions through acquisition of business (see Note 31) | **9** | **7** | **–** | **16** |
| Disposals | **–** | **–** | **(56)** | **(56)** |
| **At 31 January 2025** | **1,206** | **18** | **477** | **1,701** |
| **Accumulated amortisation and impairment** | | | | |
| **At 1 February 2023** | 33 | 4 | 225 | 262 |
| Amortisation | – | 1 | 60 | 61 |
| Disposals | – | – | (1) | (1) |
| **At 31 January 2024** | 33 | 5 | 284 | 322 |
| Amortisation | **–** | **2** | **64** | **66** |
| Impairment | **–** | **–** | **1** | **1** |
| Disposals | **–** | **–** | **(56)** | **(56)** |
| **At 31 January 2025** | **33** | **7** | **293** | **333** |
| **Net book value** | | | | |
| **At 31 January 2025** | **1,173** | **11** | **184** | **1,368** |
| At 31 January 2024 | 1,164 | 6 | 189 | 1,359 |

## 9 Goodwill and other intangible assets *continued*

On 1 February 2024, the Group completed the 100% acquisition of Key Care Limited. As a result of the transaction, goodwill of £5m was recognised. On 29 October 2024, the Group completed the 100% acquisition of AA Media Limited, in which the Group had an existing 49% holding. As a result of the transaction, goodwill of £4m was recognised. See Note 31 for more detail on the acquisitions.

Within software, £23m (2024: £26m) relates to assets under construction which are not amortised. This includes £nil (2024: £10m) relating to an insurance sales and administration policy platform being introduced in stages. The net book value includes £30m (2024: £20m) relating to an insurance sales and administration policy platform currently being amortised, with a remaining useful life of 5 years.

Software additions comprise £24m (2024: £20m) in relation to internally developed assets and £36m (2024: £45m) in relation to separately acquired assets.

Amortisation costs are split across other operating expenses: £62m (2024: £56m), and insurance service expenses: £4m (2024: £5m) in the consolidated income statement.

Disposals in the year relate to fully amortised software assets that have been retired following insurance sales and administration the platform upgrade.

A decrease in the useful economic life of the software assets of one year would increase the associated amortisation charge by c.£16m (2024: c.£15m). An increase of one year would reduce the charge by c.£11m (2024: c.£10m).

**Impairment of intangible assets**

Goodwill acquired through business combinations has been allocated to cash-generating units (CGUs) on initial recognition and for subsequent impairment testing. CGUs represent the smallest group of assets that independently generate cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

The carrying value of goodwill by CGU is as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Roadside Assistance | **879** | 874 |
| Insurance Services | **240** | 240 |
| AA Cars | **25** | 25 |
| Drivetech | **25** | 25 |
| AA Media | **4** | – |
| | **1,173** | 1,164 |

The Group has performed impairment testing at 31 January 2025 and 31 January 2024. The impairment test compares the recoverable amount of the CGU with its carrying value.

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections from the Group's five-year plan. For the year ended 31 January 2025, the Group used the five-year plan, covering the five years up to 31 January 2030. For the purposes of the impairment test, terminal values have been calculated using a 1.91% growth assumption (2024: 1.79%). Cash flows have been discounted at a pre-tax rate reflecting the time value of money and the risks specific to these cash flows. This has been determined as a pre-tax rate of 11.2% (2024: 11.0%) and a terminal year rate of 11.9% (2024: 11.0%). The equivalent post-tax rate was 8.4% (2024: 8.2%) and the terminal rate was 8.9% (2024: 8.2%).

The cash flow projections are forecast using historical trends overlaid with business-led assumptions such as contract wins, sales volumes, prices, working capital adjustments and capex investment requirements, which include the impact of climate change, together with operational KPIs such as number of personal members, number of business customers, insurance policies in force, renewal rates and average repair times. These allow the business to forecast profits, working capital and capital expenditure requirements.

For the climate-driven impacts, the Group has assessed its most material climate risks against varied climate scenarios to develop an appropriate cost estimate for inclusion in the cash flow projections.

Material risks considered include the costs associated with fleet decarbonisation, increased fuel and energy costs for the operational fleet and for properties, weather-related roadside cost increases and increased costs from low emissions zone regulation.

The value in use calculation used is most sensitive to the assumptions used for forecast future growth and the discount rate. Accordingly, stress testing has been performed on these key assumptions as part of the impairment test to further inform the consideration of whether any impairment is evident. From the results of this stress testing, it was concluded that no reasonably foreseeable change in the key assumptions would result in the recoverable amount being materially less than the carrying amount for any of the CGUs.

## 10 Property, plant and equipment

| | Buildings on long leasehold £m | Plant & equipment £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 February 2023 | 7 | 75 | 82 |
| Additions | – | 7 | 7 |
| Disposals | – | (3) | (3) |
| **At 31 January 2024** | 7 | 79 | 86 |
| Additions | **–** | **12** | **12** |
| Disposals | **(7)** | **(26)** | **(33)** |
| **At 31 January 2025** | **–** | **65** | **65** |
| **Accumulated depreciation and impairment** | | | |
| At 1 February 2023 | 7 | 40 | 47 |
| Charge for the year | – | 14 | 14 |
| Disposals | – | (3) | (3) |
| **At 31 January 2024** | 7 | 51 | 58 |
| Charge for the year | **–** | **11** | **11** |
| Disposals | **(7)** | **(26)** | **(33)** |
| **At 31 January 2025** | **–** | **36** | **36** |
| **Net book value** | | | |
| **At 31 January 2025** | **–** | **29** | **29** |
| At 31 January 2024 | – | 28 | 28 |

Disposals represent fully depreciated items retired following the business transferring to its new head office and additional items identified for removal following the implementation of a new controls procedure.

Within plant and equipment, £2m (2024: £nil) relates to assets under construction which are not depreciated.

## 11 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 | Vehicles & equipment £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 February 2023 | 36 | 103 | 139 |
| Additions | 2 | 55 | 57 |
| Disposals | (8) | (27) | (35) |
| **At 31 January 2024** | 30 | 131 | 161 |
| Additions | **17** | **66** | **83** |
| Disposals | **(1)** | **(39)** | **(40)** |
| **At 31 January 2025** | **46** | **158** | **204** |
| **Accumulated depreciation and impairment** | | | |
| At 1 February 2023 | 9 | 67 | 76 |
| Charge for the year | 3 | 32 | 35 |
| Disposals | (1) | (26) | (27) |
| **At 31 January 2024** | 11 | 73 | 84 |
| Charge for the year | **6** | **38** | **44** |
| Disposals | **(1)** | **(38)** | **(39)** |
| **At 31 January 2025** | **16** | **73** | **89** |
| **Net book value** | | | |
| **At 31 January 2025** | **30** | **85** | **115** |
| At 31 January 2024 | 19 | 58 | 77 |

Within additions is £2m (2024: £1m) related to end-of-life provisions.

Within property additions is £16m relating to the new head office of the business.

## 12 Investments in joint ventures and associates

| | 2025 Joint ventures £m | 2025 Associates £m | 2025 Total £m | 2024 Joint ventures £m | 2024 Associates £m | 2024 Total £m |
|---|---|---|---|---|---|---|
| At 1 February | **1** | **4** | **5** | 1 | 4 | 5 |
| Additions | **1** | **–** | **1** | 1 | – | 1 |
| Revaluation | **3** | **–** | **3** | – | – | – |
| Disposal | **(3)** | **–** | **(3)** | – | – | – |
| Impairment | **(1)** | **–** | **(1)** | (1) | – | (1) |
| **At 31 January** | **1** | **4** | **5** | 1 | 4 | 5 |

The Group previously held a 49% interest in AA Media Limited, which was recognised as an investment in a joint venture. On 29 October 2024, the Group acquired the remaining 51% of voting equity interest to establish AA Media as a 100% owned subsidiary. The investment in the joint venture was revalued to its fair value immediately prior to the disposal of the joint venture for inclusion of the entity in the results as a subsidiary. See Note 31 for further information.

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

| Company | Country of registration | Nature of business |
|---|---|---|
| AA Law Limited (49% interest held)[1] | England and Wales, UK | Insurance services |
| Drvn Solutions Limited (48% interest held)[2] | England and Wales, UK | Roadside services |

1 The Group exercises joint control over AA Law Limited through its equal representation on the Board. AA Law Limited has A and B ordinary shares.
2 The Group exercises joint control over Drvn Solutions Limited through its joint influence over key decision-making. Drvn Solutions Limited has A and B ordinary shares.

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

| Company | Country of registration | Nature of business |
|---|---|---|
| ARC Europe SA (20% interest held) | Belgium | Roadside services |

## 13 Inventories

| | 2025 £m | 2024 £m |
|---|---|---|
| Finished goods | **4** | 4 |
| | **4** | 4 |

Other operating costs included £36m (2024: £32m) of inventories recognised as an expense.

£1m (2024: £nil) has been credited to other operating costs in relation to inventory write-downs.

## 14 Financial Investments

Financial investments comprise of the following:

| | 2025 £m | 2024 £m |
|---|---|---|
| Shares and other variable-yield securities and units in unit trusts – at fair value | **13** | 11 |
| | **13** | 11 |

These investments predominantly consist of highly rated bonds, intended for investment purposes. The movement in the current year represents a £1m net inflow of cash into the bond scheme and a fair value movement of £1m.

## 15 Trade and other receivables

| | 2025 £m | 2024 £m |
|---|---|---|
| **Non-current** | | |
| Other receivables | **1** | 1 |
| | **1** | 1 |
| **Current** | | |
| Trade receivables | **159** | 130 |
| Prepayments | **37** | 32 |
| Contract assets | **26** | 37 |
| Other receivables | **4** | 6 |
| Amounts owed from parent undertakings | **–** | 3 |
| | **226** | 208 |

Trade receivables include £60m (2024: £45m) relating to amounts due from insurance broking customers.

## 16 Cash and cash equivalents

| | 2025 £m | 2024 £m |
|---|---|---|
| Ring-fenced cash at bank and in hand – available | **117** | 87 |
| Non ring-fenced cash at bank and in hand – available | **18** | 10 |
| Non ring-fenced cash at bank and in hand – restricted | **87** | 67 |
| **Cash and cash equivalents as presented in consolidated statement of financial position** | **222** | 164 |

Ring-fenced cash and cash equivalents relate to cash held within the Whole Business Securitisation (WBS) by AA Intermediate Co Limited and its subsidiaries. Dividends can only be paid to AA Limited when certain Net Debt to Debt Covenant EBITDA and cash flow criteria are met.

Restricted cash is cash which is subject to contractual or regulatory restrictions. Restricted cash which is not ring-fenced consists of £87m (2024: £67m) held by and on behalf of the Group's insurance businesses which are subject to contractual or regulatory restrictions.

## 17 Trade and other payables

| | 2025 £m | 2024 £m |
|---|---|---|
| **Current** | | |
| Trade payables | **157** | 151 |
| Other taxes and social security costs | **25** | 14 |
| Accruals | **87** | 79 |
| Deferred income | **67** | 58 |
| Other payables | **30** | 30 |
| | **366** | 332 |

Trade payables include £104m (2024: £77m) relating to amounts due to underwriters in respect of insurance broking activities.

Deferred income primarily relates to revenue recognised over time under IFRS 15. Of the revenue recognised in the current year, £45m (2024: £38m) was included within deferred income at the beginning of the year.

Included in deferred income is £13m (2024: £12m) which will be released over a period more than 12 months from the statement of financial position date.

## 18 Insurance and reinsurance contracts

### a) Summary of insurance contract liabilities and reinsurance contract assets

The table below summarises the net carrying amounts of insurance contract liabilities and reinsurance contract assets:

| | As at 31 January 2025 | | | As at 31 January 2024 | | |
|---|---|---|---|---|---|---|
| | Remaining coverage £m | Incurred claims £m | Total £m | Remaining coverage £m | Incurred claims £m | Total £m |
| **Insurance contracts** | | | | | | |
| **Roadside** | | | | | | |
| Insurance contracts | **(160)** | **–** | **(160)** | (160) | – | (160) |
| Asset for insurance acquisition cashflows | | | **46** | | | 42 |
| **Insurance** | | | | | | |
| Insurance contracts | **(74)** | **(197)** | **(271)** | (82) | (162) | (244) |
| Asset for insurance acquisition cashflows | | | **20** | | | 20 |
| **Total insurance contract liabilities** | | | **(365)** | | | (342) |
| **Reinsurance contracts** | | | | | | |
| Insurance | **26** | **192** | **218** | 24 | 170 | 194 |
| **Total reinsurance contract assets** | **26** | **192** | **218** | 24 | 170 | 194 |

### b) Discount rates

For the liability for incurred claims, where settlement is expected to take over twelve months, cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts, based on a bottom-up approach.

Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium).

The Group determines the risk-free rates based on the publicised EIOPA risk free rates, consistent with the estimation under Solvency UK (previously Solvency II).

The Illiquidity premium is determined by comparing the spreads on corporate bonds with an equivalent risk-free rate, which management have based on data published by the Bermudan Monetary Authority ('BMA'). The Group's liabilities are very standard in nature and consistent with the logic underpinning the BMA calculations. The majority of the Group's liabilities are short in duration and changes in discount rate do not have a significant impact, as shown in the sensitivity analysis.

The tables below set out the yield curves used to discount the cash flows of insurance contracts.

| Year ended | 1 year | 2 years | 3 years | 4 years | 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| 31 January 2025 | **4.7%** | **4.6%** | **4.5%** | **4.4%** | **4.3%** | **4.3%** |
| 31 January 2024 | 5.5% | 5.2% | 4.7% | 4.5% | 4.4% | 4.3% |

### c) Risk adjustment

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled.

Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates. The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts and reinsurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 80th percentile (the target confidence level) over the expected present value of the future cash flows.

## 18 *Insurance and reinsurance contracts continued*

**c) Risk adjustment** continued

Management have quantified the uncertainty within the reserves, considering both the overall distribution, and specific stresses and scenarios, in conjunction with reviewing the impact of reserve shocks. The 80th percentile is consistent with the current risk tolerance within the business.

This is allocated down to groups of contracts, in proportion to the value at risk at the target percentile of each modelled group of contracts. The resulting amount of the calculated risk adjustment corresponds to the confidence level of 80% (2024: 80%).

The approach used to determine the risk adjustment for non-financial risk was consistent in the current and prior years.

**d) Risks**

*Insurance risk (Roadside)*

In the road segment, the principal risk is that actual costs to service the policies will exceed the projected cashflows, leading the contracts to become unprofitable.

The Group seeks to manage the impact of variable fuel prices through managing its procurement contracts with suppliers and by hedging the indexed element of diesel costs using Contracts for Difference. The Group has currently hedged 100% of forecast diesel usage for the year ended 31 January 2026 and c.50% of forecast usage for the year ended 31 January 2027 (see Note 26 on financial risk management).

The Group also tries to reduce the volume of claims received by communicating information to policyholders that will reduce the risk of callouts arising. For example, weather warnings and vehicle maintenance tips.

*Insurance risk (Insurance)*

In the insurance segment the Group's insurance activities are primarily concerned with the pricing, underwriting and claims handling of private motor and residential household policies. The most critical accounting estimate is the ultimate liability arising from insurance claims.

This balance is net of subrogation and salvage balances expected to be received from third party insurers. These amounts are estimated based on the value of the respective claim and the judgement of the claims handler.

In calculating the estimated cost of unpaid claims, a number of standard actuarial claims projection techniques are used to develop statistical analysis of historic experience and market data. A risk adjustment above the best estimate is held, calculated based on the probability distribution, representing compensation for the risk taken on by writing the policy.

Overall exposure is reduced by the extensive use of reinsurance contracts with approximately 80% (blended rate for Motor and Household products) of risk ceded through quota share contracts to multiple reinsurance partners. There is further reduction to risk for Motor contracts through an Excess of Loss reinsurance programme which limits large losses to £3m from 1 January 2025 (previously £2m from 1 January 2024) and Household through a Catastrophe reinsurance programme limit for each event of £12m.

In addition, the Group is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk and other price risk.

*Market risk*

Market risk is the risk that changes in market prices, e.g., interest rates and equity prices, will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. See Note 26 for more detail on the management of these risks.

*Credit risk*

Credit risk is the risk of financial loss to the Group if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations and arises principally from the Group's reinsurance contract assets and investments in debt securities. See Note 26 for more detail on the management of these risks.

*Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts. There is an absolute minimum amount of capital that the underwriter must hold to be able to operate otherwise it cannot trade (125% – SCR). The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and headroom on its working capital facilities.

## 18 Insurance and reinsurance contracts continued

### e) Insurance contract liabilities

Reconciliation of changes in insurance contracts by remaining coverage and incurred claim:

*Roadside*

| | Liabilities for remaining coverage | | Liability for incurred claims | |
|---|---|---|---|---|
| | Excluding loss component £m | Loss component £m | Estimates of present value of future cash flows £m | Total |
| **As at 1 February 2023** | (146) | (2) | – | (148) |
| Insurance revenue | 511 | – | – | 511 |
| Insurance service expenses | | | | |
| Incurred claims and other insurance service expenses | – | 3 | (173) | (170) |
| Amortisation of insurance acquisition cash flows | (39) | – | – | (39) |
| Losses on onerous contracts | – | (3) | – | (3) |
| Total insurance service expense | (39) | – | (173) | (212) |
| Total changes in the consolidated income statement | 472 | – | (173) | 299 |
| Premiums received | (523) | – | – | (523) |
| Insurance acquisition cash flows paid | 9 | – | – | 9 |
| Transferred from insurance acquisition cash flows asset | 30 | – | – | 30 |
| Claims and other insurance service expenses paid | – | – | 173 | 173 |
| Total cash flows | (484) | – | 173 | (311) |
| **As at 31 January 2024** | (158) | (2) | – | (160) |
| Insurance revenue | **554** | **–** | **–** | **554** |
| **Insurance service expenses** | | | | |
| Incurred claims and other insurance service expenses | **–** | **3** | **(163)** | **(160)** |
| Amortisation of insurance acquisition cash flows | **(39)** | **–** | **–** | **(39)** |
| Losses on onerous contracts | **–** | **(4)** | **–** | **(4)** |
| **Total insurance service expense** | **(39)** | **(1)** | **(163)** | **(203)** |
| **Total changes in the consolidated income statement** | **515** | **(1)** | **(163)** | **351** |
| Premiums received | **(553)** | **–** | **–** | **(553)** |
| Insurance acquisition cash flows paid | **8** | **–** | **–** | **8** |
| Transferred from insurance acquisition cash flows asset | **31** | **–** | **–** | **31** |
| Claims and other insurance service expenses paid | **–** | **–** | **163** | **163** |
| **Total cash flows** | **(514)** | **–** | **163** | **(351)** |
| **As at 31 January 2025** | **(157)** | **(3)** | **–** | **(160)** |

The maximum credit exposure for 2025 in respect of Roadside is £nil (2024: £nil).

*Insurance*

| | Liabilities for remaining coverage | | Liability for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component £m | Loss component £m | Estimates of present value of future cash flows £m | Risk adjustment for non-financial risk £m | Total £m |
| As at 1 February 2023 | (42) | (3) | (109) | (8) | (162) |
| Insurance revenue | 248 | – | – | – | 248 |
| Insurance service expenses | | | | | |
| Incurred claims and other insurance service expenses | – | 6 | (216) | (10) | (220) |
| Amortisation of insurance acquisition cash flows | (24) | – | – | – | (24) |
| Losses on onerous contracts | – | (4) | – | – | (4) |
| Adjustments to liabilities for incurred claims | – | – | 6 | 10 | 16 |
| Total insurance service expense | (24) | 2 | (210) | – | (232) |
| Net finance expense from insurance contracts | – | – | (8) | – | (8) |
| Total changes in the consolidated income statement | 224 | 2 | (218) | – | 8 |
| Premiums received | (290) | – | – | – | (290) |
| Insurance acquisition cash flows paid | 11 | – | – | – | 11 |
| Transferred from insurance acquisition cash flows asset | 16 | – | – | – | 16 |
| Claims and other insurance service expenses paid | – | – | 173 | – | 173 |
| Total cash flows | (263) | – | 173 | – | (90) |
| **As at 31 January 2024** | (81) | (1) | (154) | (8) | (244) |
| Insurance revenue | **329** | **–** | **–** | **–** | **329** |
| **Insurance service expenses** | | | | | |
| Incurred claims and other insurance service expenses | **–** | **2** | **(243)** | **(10)** | **(251)** |
| Amortisation of insurance acquisition cash flows | **(29)** | **–** | **–** | **–** | **(29)** |
| Losses on onerous contracts | **–** | **(3)** | **–** | **–** | **(3)** |
| Adjustments to liabilities for incurred claims | **–** | **–** | **18** | **9** | **27** |
| **Total insurance service expense** | **(29)** | **(1)** | **(225)** | **(1)** | **(256)** |
| Net finance expense from insurance contracts | **–** | **–** | **(8)** | **–** | **(8)** |
| **Total changes in the consolidated income statement** | **300** | **(1)** | **(233)** | **(1)** | **65** |
| Premiums received | **(322)** | **–** | **–** | **–** | **(322)** |
| Insurance acquisition cash flows paid | **13** | **–** | **–** | **–** | **13** |
| Transferred from insurance acquisition cash flows asset | **18** | **–** | **–** | **–** | **18** |
| Claims and other insurance service expenses paid | **–** | **–** | **199** | **–** | **199** |
| **Total cash flows** | **(291)** | **–** | **199** | **–** | **(92)** |
| **As at 31 January 2025** | **(72)** | **(2)** | **(188)** | **(9)** | **(271)** |

The maximum credit exposure for 2025 in respect of Insurance is £66m (2024: £66m).

## 18 *Insurance and reinsurance contracts continued*

### f) Reinsurance contract assets

Reconciliation of changes in reinsurance contracts held by remaining coverage and incurred claim:

*Insurance*

| | Assets for remaining coverage | | Assets for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss recovery component £m | Loss recovery component £m | Estimates of present value of future cash flows £m | Risk adjustment for non-financial risk £m | Total £m |
| As at 1 February 2023 | 24 | 2 | 118 | 8 | 152 |
| Allocation of reinsurance premiums paid | (123) | – | – | – | (123) |
| Recoveries of incurred claims and other insurance service expenses | – | (5) | 116 | 8 | 119 |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts | – | 3 | – | – | 3 |
| Adjustment to assets for incurred claims | – | – | – | (8) | (8) |
| Net expense from reinsurance contracts | (123) | (2) | 116 | – | (9) |
| Net finance income from reinsurance contracts | – | – | 7 | – | 7 |
| Total changes in the consolidated income statement | (123) | (2) | 123 | – | (2) |
| Investment components | (38) | – | 38 | – | – |
| Premiums paid | 161 | – | – | – | 161 |
| Recoveries from reinsurance | – | – | (117) | – | (117) |
| **Total cash flows** | 161 | – | (117) | – | 44 |
| **As at 31 January 2024** | 24 | – | 162 | 8 | 194 |
| Allocation of reinsurance premiums paid | **(130)** | **–** | **–** | **–** | **(130)** |
| Recoveries of incurred claims and other insurance service expenses | **–** | **(2)** | **84** | **8** | **90** |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts | **–** | **3** | **–** | **–** | **3** |
| Adjustment to assets for incurred claims | **–** | **–** | **(11)** | **(8)** | **(19)** |
| **Net expense from reinsurance contracts** | **(130)** | **1** | **73** | **–** | **(56)** |
| Net finance income from reinsurance contracts | **–** | **–** | **7** | **–** | **7** |
| **Total changes in the consolidated income statement** | **(130)** | **1** | **80** | **–** | **(49)** |
| Investment components | **(87)** | **–** | **87** | **–** | **–** |
| Premiums paid | **218** | **–** | **–** | **–** | **218** |
| Recoveries from reinsurance | **–** | **–** | **(145)** | **–** | **(145)** |
| **Total cash flows** | **218** | **–** | **(145)** | **–** | **73** |
| **As at 31 January 2025** | **25** | **1** | **184** | **8** | **218** |

Included within the movements of assets for remaining coverage is outward reinsurance premiums of £237m (2024: £177m).

The credit quality of the reinsurance contract assets is considered to be entirely investment grade. The maximum credit exposure in respect of reinsurance for 2025 is £192m (2024: £170m).

