

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED 2414212

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012

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AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2012

The directors present their report and audited financial statements of Automobile Association Insurance Services Limited ("the Company") for the year ended 31 January 2012

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of AA Corporation Limited

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

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

	2012	2011	Change
	£'000	£'000	%
Turnover	273,062	263,905	3%
Staff costs	(72,623)	(62,364)	16%
Depreciation of fixed assets	(2,766)	(1,311)	111%
Other operating charges	(61,317)	(80,674)	(24%)
Total expenses	(136,706)	(144,349)	(5%)
Interest	(289)	(49)	490%
Profit before taxation	136,067	119,507	14%
EBITDA	139,122	120,867	15%
Average number of employees	-	-	-

As shown in the Company's profit and loss on page 7, the Company's turnover increased by 3% to £273.1m during the current year, whilst profit before taxation increased by 14% to £136.1m over the same period

During the year under review, the net solvency capital of the Company for regulatory purposes, represented by net assets less goodwill, increased by 20% to £602.3m (2011: £502.2m). The directors are pleased with the performance of the Company in the year and expect the Company to continue to meet solvency requirements set by the FSA.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end. Net assets increased by 20% to £602.3m. Details of amounts owed to its parent company and fellow subsidiary undertakings are shown in note 13 to the financial statements.

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS (continued)

For decision making and internal performance management, management's key performance metric is Earnings before interest, tax, depreciation and amortisation (EBITDA) EBITDA increased by 15% to £139 1m during the current year

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year (2011 £nil)

DIRECTORS

The Directors, who held office during the period, were as follows

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

RISK MANAGEMENT FRAMEWORK

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

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

The principal risks have been grouped into the following categories

Competitive Risk

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

RISK MANAGEMENT FRAMEWORK (continued)

Financial Risk

The Company is part of the Acromas Holdings Limited Group and its financial risks are managed centrally by the Group Treasury team taking into account the Company's position as part of the group with due consideration being given to the impact of transactions with other group entities. The most important components of financial risk impacting the Company are as follows:

Credit Risk

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

Liquidity Risk

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

Brand Risk

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

Regulatory Risk

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

Operational Risk

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

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the business review on pages 1 to 3.

The Company has considerable financial resources together with long-term contracts with a number of insurers and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

RE-APPOINTMENT OF AUDITOR

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

BY ORDER OF THE BOARD



A J P STRONG
DIRECTOR

10 SEPTEMBER 2012

Registered Office
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

Registered number 02414212

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

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

We have audited the financial statements of Automobile Association Insurance Services Limited for the year ended 31 January 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

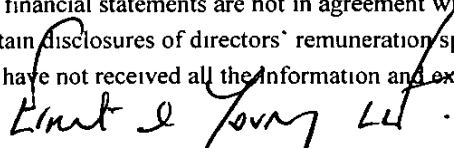
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



James Lenton (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

2012

3rd October

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	2012 £'000	2011 £'000
TURNOVER	2	273,062	263,905
Administrative expenses		(136,706)	(144,349)
OPERATING PROFIT	3	136,356	119,556
Interest receivable and similar income	7	3	14
Interest payable and similar charges	8	(292)	(63)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		136,067	119,507
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	(36,063)	(34,417)
PROFIT FOR THE FINANCIAL YEAR	20	100,004	85,090

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 2012**

	2012 £'000	2011 £'000
PROFIT FOR THE FINANCIAL YEAR	100,004	85,090
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	100,004	85,090
Prior year adjustment	-	11,720
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	100,004	96,810