### g) Assets for insurance acquisition cash flows

The following table shows the movement on assets for insurance acquisition cash flows:

| | Roadside £m | Insurance £m | Total £m |
|---|---|---|---|
| **Balance at 1 February 2023** | 40 | 16 | 56 |
| Amounts incurred during the year | 32 | 20 | 52 |
| Amount derecognised and included in the measurement of insurance contracts | (30) | (16) | (46) |
| **Balance at 31 January 2024** | 42 | 20 | 62 |
| Amounts incurred during the year | **35** | **18** | **53** |
| Amount derecognised and included in the measurement of insurance contracts | **(31)** | **(18)** | **(49)** |
| **Balance at 31 January 2025** | **46** | **20** | **66** |

The expected derecognition profile of the insurance acquisition cash flows asset is as follows:

| Insurance contracts issued | 1 year or less £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | Over 4 years £m | Total £m |
|---|---|---|---|---|---|---|
| **31 January 2025** | **31** | **18** | **11** | **5** | **1** | **66** |
| 31 January 2024 | 29 | 17 | 10 | 5 | 1 | 62 |

### h) Sensitivity analysis

The liability for incurred claims' sensitivity to certain key assumptions is outlined below. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for reasonably possible movements in the assumptions with all other assumptions held constant, showing the impact on the consolidated income statement and equity. Movements in these assumptions may be non-linear and may be correlated with one another:

| | | Consolidated income statement & equity loss/(gain) | | | |
|---|---|---|---|---|---|
| | | 2025 | | 2024 | |
| | Change in assumption | **Gross £m** | **Net of reinsurance £m** | Gross £m | Net of reinsurance £m |
| **Insurance** | | | | | |
| Expected loss ratio | +5.0% | **10** | **2** | 8 | 2 |
| Inflation rate | +1.0% | **3** | **–** | 3 | – |
| Discount rate | +1.0% | **(5)** | **(1)** | (3) | – |
| Expense ratio | +1.0% | **2** | **2** | 2 | (2) |

An equivalent decrease in the assumptions at 31 January 2025 and 31 January 2024 would have had a broadly equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

## 18 *Insurance and reinsurance contracts continued*

### i) Maturity analysis

The following table provides a maturity analysis of the Group's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. The amounts included in the table represent the present value of the future cash flows. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

| Year ended | Within 1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | 4-5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|---|
| **31 January 2025** | | | | | | | |
| **Insurance** | | | | | | | |
| Insurance contracts issued | **95** | **40** | **25** | **16** | **10** | **11** | **197** |
| Reinsurance contracts held | **107** | **31** | **21** | **14** | **9** | **10** | **192** |
| **31 January 2024** | | | | | | | |
| **Insurance** | | | | | | | |
| Insurance contracts issued | 82 | 32 | 19 | 13 | 7 | 9 | 162 |
| Reinsurance contracts held | 102 | 25 | 17 | 11 | 7 | 8 | 170 |

### j) Finance income and expense from insurance and reinsurance contracts

| | 2025 £m | 2024 £m |
|---|---|---|
| **Insurance finance (expense)** | | |
| Unwind discount rate on insurance claims | **(8)** | (7) |
| Effect of changes in the discount rate on insurance claims | **–** | (1) |
| **Net finance (expense) from insurance contracts** | **(8)** | (8) |
| | | |
| **Reinsurance finance income** | | |
| Unwind discount rate on reinsurance recoveries | **7** | 7 |
| Effect of changes in the discount rate on reinsurance recoveries | **–** | – |
| **Net finance income from reinsurance contracts** | **7** | 7 |

In the year to 31 January 2025 the yield curve has fallen (2024: fallen) in response to changes in interest rates. This leads to a reduction (2024: reduction) in the time value of money assumption used within the investment return calculations.

### k) Claims development

The tables below illustrate how estimates of cumulative claims for the Group have developed over time on a gross and net of reinsurance basis. Each table shows how the Group's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

| | 2018 £m | 2019 £m | 2020 £m | 2021 £m | 2022 £m | 2023 £m | 2024 £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Gross of reinsurance** | | | | | | | | |
| **Estimates of undiscounted gross cumulative claims** | | | | | | | | |
| At the end of the accident year | (57) | (90) | (85) | (132) | (167) | (184) | (208) | |
| One year later | (69) | (91) | (83) | (134) | (177) | (177) | | |
| Two years later | (58) | (93) | (81) | (133) | (178) | | | |
| Three years later | (59) | (93) | (81) | (137) | | | | |
| Four years later | (60) | (92) | (82) | | | | | |
| Five years later | (60) | (93) | | | | | | |
| Six years later | (61) | | | | | | | |
| **Cumulative gross claims paid** | 60 | 92 | 79 | 116 | 151 | 134 | 104 | 736 |
| **Gross cumulative liabilities** | **(1)** | **(1)** | **(3)** | **(21)** | **(27)** | **(43)** | **(104)** | **(200)** |
| Effect of discounting | – | – | – | – | 2 | 4 | 8 | 14 |
| Effect of the risk adjustment margin for non-financial risk | – | – | – | (1) | (1) | (2) | (5) | (9) |
| Other fulfilment cash flows – attributable exp. | – | – | – | – | – | (1) | (1) | (2) |
| **Gross liability for incurred claims** | **(1)** | **(1)** | **(3)** | **(22)** | (26) | **(42)** | **(102)** | **(197)** |

| | 2018 £m | 2019 £m | 2024 £m | 2021 £m | 2022 £m | 2023 £m | 2024 £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Net of reinsurance** | | | | | | | | |
| **Estimates of undiscounted net cumulative claims** | | | | | | | | |
| At the end of the accident year | (11) | (17) | (17) | (23) | (30) | (33) | (38) | |
| One year later | (14) | (17) | (17) | (23) | (31) | (31) | | |
| Two years later | (12) | (18) | (16) | (23) | (32) | | | |
| Three years later | (12) | (18) | (16) | (24) | | | | |
| Four years later | (12) | (18) | (16) | | | | | |
| Five years later | (12) | (17) | | | | | | |
| Six years later | (12) | | | | | | | |
| **Cumulative net claims paid** | 15 | 21 | 18 | 22 | 28 | 29 | 33 | 166 |
| **Net cumulative (liabilities)/assets** | **3** | **4** | **2** | **(2)** | **(4)** | **(2)** | **(5)** | **(4)** |
| Effect of discounting | – | – | – | – | – | 1 | 1 | 2 |
| Effect of the risk adjustment margin for non-financial risk | – | – | – | – | – | – | (1) | (1) |
| Other fulfilment cash flows – attributable exp. | – | – | – | – | – | (1) | (1) | (2) |
| **Net (liability) for incurred claims** | **3** | **4** | **2** | **(2)** | **(4)** | **(2)** | **(6)** | **(5)** |

## 19 Borrowings and loans

| | 2025 £m | 2024 £m |
|---|---|---|
| **Current liabilities** | | |
| Borrowings (see Note 20) | **109** | – |
| **Non-current liabilities** | | |
| Borrowings (see Note 20) | **1,960** | 2,238 |
| | **2,069** | 2,238 |

## 20 Borrowings

| | Expected maturity date | Interest rate | Principal £m | Issue costs £m | Amortised issue costs £m | Total as at 31 January 2025 £m | Total as at 31 January 2024 £m |
|---|---|---|---|---|---|---|---|
| Senior Term Facility 2021 | 10 March 2026 | 3.49% | 150 | (1) | 1 | **150** | 150 |
| Senior Term Facility 2023 | 10 March 2026 | 7.17% | 15 | – | – | **15** | 15 |
| Class A2 Notes | 31 July 2025 | 6.27% | – | – | – | **–** | 439 |
| Class A8 Notes | 31 July 2027 | 5.50% | 325 | (3) | 2 | **324** | 323 |
| Class A9 Notes | 31 July 2028 | 3.25% | 270 | (4) | 2 | **268** | 268 |
| Class A10 Notes | 31 July 2029 | 7.38% | 385 | (16) | 4 | **373** | 370 |
| Class A11 Notes | 31 January 2028 | 8.45% | 400 | (4) | 2 | **398** | 397 |
| Class A12 Notes | 31 July 2031 | 6.85% | 435 | (3) | – | **432** | – |
| Class B3 Notes | 31 January 2026 | 6.50% | 110 | (10) | 9 | **109** | 276 |
| | | 6.32% | 2,090 | (41) | 20 | **2,069** | 2,238 |

On 6 March 2024 the Group renewed its £200m Liquidity Facility. The facility remains undrawn.

The £150m Senior Term Facility commitments are subject to a variable interest rate of SONIA plus a Credit Adjustment Spread of 0.28% plus a margin of 2.75% per annum. The Group has an interest rate swap which fixes the variable SONIA interest rate at 0.46% through to 10 March 2026.

The additional £15m Senior Term Facility commitments were transacted with a swap that exchanges SONIA for a fixed interest rate of 4.14%, thereby fixing the incremental £15m of Senior Term Facility borrowings at 7.17% through to 10 March 2026.

At 31 January 2025 all other borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 6.32% has been calculated using the effective interest rate and principal values on 31 January 2025.

The Group's £56m Working Capital Facility, of which £46m is available for cash drawings, remains undrawn.

On 22 May 2024 the AA Limited group issued £435m of Class A12 Notes with an interest rate of 6.85% and a maturity date of 31 July 2031. On 23 May 2024, £429m of the issue proceeds were used to settle a tender offer of Class A2 Notes. The remaining £6m of A12 proceeds were held in a Mandatory Prepayment Account.

On 31 July 2024 the outstanding £10m of A2 Notes were redeemed using the £6m of A12 proceeds in the Mandatory Prepayment Account and existing cash held.

On 31 July 2024 the Group redeemed £155m of Class B3 Notes at a redemption price of 101.625% using cash received as part of the Stonepeak investment into The AA.

On 25 October 2024 the Group redeemed a further £15m of Class B3 Notes at a redemption price of 101.625% using existing cash held.

In order to show the Group net borrowings, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings. Interest rate swaps are recognised in the statement of financial position at fair value at the year end.

All of the Class A Notes are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co Limited group's assets ranks ahead of the Class B3 Notes. The Class B3 Notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. AA Mid Co Limited can only pay a dividend when certain Net Debt to Debt Covenant EBITDA and cash flow criteria are met.

Any voluntary early repayments of the Class A Notes would incur a make-whole payment of all interest due to the expected maturity date, although most classes of notes can be settled without penalty within a period before the expected maturity date. For the Class A8 Notes, Class A9 Notes, Class A10 Notes and Class A12 Notes this period is 6 months. For the Class A11 Notes this period is 3 months. There is no premium to pay on any redemption of the Class B3 Notes.

All of the Group loan notes are listed on the Irish Stock Exchange plc, trading as Euronext Dublin.

In order to comply with the requirements of the Class A Notes, the Group is required to maintain the Class A free cash flow to debt service ratio in excess of 1.35x. Below this ratio the Group is restricted from making payments against other debt types or from moving cash out of the AA Intermediate Co Limited group via dividend. A default event would not occur unless the ratio fell below 1.10x, at which point the Class A Notes would become immediately due and payable.

The actual Class A free cash flow to debt service ratio as at 31 January 2025 was 2.7x (2024: 2.7x) and management are satisfied that the risk of a default event occurring is remote.

The Class A Notes only permit the release of cash from the AA Intermediate Co Limited group of companies providing the Senior Leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The actual Senior Leverage ratio as at 31 January 2025 was 5.3x (2024: 5.7x). The Class B3 Notes impose additional restrictions on certain payments and dividend flows.

## 20 Borrowings continued

On 22 May 2024, S&P Global Ratings upgraded the credit rating of the Group's Class A Notes from BBB- to BBB and reaffirmed the Class B3 Notes at B+.

The movement in debt in the year was as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| **At 1 February** | **2,238** | 2,309 |
| Proceeds from borrowings | **435** | 537 |
| Repayment of borrowings | **(609)** | (604) |
| Debt issue fees capitalised | **(3)** | (5) |
| Amortisation of debt issue fees | **8** | 8 |
| Gain on below par redemption | **–** | (7) |
| **At 31 January** | **2,069** | 2,238 |

## 21 Derivative financial instruments

| | 2025 £m | 2024 £m |
|---|---|---|
| **Non-current assets** | | |
| Interest rate swap | **6** | 11 |
| **Non-current liabilities** | | |
| Forward fuel contracts | **(1)** | (1) |
| | **5** | 10 |

The forward fuel contracts are shown and settled on a net basis. On a gross basis, the asset is £nil (2024: £nil) and the liability is £1m (2024: £1m).

In the current year, the net position of the forward fuel contracts is a liability of £1m (2024: £1m).

## 22 Provisions

| | Property leases £m | Onerous contract £m | Self-funded insurance liabilities £m | Other £m | Total £m |
|---|---|---|---|---|---|
| At 1 February 2023 | 3 | – | 6 | 2 | 11 |
| Utilised during the year | – | – | (7) | – | (7) |
| Income Statement charge for the year | – | – | 6 | 1 | 7 |
| Addition to right-of-use assets | 1 | – | – | – | 1 |
| **At 31 January 2024** | 4 | – | 5 | 3 | 12 |
| Utilised during the year | **–** | **–** | **(8)** | **(1)** | **(9)** |
| Reclassification[1] | **2** | **–** | **–** | **–** | **2** |
| Income Statement charge for the year | **–** | **6** | **10** | **1** | **17** |
| Addition to right-of-use assets | **1** | **–** | **–** | **1** | **2** |
| **At 31 January 2025** | **7** | **6** | **7** | **4** | **24** |
| Current | **1** | **1** | **2** | **3** | **7** |
| Non-current | **6** | **5** | **5** | **1** | **17** |
| **At 31 January 2025** | **7** | **6** | **7** | **4** | **24** |
| Current | – | – | 3 | 2 | 5 |
| Non-current | 4 | – | 2 | 1 | 7 |
| **At 31 January 2024** | 4 | – | 5 | 3 | 12 |

[1] Reclassification of property lease provision recognised in accruals in prior year.

The property leases provision primarily relates to asset retirement obligations. These sums are mainly expected to be paid out over the next 5 years; however, it will take 15 years to fully pay out all amounts provided for. The provision has been calculated at a risk-free rate.

The onerous contract provision relates to a specific B2B contract, for which a provision of £6m has been recognised in the year. The provision will be released over the remaining four years of the contract life.

The self-funded insurance liabilities relates to where the Group provides for the cost of certain claims made against it, for example motor vehicle accident damage and employer liability claims. These sums are mainly expected to be paid out over the next 5 years; however, it can take up to 30 years for employer liability claims to pay out in full.

Other provisions include a £3m provision (2024: £2m) in relation to a warranty for vehicle part replacements and £1m (2024: £1m) relating to vehicle end of life provisions.

From time to time the Group is subject to claims and potential litigation. At the time of these financial statements, the Directors do not consider any such claims and litigation to have anything other than a remote risk of resulting in any material liability to the Group.

## 23 Share Capital

| | 2025 £m | 2024 £m |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 4,072,341,179 (2024: 4,072,341,178) ordinary shares of £0.001 each | 4 | 4 |
| | 4 | 4 |

The voting rights of the holders of all ordinary shares are the same and all ordinary shares rank pari passu on a winding up.

During the period one ordinary share of £1 was issued at a premium of £167m.

Other share types issued were as follows:

| | 2025 £000 | 2024 £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 60,000,000 (2024: 60,000,000) deferred shares of £0.001 each | 60 | 60 |
| | 60 | 60 |

The deferred shares have no voting rights and are held in trust (see Note 30).

## 24 Defined benefit pension scheme net liabilities

The Group operates two funded defined benefit pension schemes: the AA UK Pension Scheme ('AAUK') and the AA Ireland Pension Scheme ('AAI'). The assets of the schemes are held separately from those of the Group in independently administered funds. The AAUK scheme has a closed final salary section and a Career Average Revalued Earnings ('CARE') section which itself was closed on 31 March 2020 following consultation with affected employees. All pensions build-up since 1 April 2020 in the UK is on a defined contribution basis. During the 2017 financial year and following the sale of the Irish business by the Group, AA Corporation Limited, a UK subsidiary of the Group, became the sponsor of the AAI scheme. The Group also operates an unfunded post-retirement Private Medical Plan ('AAPMP'), which is treated as a defined benefit scheme and is not open to new entrants.

The AAUK scheme is governed by a corporate trustee whose board is currently composed of member-nominated and Company-nominated directors. The AAI scheme is governed by a corporate trustee whose board is currently composed of Company-nominated directors of which some are also members of the scheme. For both pension schemes the Company-nominated directors include an independent director whom the trustee board directors have nominated as Chairman. The Trustee of each scheme is responsible for paying members' benefits and for investing scheme assets, which are legally separate from the Group.

The AAUK and AAI schemes are subject to full actuarial valuations every three years using assumptions agreed between the trustee of each scheme and the Group. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient assets available to meet the future payment of benefits to scheme members.

The valuation of liabilities for funding purposes differs from the valuation for accounting purposes, mainly due to the different assumptions used and changes in market conditions between different valuation dates. For funding valuation purposes, the assumptions used to value the liabilities are agreed between the trustee and the Group with the discount rate, for example, being based on a bond yield plus a margin based on the assumed rate of return on scheme assets.

For accounting valuation purposes, the assumptions used to value the liabilities are determined in accordance with IAS 19, with the discount rate, for example, being based on high-quality (AA rated) corporate bonds.

The valuations have been based on a full assessment of the liabilities of the schemes which have been updated where appropriate to 31 January 2025 by independent qualified actuaries.

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

| | As at 31 January 2025 | | | |
|---|---|---|---|---|
| | AAUK £m | AAI £m | AAPMP £m | Total £m |
| Present value of the defined benefit obligation in respect of pension plans | (1,504) | (33) | (14) | (1,551) |
| Fair value of plan assets | 1,393 | 38 | – | 1,431 |
| **(Deficit)/surplus** | (111) | 5 | (14) | (120) |

| | As at 31 January 2024 | | | |
|---|---|---|---|---|
| | AAUK £m | AAI £m | AAPMP £m | Total £m |
| Present value of the defined benefit obligation in respect of pension plans | (1,588) | (36) | (22) | (1,646) |
| Fair value of plan assets | 1,445 | 42 | – | 1,487 |
| **(Deficit)/surplus** | (143) | 6 | (22) | (159) |

The AAUK pension scheme was in deficit as at 31 January 2025. The movement since 31 January 2024 was mainly due to a decrease in the defined benefit obligation due to an improvement in financial conditions, changes to the latest mortality assumptions and change in commutation factors during the period, partially offset by falls in hedging assets designed to move in line with movements in liabilities.

In February 2023, the actuarial triennial review for the AAUK scheme was completed as at 31 March 2022. This resulted in a significant reduction to the technical provisions deficit of around 60% from £131m as at 31 March 2019 to £53m. The Asset-Backed Funding mechanism, which provides a long-term deficit reduction plan, and additional contribution schedule remain in place from the 2019 valuation. Under the asset-back funding scheme, the Group makes an annual deficit reduction contribution of £17m increasing annually with inflation, until October 2038 or until the AAUK scheme funding deficit is removed if earlier, secured on the Group's brands. Under the additional contribution schedule (i.e., contributions in excess of the Asset-Backed Funding mechanism) the Group pays £12m per annum until July 2025. The trustee meets its own costs of running the AAUK scheme.

### *24 Defined benefit pension scheme net liabilities continued*

The next triennial actuarial valuation for the AAUK scheme will be carried out as at 31 March 2025 (the '2025 Valuation'). The AA and the AAUK Pension Trustee have until 30 June 2026 to agree the 2025 Valuation and any recovery plan to pay off any funding deficit identified. The 2025 Valuation could vary from the 2022 Valuation meaning the payments required into the AAUK scheme under any recovery plan could increase or decrease from those agreed for the 2022 Valuation.

Markets still have the potential to be volatile following the reporting date. The Group is exposed to various risks in connection with the funding of the pension commitments under the AAUK scheme (our principal defined benefit plan), the AAI scheme and the post-retirement medical scheme, which could have a material adverse effect on our business, prospects, financial condition and results of operations. Whilst the ongoing volatility from accrual costs has been removed, future volatility of deficit costs does remain.

The assets of the AAUK scheme are invested in various investment vehicles which are susceptible to market volatility, interest rate risk and other market risks, any of which could result in decreased asset value and a significant increase in the net pension obligations.

Using an inflation assumption of 3.3% and a discount rate assumption of 5.3%, the present value of the future deficit reduction contributions has been calculated. These contributions remain due until such a time as another recovery plan is put in place, whether or not an IAS 19 surplus position is shown.

The Group notes that, in the event a surplus is shown, it would have an unconditional right to a refund of the surplus assuming the gradual settlement of AAUK scheme liabilities over time until all members have left the scheme.

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

In total, the Group paid £29m (2024: £30m) in deficit reduction employer contributions to its defined benefit plans (AAUK and AAI) in the year ending 31 January 2025. The Group recognised a charge in the consolidated income statement of £27m in respect of defined contribution pension scheme costs in the year (2024: £27m).

In July 2024, the Group completed a full accounting valuation of the AAPMP with a valuation date of 31 January 2024. This updated the previous full accounting valuation of the AAPMP that was performed as at 31 January 2021 and was projected forward to relevant reporting dates.

The 31 January 2024 full accounting valuation of the AAPMP revealed a reduction in reported deficit as a result of the actual level of medical premium inflation experienced being lower than that assumed over the period between full valuations and the impact of the latest longevity expectations.

### Total Group schemes

| | Assets £m | Liabilities £m | Consolidated income statement £m | Other comprehensive income £m |
|---|---|---|---|---|
| Balance at 1 February 2023 | 1,621 | (1,790) | – | – |
| Administrative expenses | (6) | – | (6) | – |
| Interest on defined benefit scheme assets/(liabilities) | 71 | (78) | (7) | – |
| Amounts recognised in the consolidated income statement | 65 | (78) | (13) | – |
| Effect of changes in financial assumptions | – | 109 | – | 109 |
| Effect of changes in demographic assumptions | – | 61 | – | 61 |
| Effect of experience adjustment | – | (19) | – | (19) |
| Return on plan assets excluding interest income | (159) | – | – | (159) |
| Amounts recognised in the statement of comprehensive income | (159) | 151 | – | (8) |
| Foreign exchange gain/(loss) | (1) | 1 | – | – |
| Benefits paid from scheme assets | (70) | 70 | – | – |
| Ongoing employer contributions | 1 | – | – | – |
| Deficit reduction employer contributions | 30 | – | – | – |
| Movements through cash | (39) | 70 | – | – |
| **Balance at 31 January 2024** | 1,487 | (1,646) | – | – |
| Administrative expenses | **(6)** | **–** | **(6)** | **–** |
| Interest on defined benefit scheme assets/(liabilities) | **71** | **(78)** | **(7)** | **–** |
| **Amounts recognised in the consolidated income statement** | **65** | **(78)** | **(13)** | **–** |
| Effect of changes in financial assumptions | **–** | **74** | **–** | **74** |
| Effect of changes in demographic assumptions | **–** | **8** | **–** | **8** |
| Effect of experience adjustment | **–** | **9** | **–** | **9** |
| Return on plan assets excluding interest income | **(68)** | **–** | **–** | **(68)** |
| **Amounts recognised in the statement of comprehensive income** | **(68)** | **91** | **–** | **23** |
| **Foreign exchange (loss)/gain** | **(1)** | **1** | **–** | **–** |
| Benefits paid from scheme assets | **(81)** | **81** | **–** | **–** |
| Ongoing employer contributions | **–** | **–** | **–** | **–** |
| Deficit reduction employer contributions | **29** | **–** | **–** | **–** |
| **Movements through cash** | **(52)** | **81** | **–** | **–** |
| **Balance at 31 January 2025** | **1,431** | **(1,551)** | **–** | **–** |

## *24 Defined benefit pension scheme net liabilities continued*

### AAUK scheme

| | Assets £m | Liabilities £m | Consolidated income statement £m | Other comprehensive income £m |
|---|---|---|---|---|
| Balance at 1 February 2023 | 1,579 | (1,730) | – | – |
| Administrative expenses | (6) | – | (6) | – |
| Interest on defined benefit scheme assets/(liabilities) | 70 | (76) | (6) | – |
| Amounts recognised in the consolidated income statement | 64 | (76) | (12) | – |
| Effect of changes in financial assumptions | – | 108 | – | 108 |
| Effect of changes in demographic assumptions | – | 61 | – | 61 |
| Effect of experience adjustment | – | (18) | – | (18) |
| Return on plan assets excluding interest income | (159) | – | – | (159) |
| Amounts recognised in the statement of comprehensive income | (159) | 151 | – | (8) |
| Benefits paid from scheme assets | (67) | 67 | – | – |
| Deficit reduction employer contributions | 28 | – | – | – |
| Movements through cash | (39) | 67 | – | – |
| **Balance at 31 January 2024** | 1,445 | (1,588) | – | – |
| Administrative expenses | **(6)** | **–** | **(6)** | **–** |
| Interest on defined benefit scheme assets/(liabilities) | **69** | **(76)** | **(7)** | **–** |
| **Amounts recognised in the consolidated income statement** | **63** | **(76)** | **(13)** | **–** |
| Effect of changes in financial assumptions | **–** | **73** | **–** | **73** |
| Effect of changes in demographic assumptions | **–** | **10** | **–** | **10** |
| Effect of experience adjustment | **–** | **(1)** | **–** | **(1)** |
| Return on plan assets excluding interest income | **(66)** | **–** | **–** | **(66)** |
| **Amounts recognised in the statement of comprehensive income** | **(66)** | **82** | **–** | **16** |
| Benefits paid from scheme assets | **(78)** | **78** | **–** | **–** |
| Deficit reduction employer contributions | **29** | **–** | **–** | **–** |
| **Movements through cash** | **(49)** | **78** | **–** | **–** |
| **Balance at 31 January 2025** | **1,393** | **(1,504)** | **–** | **–** |