The notes on pages 9 to 18 form part of these financial statements

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

BALANCE SHEET A1 31 JANUARY 2012

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Intangible assets	11	9	45
Tangible fixed assets	12	21,677	15,861
Investments in group undertakings	13	<u>6,239</u>	<u>6,239</u>
		27,925	22,145
 CURRENT ASSETS			
Stock		213	-
Debtors	14	1,321,583	1,226,910
Cash at bank and in hand		<u>983</u>	<u>1,665</u>
		1,322,779	1,228,575
 PROVISIONS FOR LIABILITIES (amounts falling due within one year)	18	(5,664)	(6,412)
 CREDITORS (amounts falling due within one year)	15	<u>(741,026)</u>	<u>(740,882)</u>
 NET CURRENT ASSETS		<u>576,090</u>	<u>481,281</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		604,014	503,426
 CREDITORS (amounts falling due after more than one year)	16	(1,020)	(142)
 PROVISIONS FOR LIABILITIES (amounts falling due after one year)	18	(714)	(1,008)
 NET ASSETS		<u><u>602,280</u></u>	<u><u>502,276</u></u>
 CAPITAL AND RESERVES			
Called up share capital	19	19,000	19,000
Profit and loss account	20	<u>583,280</u>	<u>483,276</u>
 SHAREHOLDERS' FUNDS	21	<u><u>602,280</u></u>	<u><u>502,276</u></u>

The financial statements on pages 7 to 18 were approved by the board of directors on 10 SEPTEMBER 2012 and were signed on its behalf by



A J P STRONG
DIRECTOR

Registered number 02414212

The notes on pages 9 to 18 form part of these financial statements

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) Basis of accounting

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

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

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

b) Cash flow statement

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

c) Intangible assets

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

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

d) Tangible fixed assets

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

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

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

e) Investments

Investments are valued individually at the lower of cost less any provision for impairment or net realisable value. Income from investments is recognised in the profit and loss account when it is receivable

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

f) Stock

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

g) Turnover

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

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

h) Leasing and hire purchase commitments

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

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

i) Provisions for liabilities

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

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

In relation to unoccupied properties, where a decision has been made prior to the period end to vacate the property, provision is made for future rent and similar costs net of rent income expected to be received up to the estimated date of final disposal. The unwinding of the provision is discounted on a reducing balance basis, using standard rates across the Acromas Group.

j) Taxation

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

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

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

j) Taxation (continued)

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

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

2 TURNOVER

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

3 OPERATING PROFIT

	Notes	2012 £'000	2011 £'000
Operating profit is stated after charging			
Staff costs recharged	5	72,623	62,364
Depreciation of tangible fixed assets			
- Owned assets		2,455	1,143
- Under finance leases		311	168
Amortisation of intangible fixed assets		36	36
Other external charges		58,790	78,475
Exceptional items (note 4)		1,090	474
Fees payable to the auditors			
- Audit of the financial statements		58	58
Operating lease rentals			
- Motor vehicles		346	260
- Land and buildings		997	1,371
		<u>136,706</u>	<u>144,349</u>

Staff costs are recharged from The Automobile Association Limited, a group company incorporated in Jersey

4 EXCEPTIONAL ITEMS

	2012 £'000	2011 £'000
Exceptional items	<u>1,090</u>	<u>474</u>

Exceptional items in the current year relate to call centre restructuring (2011 related to call centre restructuring and the dual running of systems during implementation)

5 STAFF COSTS

Staff costs during the year were as follows	2012 £'000	2011 £'000
Wages and salaries	67,899	58,108
Social security costs	4,724	4,256
	<u>72,623</u>	<u>62,364</u>

Staff costs relate to those recharged from The Automobile Association Limited, a group company incorporated in Jersey

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 DIRECTORS EMOLUMENTS

	2012 £'000	2011 £'000
Aggregate emoluments in respect of qualifying services	<u>42</u>	<u>42</u>
	2012 £'000	2011 £'000
Members of defined benefit pension scheme	<u>6</u>	<u>6</u>
Among the directors remunerated by the Company, the amounts paid in respect of the highest paid director were as follows -	2012	2011
	£'000	£'000
Emoluments	<u>42</u>	<u>42</u>

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

J A Goodsell, S M Howard, A J P Strong, A K Boland, M A Cutbill and S D G Douglas are remunerated by Saga Group Limited, W R Treen is remunerated by Saga Services Limited and P Robson is remunerated by The Automobile Association Limited. These companies are all fellow subsidiaries of the ultimate holding company, Acromas Holdings Limited. None of these directors received any emoluments during the year in respect of their services as directors of the Company (2011 £nil) and it would not be practicable to apportion their emoluments between their services as directors of the Company and their services as directors of other group companies. The Company has not been recharged any amount for the emoluments of these directors (2011 £nil)