### AAI scheme

| | Assets £m | Liabilities £m | Consolidated income statement £m | Other comprehensive income £m |
|---|---|---|---|---|
| Balance at 1 February 2023 | 42 | (36) | – | – |
| Interest on defined benefit scheme assets/(liabilities) | 1 | (1) | – | – |
| Amounts recognised in the consolidated income statement | 1 | (1) | – | – |
| Effect of changes in financial assumptions | – | (1) | – | (1) |
| Return on plan assets excluding interest income | – | (1) | – | (1) |
| Amounts recognised in the statement of comprehensive income | – | (2) | – | (2) |
| Foreign exchange gain/(loss) | (1) | 1 | – | – |
| Benefits paid from scheme assets | (2) | 2 | – | – |
| Deficit reduction employer contributions | 2 | – | – | – |
| Movements through cash | – | 2 | – | – |
| **Balance at 31 January 2024** | 42 | (36) | – | – |
| Interest on defined benefit scheme assets/(liabilities) | **2** | **(2)** | **–** | **–** |
| **Amounts recognised in the consolidated income statement** | **2** | **(2)** | **–** | **–** |
| Effect of changes in financial assumptions | **–** | **1** | **–** | **1** |
| Return on plan assets excluding interest income | **(2)** | **–** | **–** | **(2)** |
| **Amounts recognised in the statement of comprehensive income** | **(2)** | **1** | **–** | **(1)** |
| **Foreign exchange (loss)/gain** | **(1)** | **1** | **–** | **–** |
| Benefits paid from scheme assets | **(3)** | **3** | **–** | **–** |
| **Movements through cash** | **(3)** | **3** | **–** | **–** |
| **Balance at 31 January 2025** | **38** | **(33)** | **–** | **–** |

## *24 Defined benefit pension scheme net liabilities continued*

### AAPMP scheme

| | Assets £m | Liabilities £m | Consolidated income statement £m | Other comprehensive income £m |
|---|---|---|---|---|
| Balance at 1 February 2023 | – | (24) | – | – |
| Interest on defined benefit scheme liabilities | – | (1) | (1) | – |
| Amounts recognised in the consolidated income statement | – | (1) | (1) | – |
| Effect of changes in financial assumptions | – | 1 | – | 1 |
| Effect of changes in demographic assumptions | – | 1 | – | 1 |
| Amounts recognised in the statement of comprehensive income | – | 2 | – | 2 |
| Benefits paid from scheme assets | (1) | 1 | – | – |
| Ongoing employer contributions | 1 | – | – | – |
| Movements through cash | – | 1 | – | – |
| **Balance at 31 January 2024** | – | (22) | – | – |
| Effect of experience adjustment | **–** | **10** | **–** | **10** |
| Effect of changes in demographic assumptions | **–** | **(2)** | **–** | **(2)** |
| **Amounts recognised in the statement of comprehensive income** | **–** | **8** | **–** | **8** |
| **Balance at 31 January 2025** | **–** | **(14)** | **–** | **–** |

### Fair value of plan assets

The tables below show the AAUK and AAI scheme assets split between those that have a quoted market price and those that are unquoted.

The fair value of the AAUK scheme assets and the return on those assets were as follows:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | **Assets with a quoted market price £m** | **Assets without a quoted market price £m** | Assets with a quoted market price £m | Assets without a quoted market price £m |
| Equities | **–** | **186** | – | 97 |
| Bonds/gilts | **58** | **565** | 69 | 593 |
| Property | **–** | **84** | – | 169 |
| Hedge funds | **–** | **15** | – | 3 |
| Private equity | **–** | **140** | – | 135 |
| Cash/net current assets | **7** | **13** | 11 | 22 |
| Annuity policies | **–** | **325** | – | 346 |
| **Total AAUK scheme assets** | **65** | **1,328** | 80 | 1,365 |
| **Return on AAUK plan assets (excluding admin expenses)** | **3** | | (89) | |

The above table displays the quoted and unquoted splits of the underlying investments.

The AAUK scheme assets are largely invested in pooled funds, with the market values provided by the scheme's custodian, Barnett Waddingham. Some of the pooled funds themselves are not listed on any publicly traded exchange and are therefore described as unquoted except where we are aware of a specific look-through to allow part of the assets within the fund to be described as quoted.

Of the £1,328m (2024: £1,365m) assets without a quoted market price at 31 January 2025, £325m (2024: £346m) is in relation to the buy-in policies held by the scheme. Under IAS 19, the fair value of the insurance policies is deemed to be the present value of the related defined benefit obligations. Hence a key area of judgement is the assumptions used to derive the value of the corresponding obligations.

Approximately £8m (2024: £15m) of unquoted assets allocated to private equity and £9m (2024: £10m) of unquoted assets allocated to property have been measured at amortised cost rather than fair value.

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

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | **Assets with a quoted market price £m** | **Assets without a quoted market price £m** | Assets with a quoted market price £m | Assets without a quoted market price £m |
| Equities | **2** | **–** | 2 | – |
| Bonds/gilts | **29** | **–** | 30 | – |
| Property | **–** | **3** | – | 7 |
| Hedge funds | **2** | **–** | 2 | – |
| Cash/net current assets | **2** | **–** | 1 | – |
| **Total AAI scheme assets** | **35** | **3** | 35 | 7 |
| **Return on AAI plan assets (excluding admin expenses)** | **–** | | 1 | |

### Investment strategy

The AAUK scheme trustee determines its investment strategy after taking advice from a professional investment adviser. The AAUK scheme's investment strategy has been set following an asset/liability review which considered a wide range of investment opportunities available to the scheme and how they might perform in combination. Other factors were also taken into account such as the strength of the employer covenant, the long-term nature of the liabilities and the funding plan agreed with the employer.

The AAUK scheme trustee aims to achieve the scheme's investment objectives through investing in a diversified portfolio of growth assets which, over the long term, are expected to grow in value by more than low-risk assets like cash and gilts. This is done within a broad liability driven investing framework that also uses such cash and gilts in a capital efficient way. In combination, this efficiently captures the trustee risk tolerances and return objectives relative to the scheme's liabilities. A number of investment managers are appointed to promote diversification by assets, organisation and investment style.

To diversify sources of return and risk, the AAUK scheme invests in many asset classes and strategies, including equities, bonds and property funds which primarily rely on the upward direction of the underlying markets for returns, and also hedge funds which also invest in asset classes like equities, bonds and currencies, but in such a way that relies more on the skill of the investment manager to add returns while hedging against downward market moves.

The AAUK scheme trustee's investment advisers carry out detailed ongoing due diligence on funds in all asset classes from both operational and investment capability standpoints, and any funds which are not expected to achieve their investment performance targets are replaced where possible.

## 24 Defined benefit pension scheme net liabilities *continued*

### Pension plan assumptions

The principal actuarial balance sheet assumptions were as follows:

| | AAUK | | AAI | | AAPMP | |
|---|---|---|---|---|---|---|
| | 2025 % | 2024 % | 2025 % | 2024 % | 2025 % | 2024 % |
| Pensioner discount rate | **5.3** | 4.8 | **3.2** | 3.3 | **5.3** | 4.8 |
| Non-pensioner discount rate | **5.5** | 5.0 | **3.6** | 3.4 | **5.3** | 4.8 |
| Pensioner RPI | **3.3** | 3.2 | **–** | – | **3.3** | 3.2 |
| Non-pensioner RPI | **3.1** | 3.0 | **–** | – | **3.3** | 3.2 |
| Pensioner CPI | **2.7** | 2.4 | **2.1** | 2.1 | **2.7** | 2.4 |
| Non-pensioner CPI | **2.5** | 2.3 | **2.1** | 2.1 | **2.7** | 2.4 |
| Rate of increase of pensions in payment (final salary sections) – pensioner | **3.1** | 3.0 | **–** | – | **–** | – |
| Rate of increase of pensions in payment (final salary sections) – non-pensioner | **3.0** | 2.9 | **–** | – | **–** | – |
| Rate of increase of pensions in payment (CARE section) – pensioner | **1.9** | 1.8 | **–** | – | **–** | – |
| Rate of increase of pensions in payment (CARE section) – non-pensioner | **1.8** | 1.7 | **–** | – | **–** | – |
| Pension increase for deferred benefits | **2.5** | 2.3 | **2.1** | 2.1 | **–** | – |
| Medical premium inflation rate | **–** | – | **–** | – | **7.3** | 7.2 |

Mortality assumptions are set using standard tables based on scheme-specific experience where available and an allowance for future improvements. For January 2025, the assumptions used for the AAUK Scheme were in line with the SAPS (S3) series mortality tables with scheme-specific adjustments and for the AAPMP were in line with the SAPS (S4) series mortality tables for males and SAPS Light (S4_L) series mortality tables for females (January 2024 – both used SAPS (S3) series with scheme-specific adjustments). Future improvements were set in line with the CMI_2023 model with a 1.00% long-term rate of improvement and experience weightings of 0% for 2020 and 2021 and 100% for 2022 and 2023 (January 2024 – CMI_2022 model with a 1.00% long-term rate of improvement and experience weightings of 10% above the core model). The AAI scheme mortality assumptions are set using standard tables with scheme-specific adjustments.

The AA schemes' overall assumptions are that a non-pensioner male retiring in normal health currently aged 60 will live on average for a further 24 years (2024: 24 years) and a non-pensioner female retiring in normal health currently aged 60 will live on average for a further 27 years (2024: 27 years).

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit liability by the amounts shown below:

| | For the year ended 31 January 2025 | | | For the year ended 31 January 2024 | | |
|---|---|---|---|---|---|---|
| | AAUK £m | AAI £m | AAPMP £m | AAUK £m | AAI £m | AAPMP £m |
| Increase of 1% in discount rate | **174** | **5** | **1** | 201 | 5 | 2 |
| Increase of 1% in RPI and CPI | **(141)** | **(2)** | **–** | (169) | (2) | – |
| Increase of 1% in CPI only | **(49)** | **(2)** | **–** | (65) | (2) | – |
| Increase of 1% in medical claims inflation | **–** | **–** | **(2)** | – | – | (2) |
| Increase of one year of life expectancy | **(45)** | **(1)** | **(2)** | (49) | (1) | (2) |

An equivalent decrease in the assumptions at 31 January 2025 would have had a broadly equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The amounts shown above are the effects of changing the assumptions on the gross defined benefit liability, rather than on the net deficit. The de-risked investment strategy, the two insured annuity policies and high levels of hedging reduce the sensitivities of changing these assumptions on the net deficit considerably.

The weighted average duration of the defined benefit obligation at 31 January 2025 is around 14 years.

### Pension scheme risks

The AAUK and AAI schemes have exposure to a number of risks because of the investments they make in following their investment strategy. Investment objectives and risk limits are implemented through the investment management agreements in place with the schemes' investment managers and monitored by the trustees of each scheme through regular reviews of the investment portfolios. In addition, under guidance from their investment advisers, the trustees of each scheme monitor estimates of key risks on an ongoing basis such as those shown below. A number of measures are taken to mitigate these risks where possible.

*Credit risk*

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This risk mainly relates to the schemes' bonds and is mitigated by carrying out due diligence and investing only in bond funds which are well diversified in terms of credit instrument, region, credit rating and issuer of the underlying bond assets. To reduce risk further, the underlying bond assets within a fund are ring-fenced, and the scheme diversifies across a number of bond funds.

*Currency risk*

The scheme is subject to currency risk because some of the scheme's investments are in overseas markets. The trustee hedges some of this currency risk by investing in investment funds which hold currency derivatives to protect against adverse fluctuations in the relative value of its portfolio positions as a result of changes in currency exchange rates.

## 24 Defined benefit pension scheme net liabilities *continued*

**Pension scheme risks** continued

*Market price risk*

This is the risk that the fair value or future cash flows of a financial asset such as equities will fluctuate because of changes in market prices (other than those arising from interest rate, inflation or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and investment managers.

*Financial derivatives risk*

The AAUK scheme does not directly hold any financial derivatives but instead invests in investment funds which hold the derivatives required to hedge the scheme's interest rate, inflation and currency risks. The scheme also permits some of the investment managers to use derivative instruments if these are being used to contribute to a reduction of risks or facilitate efficient portfolio management of their funds. The main risks associated with financial derivatives include: losses may exceed the initial margin; counterparty risk where the other party defaults on the contract; and liquidity risk where it may be difficult to close out a contract prior to expiry. These risks are managed by monitoring of investment managers to ensure that they use reasonable levels of market exposure relative to initial margin and positions are fully collateralised on a daily basis with secure cash or gilts collateral.

*Liquidity risk*

Alongside contributions received from the Group, the AAUK scheme's investments need to generate sufficient cash inflow to meet member benefits as they fall due. In addition, the AAUK scheme should also maintain enough liquid financial resources to support the financial derivatives used in, for example, the hedging strategy via the liability driven investment ('LDI') mandate. Holding insufficient liquid resources could risk the AAUK scheme being unable to realise investments at their expected value in a timely manner, which could lead to reductions in the funding position or a reduction in the level of hedging in place.

The AAUK scheme aims to hedge the majority of both the interest rate risk and inflation risk (of the non-insured liabilities on the scheme-specific self-sufficiency measure) as part of a policy to reduce financial risks. As at 31 January 2025, the scheme had hedged around 80% of interest rate and inflation risk (of the non-insured liabilities on the scheme-specific self-sufficiency measure).

Hedging levels fluctuate regularly as market conditions evolve and the scheme trustees, along with their advisers, closely monitor these fluctuations. Where changes are needed to the level of hedging, the scheme trustees effect this, in consultation with the Group, with consideration to prevailing pricing and risk appetite.

**Bulk annuity policies**

The AAUK scheme holds two bulk annuity policies with a total fair value of £325m as at 31 January 2025 (2024: £346m). The bulk annuity policy purchased in August 2018 insured all the benefits payable under the scheme in respect of 2,510 pensioner and dependant members, while the bulk annuity policy purchased in September 2019 insured all the benefits payable under the scheme in respect of a further 1,790 pensioner and dependant members.

The Trustee has invested in such policies as the scheme will see all financial and demographic risks exactly matched for the covered members. The annuity policies were purchased in the name of the trustee and therefore remain assets of the AAUK scheme. Under IAS 19, these policies are considered to be qualifying insurance policies which exactly match the amount and timing of certain benefits payable under the scheme. The fair value of the insurance policies is therefore deemed to be the present value of the related defined benefit obligations.

The bulk annuity policies mean that the AAUK scheme has hedged the associated longevity risks on c.20% of the scheme's IAS 19 liabilities. While risks remain, the hedging strategy noted above, including the bulk annuity purchases, is important in controlling the Group's exposure to future increases in the deficit.

**Virgin Media/NtL judgment**

In June 2023, the High Court judged that amendments made to the Virgin Media scheme were invalid because the scheme's actuary did not provide the associated s37 certificate necessary. In July 2024, the Court of Appeal upheld the June 2023 decision and no further appeal has been sought through the Supreme Court. The judgement could impact the AA UK Scheme as it was contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016.

The Association of Consulting Actuaries, Association of Pension Lawyers and the Society of Pension Professionals issued a joint statement in December 2024, confirming that an industry working group has been providing information to help the Department for Work and Pensions understand the "adverse impact" of this ruling and to request intervention from the Secretary of State to implement regulations that would enable the retrospective validation of amendments. In addition, the upcoming Pensions Trust case will examine further issues concerning the Virgin Media judgement.

Investigations have been carried out by the AAUK scheme Trustee in relation to the deeds amending the scheme in the period affected by the judgement. Based on the results of this investigation, and in light of the ongoing industry debate, management have concluded that the possibility of additional provisioning being required under IAS 19 is currently remote. Management and the scheme Trustees will continue to monitor developments in the matter.

## 25 Financial assets and financial liabilities

The carrying amounts of all financial assets and financial liabilities by class are as follows:

### Financial assets

| | 2025 £m | 2024 £m |
|---|---|---|
| **Financial assets at fair value through other comprehensive income** | | |
| Derivative financial instruments (see Note 21) | **6** | 11 |
| **Financial assets at fair value through profit and loss** | | |
| Shares and other variable-yield securities and units in unit trusts – at fair value (see Note 14) | **13** | 11 |
| **Financial assets at amortised cost** | | |
| Loans to related parties (see Note 29) | **–** | 1 |
| Cash and cash equivalents (see Note 16) | **222** | 164 |
| Trade receivables (see Note 15) | **159** | 130 |
| Reinsurance contract assets (see Note 18) | **218** | 194 |
| Contract assets and other receivables (see Note 15) | **30** | 43 |
| Other receivables – non-current (see Note 15) | **1** | 1 |
| **Total financial assets** | **649** | 555 |

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

### Financial liabilities

| | 2025 £m | 2024 £m |
|---|---|---|
| **Financial liabilities at fair value through other comprehensive income** | | |
| Derivative financial instruments (see Note 21) | **1** | 1 |
| **Financial liabilities at amortised cost** | | |
| Trade payables (see Note 17) | **157** | 151 |
| Other payables and accruals (see Note 17) | **117** | 109 |
| Borrowings (see Note 19) | **2,069** | 2,238 |
| Lease liabilities (see Note 27) | **108** | 74 |
| Insurance contract liabilities (see Note 18) | **365** | 342 |
| **Total financial liabilities** | **2,817** | 2,915 |

### Fair values

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and market observable inputs used in valuation techniques include interest rates.

The objective of using valuation techniques is to arrive at a fair value that reflects the price of the financial instrument at each year end at which the asset or liability would have been exchanged by market participants acting at arm's length.

Observable inputs are those that have been seen either from counterparties or from market pricing sources and are publicly available. The use of these depends upon the liquidity of the relevant market. When measuring the fair value of an asset or a liability, the Group uses observable inputs as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation as follows:

- **Level 1** – Quoted market prices in an actively traded market for identical assets or liabilities. These are the most reliable.
- **Level 2** – Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. The models incorporate various inputs including interest rate curves and forward rate curves of the underlying instrument.
- **Level 3** – Inputs for assets or liabilities that are not based on observable market data.

If the inputs used to measure the fair values of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level as the lowest input that is significant to the entire measurements.

The fair values are periodically reviewed by the Group Treasury function. The following tables provide the quantitative fair value hierarchy of the Group's fuel and interest rate swaps, loan notes and financial investments.

The carrying values of all other financial assets and liabilities (including the Senior Term Facility) are approximate to their fair values.

## 25 Financial assets and financial liabilities continued

**Fair values** continued

**At 31 January 2025:**

| | Carrying value £m | Fair value measurement using: Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Interest rate swap derivatives (Note 21) | 6 | 6 | – | – |
| Shares and other variable-yield securities and units in unit trusts – at fair value (Note 14) | 13 | 13 | – | – |
| **Liabilities for which fair values are disclosed** | | | | |
| Loan notes (Note 20) | 1,904 | 1,960 | – | – |
| Forward fuel contracts (Note 21) | 1 | 1 | – | – |

Loan notes in the above is total borrowings excluding Senior Term Facilities

**At 31 January 2024:**

| | Carrying value £m | Fair value measurement using Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Interest rate swap derivatives (Note 21) | 11 | 11 | – | – |
| Shares and other variable-yield securities and units in unit trusts – at fair value (Note 14) | 11 | 11 | – | – |
| **Liabilities for which fair values are disclosed** | | | | |
| Loan notes (Note 20) | 2,073 | 2,085 | – | – |
| Forward fuel contracts (Note 21) | 1 | 1 | – | – |

There have been no transfers between the levels and no non-recurring fair value measurements of assets and liabilities during the two years to 31 January 2025.

## 26 Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings as well as insurance contract liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include deposits with financial institutions, money market funds, insurance contract assets and trade receivables.

The Group is exposed to market risk, credit risk, liquidity risk and insurance risk. The Group's senior management oversees the management of these risks, supported by the Group Treasury function. The Group Treasury function ensures that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group Treasury function. It is the Group's policy not to trade in derivatives for speculative purposes.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices set by the market. The key market risk that the Group is exposed to is future interest rate rises with respect to borrowings. The Group has policies and limits approved by the Board for managing the interest rate risk exposure. The Group's policy is to fully hedge all of its exposure to variable interest rates. The Group therefore takes out interest rate swaps to the value of its variable rate instruments.

The Group seeks to manage the impact of variable fuel prices through managing its procurement contracts with suppliers and by hedging the indexed element of diesel costs using Contracts for Difference. The Group has currently hedged 100% of forecast diesel usage for the year ended 31 January 2026 and c.50% of forecast usage for the year ended 31 January 2027. The only manner in which ineffectiveness will arise in this hedge is if the roadside operations use less than the notional amount of fuel that has been hedged against.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | – | 1 |
| Financial liabilities | (2,012) | (2,147) |
| **Net exposure to fixed rate instruments** | (2,012) | (2,146) |
| **Variable rate instruments** | | |
| Financial assets | 13 | 11 |
| Financial liabilities | (165) | (165) |
| **Net exposure to variable rate instruments** | (152) | (154) |

### Sensitivity of fixed-rate instruments

The Group does not account for any fixed-rate financial assets and financial liabilities at fair value through profit or loss and does not use derivative instruments in fair value hedges. Consequently, having regard to fixed rate instruments, a change in market interest rates at the reporting date would not affect profit or loss.

### Sensitivity of variable rate instruments

An increase of 50 basis points in interest rates at 31 January 2025 would have increased equity by £nil (2024: £nil) and would have had no impact on profit or cash because the variable rate on the Senior Term Facility is hedged by an interest rate swap.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its financial assets, outstanding derivatives and trade and other receivables. The Group assesses its counterparty exposure in relation to the investment of surplus cash and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty, in accordance with approved treasury policies.

## 26 Financial risk management objectives and policies continued

**Credit risk** continued

The credit risk for the Group is limited as payment from customers is generally required before services are provided.

Credit risk in relation to deposits and derivative counterparties is managed by the Group Treasury function in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to mitigate financial loss through any potential counterparty failure.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at each reporting date is the carrying amount except for derivative financial instruments. The Group's maximum exposure for financial derivative instruments is noted under liquidity risk.

The ageing analysis of net trade receivables is as follows:

| | Total £m | Current £m | < 30 days £m | 30 - 60 days £m | 60+ days £m |
|---|---|---|---|---|---|
| **2025** | **159** | **117** | **12** | **5** | **25** |
| 2024 | 130 | 98 | 7 | 4 | 21 |

The ageing analysis of gross trade receivables is as follows:

| | Total £m | Current £m | < 30 days £m | 30 - 60 days £m | 60+ days £m |
|---|---|---|---|---|---|
| **2025** | **163** | **118** | **12** | **5** | **28** |
| 2024 | 132 | 99 | 8 | 4 | 21 |

The movements in the provision for the collective impairment of receivables are as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| At 1 February | **2** | 5 |
| Charge for the year | **2** | 1 |
| Utilised | **–** | – |
| Released | **–** | (1) |
| Reclassification[1] | **–** | (3) |
| **At 31 January** | **4** | 2 |

[1] 2023 IFRS 15 credit note provision excluded from IFRS 9 expected credit loss balance.

**Liquidity risk**

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and headroom on its working capital facilities.

Maturity of insurance contract liabilities is considered in Note 18. The table below analyses the maturity of the Group's other financial liabilities on a contractual undiscounted cash flow basis and includes any associated debt service costs. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date.

**At 31 January 2025:**

| | Less than 1 year £m | 1-2 years £m | 2-5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Loans and borrowings | **244** | **287** | **1,596** | **480** | **2,607** |
| Lease liabilities | **41** | **33** | **33** | **20** | **127** |
| Other payables and accruals | **117** | **–** | **–** | **–** | **117** |
| Trade payables | **157** | **–** | **–** | **–** | **157** |
| | **559** | **320** | **1,629** | **500** | **3,008** |

**At 31 January 2024:**

| | Less than 1 year £m | 1-2 years £m | 2-5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Loans and borrowings | 142 | 843 | 1,365 | 399 | 2,749 |
| Lease liabilities | 26 | 21 | 23 | 4 | 74 |
| Other payables and accruals | 109 | – | – | – | 109 |
| Trade payables | 151 | – | – | – | 151 |
| | 428 | 864 | 1,388 | 403 | 3,083 |

**Insurance risk**

The Group's insurance activities are primarily concerned with the pricing, underwriting and claims handling of private motor and residential household policies. See Note 18 for details on the management of insurance-related risks.

**Capital management**

The Group considered its capital to be represented by Net Debt.

| | 2025 £m | 2024 £m |
|---|---|---|
| Total net debt | **1,976** | 2,174 |
| **Total capital** | **1,976** | 2,174 |

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to put service, innovation and data at the heart of The AA
- to deliver targeted and strategic investment in our people, our products, our systems and operations
- to reduce Group borrowings and associated interest costs.