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Bank interest receivable	<u>3</u>	<u>14</u>

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
Other interest payable	<u>292</u>	<u>63</u>

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows	2012 £'000	2011 £'000
Current Tax:		
- Current tax on income in the period	34,591	36,892
- Adjustments in respect of prior periods	<u>104</u>	<u>(774)</u>
Total current tax charge	<u>34,695</u>	<u>36,118</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2012	2011
	£'000	£'000
Deferred tax:		
- Origination and reversal of timing differences	1,232	(3,456)
- Adjustments in respect of prior periods	(96)	1,602
- Effect of tax rate changes	232	153
Total deferred tax charge / (credit)	1,368	(1,701)
Total tax charge on ordinary activities	36,063	34,417

The current tax includes £23,688,000 (2011 £36,892,000) in respect of payments for group losses

The difference between the total current corporation tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2012	2011
	£'000	£'000
Profit on ordinary activities before tax	136,067	119,507
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 32% (2011 28%)	35,813	33,462
Effects of		
Tax on Accounting for Prior Year Adjustment (see Note 2)	-	4,558
Permanent differences	74	15
Capital allowances in excess of depreciation	(952)	(1,277)
Other short term timing differences	(344)	134
Adjustments to tax charge in respect of previous years	104	(774)
Total current tax charge	34,695	36,118

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 DEFERRED TAXATION

Deferred tax assets / (liabilities) comprise	Amounts provided		Amounts unrecognised	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Timing differences on				
Decelerated capital allowances	1,057	2,135	-	-
Other short term timing differences	616	906	-	-
Capital gains rolled over	-	-	(603)	(675)
Deferred tax asset / (liability) (see note 14)	<u>1,673</u>	<u>3,041</u>	<u>(603)</u>	<u>(675)</u>
				£'000
Deferred tax asset as at 1 February 2011				3,041
Charge to the profit and loss account				(1,368)
Deferred tax asset as at 31 January 2012				<u>1,673</u>

Legislation was introduced in the Finance Act 2011 to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012. The effect of this reduction is reflected in the deferred tax asset recorded on the balance sheet. Since the balance sheet date, the UK government has substantively enacted new legislation to reduce the corporation tax rate further to 24% with effect from 1 April 2012 and announced its intent to legislate to reduce the rate further by 1% per annum to 22% with effect from 1 April 2014.

The directors estimate that the effect of these changes will reduce the company's deferred tax asset by £89,000.

11 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
As at 1 February 2011 and at 31 January 2012	<u>215</u>
Amortisation	
As at 1 February 2011	170
Charge for the year	<u>36</u>
As at 31 January 2012	<u>206</u>
Net book value	
As at 31 January 2012	<u>9</u>
As at 31 January 2011	<u>45</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 TANGIBLE FIXED ASSETS

	Land and buildings		Equipment and	Total
	Freehold	Short leasehold	vehicles	
	£'000	£'000	£'000	£'000
Cost				
As at 1 February 2011	13,962	836	27,003	41,801
Additions	-	-	8,247	8,247
Intra-group transfers	-	-	441	441
Disposals	-	-	(193)	(193)
As at 31 January 2012	13,962	836	35,498	50,296
Depreciation				
As at 1 February 2011	4,990	836	20,114	25,940
Charge for the year	266	-	2,500	2,766
Intra-group transfers	-	-	104	104
Disposals	-	-	(191)	(191)
As at 31 January 2012	5,256	836	22,527	28,619
Net book value				
As at 31 January 2012	8,706	-	12,971	21,677
As at 31 January 2011	8,972	-	6,889	15,861

Equipment and vehicles include the following assets held under finance leases

	2012	2011
	£'000	£'000
Cost	1,850	351
Accumulated depreciation	(393)	(168)
Net book value	1,457	183

13 INVESTMENTS IN GROUP UNDERTAKINGS

Shares in subsidiary companies			2012
			£'000
Cost and net book value			
As at 1 February 2011 and 31 January 2012			6,239
Subsidiary undertaking	Country of incorporation	% Holding of ordinary shares	Principal activity
Drakefield Holdings Limited	England	100	Holding Company
Drakefield Insurance Services Limited	England	100	Insurance intermediation

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

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

14 DEBTORS

	2012	2011
	£'000	£'000
Amounts receivable within one year		
Trade debtors	132,968	147,152
Amounts owed by group undertakings	1,184,060	1,074,012
Other debtors	1,127	358
Prepayments and accrued income	1,755	2,347
	<u>1,319,910</u>	<u>1,223,869</u>
Amounts receivable in more than one year		
Deferred tax asset (see note 10)	1,673	3,041
	<u>1,321,583</u>	<u>1,226,910</u>

Amounts owed by group undertakings were unsecured, had no repayment terms and bore no interest.

15 CREDITORS (amounts falling due within one year)

	2012	2011
	£'000	£'000
Insurance creditors	126,945	141,256
Amounts owed to group undertakings	549,843	543,503
Corporation tax	10,903	-
Taxation and social security	1,028	915
Other creditors	545	810
Obligations under finance leases and hire purchase contracts (see note 17)	436	27
Accruals and deferred income	51,326	54,371
	<u>741,026</u>	<u>740,882</u>

The amounts owed to group undertakings were unsecured, had no repayment terms and bore no interest.

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

	2012	2011
	£'000	£'000
Obligations under finance leases and hire purchase contracts (see note 17)	<u>1,020</u>	<u>142</u>

17 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

	2012	2011
	£'000	£'000
Amounts payable under finance leases and hire purchase contracts		
Within one year	436	27
In two to five years	1,020	142
	<u>1,456</u>	<u>169</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 PROVISIONS FOR LIABILITIES

	Other Provisions £'000	Vacant Property Provisions £'000	Restructuring Provisions £'000	Total £'000
As at 1 February 2011	5,503	1,683	234	7,420
Provision utilised	(377)	(618)	(350)	(1,345)
Charge for the year	-	82	209	291
Discount unwinding	-	12	-	12
As at 31 January 2012	<u>5,126</u>	<u>1,159</u>	<u>93</u>	<u>6,378</u>

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

19 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up and fully paid	<u>19,000</u>	<u>19,000</u>
19,000,000 ordinary shares of £1 each		

20 PROFIT AND LOSS ACCOUNT

	2012 £'000	2011 £'000
Opening balance as previously reported	483,276	386,465
Prior year adjustment	-	11,720
Opening balance restated	<u>483,276</u>	<u>398,185</u>
Profit for the year	<u>100,004</u>	<u>85,090</u>
Closing balance	<u>583,280</u>	<u>483,276</u>

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Opening shareholders' funds as previously reported	502,276	405,465
Prior year adjustment	-	11,720
Opening shareholders' funds as restated	<u>502,276</u>	<u>417,185</u>
Profit for the year	<u>100,004</u>	<u>85,090</u>
Closing shareholders' funds	<u>602,280</u>	<u>502,276</u>

AUTOMOBILE ASSOCIATION INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 GUARANTEES AND COMMITMENTS

Cross company guarantees

The Company, along with certain of its fellow subsidiaries, acts as Obligor on bank loans made to Acromas Mid Co Limited. At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £5,098.2 million (2011 £5,034.7 million).

Operating leases

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Motor vehicles	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	2	26	111
In two to five years	955	1,293	518	268
In over five years	-	64	-	-
	<u>955</u>	<u>1,359</u>	<u>544</u>	<u>379</u>

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

At the year end, the Company had capital commitments of £1,051,899 (2011 £466,000) and capital expenditure authorised but not yet committed of £nil (2011 £nil).

23 RELATED PARTY TRANSACTIONS

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

24 ULTIMATE CONTROLLING PARTY

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

25 ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking, which is also the parent of the smallest and largest group to consolidate these financial statements, is Acromas Holdings Limited whose registered office is at Enbrook Park, Folkestone, Kent, CT20 3SE.

Copies of the financial statements of Acromas Holdings Limited are available from the Company Secretary at this address.