The Group monitors capital using Net Debt to debt covenant EBITDA ratios. The key ratios are Senior Secured Debt to debt covenant EBITDA, and Net Debt to debt covenant EBITDA as calculated below:

## 26 Financial risk management objectives and policies continued

### Capital management continued

| | Covenant | 2025 £m | 2024 £m |
|---|---|---|---|
| Class A Notes | | **1,815** | 1,819 |
| Senior Term Facility | | **165** | 165 |
| Less: AA Intermediate Co Limited group cash and cash equivalents | | **(117)** | (87) |
| Net Senior Secured Debt[1] | | **1,863** | 1,897 |
| Class B Notes | | **110** | 280 |
| Lease obligations for covenant reporting[2] | | **75** | 52 |
| Net Whole Business Securitisation (WBS) Debt[3] | | **2,048** | 2,229 |
| IFRS 16 lease adjustment for WBS lease obligations[4] | | **31** | 20 |
| AA Limited group lease obligations[5] | | **2** | 2 |
| Less: AA Limited group cash and cash equivalents[6] | | **(105)** | (77) |
| Total Net Debt | | **1,976** | 2,174 |
| | | | |
| AA Intermediate Co Limited debt covenant EBITDA[7] | | **350** | 335 |
| | Covenant | | |
| Class B leverage ratio[8] | | **5.9x** | 6.7x |
| Senior Leverage ratio[9] | | **5.3x** | 5.7x |
| Class A Free Cash Flow: Debt Service[10] | >1.35x | **2.7x** | 2.7x |

Ratios at 31 January 2025 calculated on an unrounded basis

1 Principal amounts of the Senior Term Facility and Class A Notes less AA Intermediate Co Limited group cash and cash equivalents.
2 The lease obligations for covenant reporting value is presented based on frozen GAAP pre-IFRS 16, as required by the debt documents. The figure above is therefore different to the lease liabilities value shown in the consolidated statement of financial position.
3 Net WBS Debt represents the borrowings and cash balances within the WBS structure headed by AA Intermediate Co Limited. This includes the principal amounts of the Senior Term Facility, Class A Notes, Class B3 Notes and lease obligations for covenant reporting less AA Intermediate Co Limited group cash and cash equivalents.
4 Difference between lease obligations for covenant reporting based on frozen GAAP and the lease liabilities value shown in the consolidated statement of financial position having adopted IFRS 16 from 1 February 2019.
5 Total lease obligations for the Group excluding the value reported as the AA Intermediate Co Limited group lease obligations.
6 Total cash and cash equivalents for the Group excluding the value reported as the AA Intermediate Co Limited group cash and cash equivalents.
7 AA Intermediate Co Limited group debt covenant EBITDA including discontinued operations as required by the debt documents being Reported EBITDA based on frozen GAAP and accounting principles.
8 Ratio of Net WBS Debt[3] to AA Intermediate Co Limited group debt covenant EBITDA.
9 Ratio of Net Senior Secured Debt[1] to AA Intermediate Co Limited group debt covenant EBITDA.
10 Ratio of free cash flow to proforma debt service relating to the Senior Term Facility and Class A Notes.

The Senior Term Facility and Class A Notes have interest cover covenants attached to them. The Group was in compliance with all covenants throughout the year and as at 31 January 2025.

The Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on the relevant regulators' requirements.

The Class A Notes only permit the release of cash providing the senior leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The Class B3 Notes impose additional restrictions on certain payments and dividend flows. Further details on our policies and processes for managing capital as well as the thresholds set for the covenants above are set out in the Financial Review.

## 27 Commitments and contingencies

### Lease commitments

The Group has lease contracts for property, plant, equipment and vehicles. The movement in the total liability associated with these contracts is as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| **At 1 February** | **74** | 62 |
| Additions | **83** | 57 |
| Disposals | **(1)** | (8) |
| Finance charges | **4** | 2 |
| Payments of capital | **(47)** | (36) |
| Payments of interest | **(5)** | (3) |
| **At 31 January** | **108** | 74 |

Future minimum lease payments under lease contracts together with the present value of the net minimum lease payments are as follows:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Present value of payments £m | Minimum payments £m | Present value of payments £m | Minimum payments £m |
| Within one year | **35** | **41** | 26 | 29 |
| Between one and five years | **56** | **66** | 44 | 47 |
| After five years | **17** | **20** | 4 | 5 |
| **Total minimum lease payments** | **108** | **127** | 74 | 81 |
| Less amounts representing finance charge | **–** | **(19)** | – | (7) |
| **Present value of minimum lease payments** | **108** | **108** | 74 | 74 |

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.

The above does not include payments in relation to commitments to right-of-use assets under leases which will be effective in subsequent years. The minimum lease payments for leases effective in subsequent years are as follows:

| | 2025 Minimum payments £m | 2024 Minimum payments £m |
|---|---|---|
| Within one year | **6** | 7 |
| Between one and five years | **25** | 37 |
| After five years | **3** | 25 |
| **Total minimum lease payments** | **34** | 69 |

### Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £3m: £2m intangible assets and £1m of fixed assets (2024: £1m: £1m intangible assets and £nil of fixed assets).

## 28 Subsidiary undertakings

The subsidiary undertakings of the Company, all of which are wholly owned except where stated, are listed in Note 7 of the Company financial statements.

## 29 Related party transactions

### Transactions with key management personnel

The following tables provide the total value of transactions that have been entered into with associates and joint ventures during each financial year:

*Transactions with associates*

| Associate | Nature of transaction | 2025 £m | 2024 £m |
|---|---|---|---|
| ARC Europe SA | Registration and call handling fees | **2** | 2 |

At 31 January 2025, the Group had an outstanding balance payable to ARC Europe SA of £nil (2024: £nil) comprising trade payables in respect of the above transactions.

*Transactions with joint ventures*

| Joint venture | Nature of transaction | 2025 £m | 2024 £m |
|---|---|---|---|
| Drvn Solutions Limited | Goods supplied by Drvn Solutions Limited | **–** | – |

At 31 January 2024, the Group had an outstanding balance receivable from AA Media Limited of £1m comprising fixed rate loan notes. This balance was redeemed at par in March 2024.

On 29 October 2024, the Group acquired the remaining 51% of voting equity interest to establish AA Media as a 100% owned subsidiary. See Note 31 for further information.

## 30 Share-based payments

| | 2025 £m | 2024 £m |
|---|---|---|
| Equity-settled share-based payments: | | |
| Share-based payments – Management Equity Plan 1 | **–** | 1 |
| Share-based payments – Management Equity Plan 2 | **1** | – |
| Total equity-settled share-based payments | **1** | 1 |
| Cash-settled share-based payments: | | |
| Share-based payments – Long Term Incentive Plan | **2** | 3 |
| Total cash-settled share-based payments | **2** | 3 |
| **Total share-based payments expense** | **3** | **4** |

### Shares held in trust

AA Corporation Limited holds certain deferred shares in AA Limited, with the beneficial entitlement held on trust for Basing Bid Co Limited, the purchaser and immediate parent undertaking of AA Limited. As at 31 January 2025, the following shares were held on trust by AA Corporation Limited:

| | Deferred shares |
|---|---|
| Total shares held on trust (valued at £0.001 each) | **60,000,000** |

### Management Equity Plan 1 (MEP1)

The Group 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 the AA Limited Group, the share-based payment charge has been accounted for within the Group. The charge for the year ended 31 January 2025 was £nil (2024: £1m).

The fair value of the awards was calculated at the point of grant 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 January 2028 is 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

| | 2024 Share awards outstanding | New awards | Vested | Leavers | 2025 share awards outstanding |
|---|---|---|---|---|---|
| MEP1 | 37,956,008 | **1,696,616** | **(7,874,300)** | **(1,198,731)** | **30,579,593** |

Following the completion of the Stonepeak investment into The AA the expected term of the scheme was amended in accordance with IFRS 2 from March 2026 to January 2028 and the benefit arising under the scheme will accrue over the revised lifespan.

## *30 Share-based payments continued*

**Management Equity Plan 2 (MEP2)**

A second management equity plan was introduced in the year. This plan has been accounted for as an equity settled share-based payment, and where the participants directly benefit the AA Limited Group, the share-based payment charge has been accounted for within the Group. The charge for the year ended 31 January 2025 was £1m (2024: £nil).

The fair value of the awards was calculated at the point of grant 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 January 2028 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 – 3.85% based on UK Government bond rates for 5-year period as at first grant date.

The number of shares awarded were as follows:

| | 2024 Share awards outstanding | New awards | Vested | Leavers | 2025 share awards outstanding |
|---|---|---|---|---|---|
| MEP2 | – | 18,721,426 | – | – | 18,721,426 |

**AA Limited Cash Long Term Incentive Plan**

The Group operates a Long Term Incentive Plan ('cash LTIP'), granting benefits to key members of senior management. These benefits vest based on certain performance conditions. Following the completion of the Stonepeak investment into The AA the expected term of the scheme was amended in accordance with IFRS 2 . A vesting date of 31 January 2028 has now 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 and remeasured at each reporting date.

In addition, during the year eligible participants were granted an additional award in recognition of the extended period of the original scheme. This award is expected to be settled in cash and is also subject to performance conditions.

The total vesting charge for the current year is £2m and is presented as a cash-settled share-based payments expense (2024: £3m). The total benefit accrued for participants under the schemes at the reporting date was £7m (2024: £6m).

## *31 Business combinations*

The Group performed two acquisitions in the year. The total consideration and amount recognised for each class of assets and liabilities is as follows:

| | Key Care Limited £m | AA Media Limited £m |
|---|---|---|
| **Consideration** | | |
| Cash consideration | 10 | 5 |
| Fair value of previously held interest[1] | – | 3 |
| Fair value of total consideration | 10 | 8 |
| **Net assets acquired** | | |
| Intangible assets[2] | 4 | 3 |
| Cash and cash equivalents | 1 | 3 |
| Other assets | 2 | 1 |
| Deferred tax liabilities | (1) | (1) |
| Other liabilities | (1) | (2) |
| **Total net assets acquired** | 5 | 4 |
| **Goodwill on acquisition** | 5 | 4 |

1 The Group had previously held a 49% interest in AA Media Limited as a joint venture.

2 Intangible assets for KeyCare represents customer relationships. Intangible assets for AA Media include £2m relating to customer relationships and £1m for re-acquired brand rights.

Acquisition costs for both transactions were recognised in adjusting operating items.

*Key Care Limited*

On 1 February 2024, the Group completed the acquisition of Key Care Limited ('KeyCare'), a company incorporated in England and its subsidiary. The Group obtained control through acquiring 100% of voting equity interest.

KeyCare is an insurance business offering insurance policies for lost and stolen keys operating in the UK and the Republic of Ireland. The acquisition enables the Group to expand its product base and increase its offerings for both business and consumer customers, enhancing its position in the market.

Amounts included in other assets are recognised at fair value. Gross contractual amounts receivable total £1m and are considered to be fully recoverable.

The goodwill amount recognised is attributable to the future benefit of the Group being able to integrate Key Care offerings with its existing products. No amount of goodwill recognised is deductible for tax purposes.

## 31 Business combinations *continued*

*AA Media Limited*

The Group previously held a 49% interest in AA Media Limited, which was recognised as an investment in a joint venture. On 29 October 2024, the Group acquired the remaining 51% of voting equity interest to establish AA Media as a 100% owned subsidiary.

AA Media is a publisher which rates hotels, restaurants and attractions across the UK. The acquisition enables the Group to explore opportunities to promote The AA brand and the chance for AA Media's offerings to play a part in the broader AA membership proposition.

Amounts included in other assets are recognised at fair value. Gross contractual amounts receivable total £1m and are considered to be fully recoverable.

The goodwill amount recognised is attributable to the future benefit of the Group being able to integrate AA Media offerings with its existing products. No amount of goodwill recognised is deductible for tax purposes.

Acquisition-related costs incurred as part of the business combination are included in adjusting operating items, see Note 4 for further information.

From the date of acquisition, the acquired businesses have contributed the following revenue and profit before taxation attributable to the equity holders of the Group:

| | KeyCare Limited £m | AA Media Limited £m |
|---|---|---|
| Revenue | 4 | 1 |
| Profit before tax | 1 | – |
| Profit after tax | 1 | – |

Had the AA Media acquisition occurred on the first day of the year ended 31 January 2025, the acquired business would have contributed the following revenue and profit before taxation attributable to the equity holders of the Group:

| | AA Media Limited £m |
|---|---|
| Revenue | 6 |
| Profit before tax | 1 |
| Profit after tax | – |

There were no acquisitions in the year ended 31 January 2024.

## 32 Events after the reporting date

**Liquidity, Senior Term and Working Capital Facilities**

On 10 February, the Group renewed its £200m Liquidity Facility with an effective date of 5 March 2025. The facility remains undrawn.

On 19 March 2025, the Group successfully refinanced its £165m Senior Term Facility and £56m Working Capital facility ahead of their 10 March 2026 maturity date.

The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate Private Placement, both with maturity dates in March 2030. The new Senior Term Facility has a margin of 2.50% above SONIA and has been hedged through an interest rate swap.

A new Working Capital Facility for £56m has also been put in place at a margin of 2.50% above SONIA and is available until March 2030.

*B3 conditional notice of redemption*

On 14 April, the Group issued a conditional notice of redemption for £62m of Class B3 Notes at par, subject to satisfaction of the condition precedent set out in that notice.

*Financing arrangement*

On 1 April 2025 the Group entered into a financing arrangement with Basing TopCo Limited, an indirect parent of AA Limited. Under this arrangement the Group may borrow up to £60m for the sole purpose of redeeming Class B3 Notes, to the extent any remain outstanding on the 31 January 2026 maturity date.

At the date of signing of these financial statements no amounts have been drawn.

# Company statement of financial position

***for the year ended 31 January 2025***

| | Note | 2025 £m | 2024 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 2 | **1,365** | 1,205 |
| | | **1,365** | 1,205 |
| **Current assets** | | | |
| Trade and other receivables | 3 | **30** | 34 |
| Cash and cash equivalents | 4 | **14** | 9 |
| | | **44** | 43 |
| **Total assets** | | **1,409** | 1,248 |
| **Current liabilities** | | | |
| Trade and other payables | 5 | **(27)** | (27) |
| | | **(27)** | (27) |
| **Non-current liabilities** | | | |
| Cash-settled share-based payments | | **(7)** | (6) |
| | | **(7)** | (6) |
| **Total liabilities** | | **(34)** | (33) |
| **Net assets** | | **1,375** | 1,215 |
| **Equity** | | | |
| Called up share capital | 6 | **4** | 4 |
| Share premium | | **954** | 787 |
| Retained earnings | | **417** | 424 |
| **Total equity** | | **1,375** | 1,215 |

AA Limited ('the Company') has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Parent Company's loss for the year was £7m (2024: profit of £467m).

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

The financial statements on pages 98 to 102 were approved by the Board of Directors on 14 April 2025 and signed on its behalf by:

***Jakob Pfaudler***
***Chief Executive Officer***

***Tom Mackay***
***Chief Financial Officer***

# Company statement of changes in equity

***for the year ended 31 January 2025***

| | Note | Share capital £m | Share premium £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| At 1 February 2023 | | 4 | 787 | (43) | 748 |
| Profit and total comprehensive income for the year | | – | – | 467 | 467 |
| At 31 January 2024 | | 4 | 787 | 424 | 1,215 |
| Loss and total comprehensive loss for the year | | **–** | **–** | **(7)** | **(7)** |
| Issue of shares | 6 | **–** | **167** | **–** | **167** |
| **At 31 January 2025** | | **4** | **954** | **417** | **1,375** |

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

# Notes to the Company financial statements

## 1 Presentation of financial statements and Company accounting policies

### 1.1 Presentation of financial statements

AA Limited ('the Company') is a private company, limited by shares, incorporated and domiciled in England and Wales, UK. The address of the Company's registered office is Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. The financial statements are prepared under the historical cost convention and on a going concern basis. See also Note 1.2(a) of the consolidated financial statements.

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The following accounting policies set out those policies which apply in preparing the financial statements for the year ended 31 January 2025. The financial statements are prepared in sterling and are rounded to the nearest £million.

### 1.2 Basis of preparation

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

- IAS 1 paragraph 10(d) (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'
- IAS 8 paragraphs 30 and 31
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- IFRS 7, 'Financial Instruments: Disclosures'

The Company did not identify any new accounting standards coming into effect in the current year with a material impact on the financial statements.

### 1.3 Material accounting policies

The Company accounting policies are aligned with those described in the consolidated financial statements. Additional policies specific to the Company are set out below and, unless otherwise stated, have been applied consistently to all years presented in these financial statements.

#### a) Investments in subsidiaries

Investments in subsidiaries are held at cost less impairment.

The cost of share-based payments settled by the Company in respect of employees of its subsidiaries are accounted for as a capital contribution and are therefore reflected as an addition to the cost of the investments in subsidiaries.

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless they arise on a previously revalued fixed asset.

The recoverable amount of fixed assets is the greater of their fair value less costs to sell or value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the rate of return expected on an investment of equal risk. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

#### b) 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 ongoing basis. Management considers that there are no principal estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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:

*Investments*

The recoverable amounts of the investments have been determined based on the higher of fair value less cost to sell or value in use calculations which require the use of estimates. When calculating value in use, management has prepared discounted cash flow forecasts based on the latest strategic plan. Terminal values are calculated using a growth assumption and cash flows are discounted at a rate reflecting the time value of money and the risk specific to these cash flows. If a historical impairment has taken place, management will consider if a reversal is required with reference to the recoverable amount.

## 1 Presentation of financial statetements and Company accounting policies *continued*

### 1.3 Material accounting policies continued

The cash flow projections are forecast using historical trends overlaid with business-led assumptions such as contract wins, sales volumes, prices and working capital movement assumptions, together with operational KPIs such as number of personal members, number of business customers, insurance policies in force, renewal rates and average repair times, along with an assessment of the impact of climate change, however future government or industry wider changes could reduce the present forecasts. These allow the business to forecast profits, working capital and capital expenditure requirements (see Note 2 for details).

## 2 Investments in subsidiaries

| | 2025 £m | 2024 £m |
|---|---|---|
| At 1 February | **1,205** | 718 |
| Additions | **158** | 5 |
| Additions relating to share schemes | **2** | 4 |
| Impairment reversal | **–** | 478 |
| **At 31 January** | **1,365** | 1,205 |

In the year ended 31 January 2025, there was an increase in investments in subsidiaries of £160m. This was driven by an investment of £158m in to AA Mid Co Limited following the investment into the Company from Stonepeak and a charge of £2m relating to the Group's share schemes (see Note 30 of the Group financial statements).

Due to the current macroeconomic environment the Company has performed impairment testing at 31 January 2025 to compare the recoverable amount of the investments in subsidiaries to their carrying value. The Company has two directly held subsidiaries, AA Insurance Holdings Limited which owns the Group's underwriting business and AA Mid Co Limited which owns the rest of the Group.

The Company has used a value-in-use (VIU) cash flow model to determine the recoverable amount of the investment in subsidiaries. The VIU model used cash flow projections from the Group's five-year plan, covering the five years up to 31 January 2030. Terminal values have been calculated using a 1.91% (2024: 1.79%) inflationary growth assumption in perpetuity based on the IMF's UK long-term growth rate.

The assessment was conducted using a 'dividend distribution' model which was also used in the year ended 31 January 2024. This model assesses the cash flows available to the parent company from its investment in subsidiaries. The model uses the cash flow projections of the underlying investments including cash outflows relating to financing costs (i.e., interest) and taxation, discounting the cash flows using a discount rate based on an initial cost of equity of 12.6% (2024: 13.1%) and terminal year cost of equity of 11.2% (2024: 12.1%).

Based on the projections of the VIU model there was a sufficient amount of headroom above the carrying value of the investments and therefore no indicators of impairment.

## 3 Trade and other receivables

| | 2025 £m | 2024 £m |
|---|---|---|
| Amounts owed by subsidiary undertakings | **30** | 34 |
| | **30** | 34 |

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

## 4 Cash and cash equivalents

| | 2025 £m | 2024 £m |
|---|---|---|
| Non ring-fenced cash at bank and in hand – available | **14** | 9 |
| | **14** | 9 |

## 5 Trade and other payables

| | 2025 £m | 2024 £m |
|---|---|---|
| Accrued expenses | **–** | 4 |
| Amounts owed to subsidiary undertakings | **27** | 23 |
| | **27** | 27 |

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

## 6 Called up share capital

| | 2005 £m | 2024 £m |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 4,072,341,179 (2024: 4,072,341,178) ordinary shares of £0.001 each | **4** | 4 |
| | **4** | 4 |

The voting rights of the holders of all ordinary shares are the same and all ordinary shares rank pari passu on a winding up. During the year, the Company did not pay a dividend (2024: £nil). See Note 26 of the Group consolidated financial statements for information on covenant constrains on dividend distributions.

During the period one ordinary share of £1 was issued at a premium of £167m.

Other share types in issue were as follows:

| | 2025 £000 | 2024 £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 60,000,000 (2024: 60,000,000) deferred shares of £0.001 each | **60** | 60 |
| | **60** | 60 |

The deferred shares have no voting rights and are held in trust.

## 7 Subsidiary undertakings

All subsidiaries are wholly owned (except where stated) and incorporated and registered where stated below. All subsidiaries are consolidated in the Group financial statements. The principal subsidiary undertakings of the Company at 31 January 2025 are:

| Name | Country of incorporation/registered office key | Class of shares held |
|---|---|---|
| AA Acquisition Co Limited[3] | England and Wales, UK/A | Ordinary |
| AA Bond Co Limited[2] | Jersey/B | Ordinary |
| AA Corporation Limited | England and Wales, UK/A | Ordinary |
| AA Financial Services Limited | England and Wales, UK/A | Ordinary |
| AA Intermediate Co Limited | England and Wales, UK/A | Ordinary |
| AA Mid Co Limited[1] | England and Wales, UK/A | Ordinary |
| AA Senior Co Limited | England and Wales, UK/A | Ordinary |
| AA Technical Solutions Limited[3] | England and Wales, UK/A | Ordinary |
| A A The Driving School Agency Limited[3] | England and Wales, UK/A | Ordinary |
| AA Underwriting Insurance Company Limited | Gibraltar/C | Ordinary |
| Automobile Association Developments Limited | England and Wales, UK/A | Ordinary |
| Automobile Association Insurance Services Limited | England and Wales, UK/A | Ordinary |
| Drivetech (UK) Limited[3] | England and Wales, UK/A | Ordinary |
| Prestige Fleet Servicing Limited[3] | England and Wales, UK/A | Ordinary |
| Used Car Sites Limited | England and Wales, UK/A | Ordinary |
| Longacre Claims Limited[3] | England and Wales, UK/A | Ordinary and B Shares |
| Key Care Limited | England and Wales, UK/D | Ordinary |
| Key Care Assistance Limited | Ireland/E | Ordinary |
| AA Media Limited | England and Wales, UK/A | Ordinary |

The other subsidiary undertakings of the Company at 31 January 2025 are:

| Name | Country of incorporation/registered office key | Class of shares held |
|---|---|---|
| A.A. Pensions Trustees Limited | England and Wales, UK/A | Ordinary |
| AA Brand Management Limited | England and Wales, UK/A | Ordinary |
| AA Insurance Holdings Limited[1] | England and Wales, UK/A | Ordinary |
| AA Ireland Pension Trustees DAC | Ireland/F | Ordinary |
| AA Pension Funding GP Limited[3] | Scotland, UK/G | Ordinary |
| AA Pension Funding LP[4] | Scotland, UK/G | Membership interest |
| Automobile Association Holdings Limited | England and Wales, UK/A | Ordinary and deferred redeemable non-voting special dividend |
| Automobile Association Insurance Services Holdings Limited | England and Wales, UK/A | Ordinary |
| Automobile Association Services Limited | England and Wales, UK/A | Limited by guarantee |
| Accident Assistance Services Limited[3] | England and Wales, UK/A | Ordinary |
| Intelligent Data Systems (UK) Limited | England and Wales, UK/A | Ordinary |
| Personal Insurance Mortgages and Savings Limited | England and Wales, UK/A | Ordinary |
| The Automobile Association Limited[2] | Jersey/B | Ordinary |

1 Directly owned by AA Limited; all other subsidiaries are indirectly held.
2 This company also has a UK branch establishment.
3 These entities are exempt from the requirements of the Companies Act 2006 relating to the audit of financial statements under s479A-C.
4 This partnership is fully consolidated into the Group financial statements and the Group has taken advantage of the exemption (as confirmed by regulation 7 of the Partnerships (Accounts) Regulations 2008) not to prepare or file separate financial statements for this entity.

### Registered office key

| Registered office | Key |
|---|---|
| Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG | A |
| Third Floor, 44 Esplanade, St. Helier, Jersey, JE4 9WG | B |
| Waterport Place, Unit 2.1, 2 Europort Road, Gibraltar, GX11 1AA | C |
| 2–3 Quayside House, Quayside, Salts Mill Road, Shipley, West Yorkshire, BD18 3ST | D |
| 77 Camden Street, Lower Dublin, 2 D02XE80 | E |
| 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland | F |
| Building 1, 9 Haymarket Square, Edinburgh, Scotland, EH3 8RY | G |

## 8 Auditors' remuneration

The fee for the audit of these Company financial statements was £0.2m (2024: £0.1m). See also Note 3 of the consolidated financial statements.

## 9 Employee costs

The Company had no employees in the current or prior year. However, the Company has incurred costs in respect of the Non-Executive Directors of £0.5m (2024: £0.4m).

## 10 Ultimate parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary of Basing Bid Co Limited, a company incorporated and domiciled in Jersey.

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

The parent of the largest and smallest group to consolidate these financial statements is AA Limited, whose registered office is Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG. Copies of the consolidated AA Limited financial statements are available from the website: **www.theaacorporate.com/investors.**

**AA Limited**

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Company number: 05149111