

AA FINANCIAL SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016

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COMPANIES HOUSE

Registered number: 00912211

AA FINANCIAL SERVICES LIMITED
FOR THE YEAR ENDED 31 JANUARY 2016

STRATEGIC REPORT

The directors present their strategic report, directors' report and audited financial statements of AA Financial Services Limited ("the Company") for the year ended 31 January 2016.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of Automobile Association Insurance Services Holdings Limited.

The principal activity of the Company is the provision of financial intermediation services for saving accounts, loans, credit cards and life insurance.

As shown in the Company's income statement, the Company's revenue decreased by 39% to £5.2m during the current year, whilst operating profit of the Company for the year was £1.3m (2015: £6.9m). After taxation, a profit of £1.0m (2015: £5.4m) has been transferred to reserves.

The statement of financial position shows the Company's financial position at the year end. Net assets increased by 5% to £20.8m (2015: £19.8m).

For decision making and internal performance management, management's key performance metric is Earnings before interest, tax, exceptional items, depreciation and amortisation (Trading EBITDA). Trading EBITDA decreased by 76% to £1.7m during the current year.

DIVIDENDS

The Company has not paid a dividend in the year (2015: £nil).

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:

Financial Risk

The Company is part of the AA plc 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 Company is an obligor of the financial indebtedness of the AA Intermediate Co Limited group, a parent undertaking of the Company and part of the AA plc group. Its viability and financial success is therefore tied to the viability and financial success of the AA Intermediate Co Limited group. No material uncertainties have been identified that would cast doubt over the financial success of the AA Intermediate Co Limited group.

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.

AA FINANCIAL SERVICES LIMITED
FOR THE YEAR ENDED 31 JANUARY 2016

STRATEGIC REPORT (continued)

Credit Risk

Credit risk is the risk that one party to a financial transaction will cause financial loss for the other party by failing to discharge an obligation. The Company's policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

Brand Risk

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

Risk of technological change

An essential programme of renewal and enhancement of our IT estate is necessary to address the risks to our brand and our competitive capability and to provide data and system security particularly against unauthorised access. A new and experienced management team is driving the overall programme supported by enhanced risk management processes.

This IT transformation project will enable us to improve our overall contact with customers materially, consolidating disparate customer data and information systems, enhancing our digital offerings and improving further our roadside response.

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.



BY ORDER OF THE BOARD

M LLOYD
DIRECTOR

27 OCTOBER 2016

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

AA FINANCIAL SERVICES LIMITED
FOR THE YEAR ENDED 31 JANUARY 2016

DIRECTORS' REPORT

DIRECTORS

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

M Huggins	(Resigned 30 September 2015)
R J H Scott	(Resigned 30 April 2016)
M Johnson	(Appointed 14 December 2015)
M S Lloyd	(Appointed 14 December 2015)
G Pritchard	(Appointed 30 April 2016, resigned 24 May 2016)

COMPANY SECRETARY

M F Millar

DIRECTOR'S INDEMNITY

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against all losses and liabilities incurred in the discharge of their duties, to the extent permitted by law.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

AA FINANCIAL SERVICES LIMITED
FOR THE YEAR ENDED 31 JANUARY 2016

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the business review and risk management framework on page 1

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

RE-APPOINTMENT OF AUDITOR

In accordance with section 487(2) of the Companies Act 2006, the Auditor Ernst and Young LLP is deemed reappointed.



BY ORDER OF THE BOARD

M LLOYD
DIRECTOR

27 OCTOBER 2016

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

Registered number: 00912211

AA FINANCIAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AA FINANCIAL SERVICES LIMITED

We have audited the financial statements of AA Financial Services Limited for the year ended 31 January 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 16. 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), including FRS 101 "Reduced Disclosure Framework".

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 as set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.


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

28 October 2016

AA FINANCIAL SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2016

	Notes	2016 £'000	2015 £'000
REVENUE	3	5,206	8,466
COST OF SALES		(297)	(428)
OPERATING COSTS			
Administrative expenses		(3,648)	(1,168)
OPERATING PROFIT	4	1,261	6,870
Trading EBITDA		1,713	7,185
Amortisation and depreciation		(15)	(15)
Exceptional items	5	(437)	(300)
OPERATING PROFIT		1,261	6,870
Tax on profit on ordinary activities	8	(255)	(1,464)
PROFIT FOR THE FINANCIAL YEAR		1,006	5,406

All income and expenditure arises from continuing operations.

There are no gains and losses other than those passing through the income statement, therefore no separate statement of comprehensive income is presented.

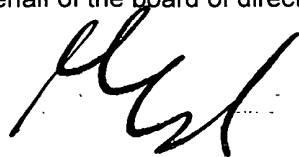
The accompanying notes are an integral part of these financial statements.

AA FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 JANUARY

	Notes	2016 £'000	2015 £'000
NON-CURRENT ASSETS			
Intangible assets	10	28	43
Deferred tax asset	9	3	2
		<u>31</u>	<u>45</u>
CURRENT ASSETS			
Trade and other receivables	11	22,520	21,745
TOTAL ASSETS		<u>22,551</u>	<u>21,790</u>
CURRENT LIABILITIES			
Trade and other payables	12	(1,776)	(1,807)
Provisions	13	-	(214)
		<u>(1,776)</u>	<u>(2,021)</u>
TOTAL LIABILITIES		<u>(1,776)</u>	<u>(2,021)</u>
NET ASSETS		<u>20,775</u>	<u>19,769</u>
EQUITY			
Called up share capital	14	2,000	2,000
Retained earnings		<u>18,775</u>	<u>17,769</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		<u>20,775</u>	<u>19,769</u>

Signed for and on behalf of the board of directors by:



M LLOYD
DIRECTOR

27 OCTOBER 2016

The accompanying notes are an integral part of these financial statements.

AA FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 February 2014	2,000	12,363	14,363
Profit for the year	-	5,406	5,406
At 31 January 2015	2,000	17,769	19,769
Profit for the year	-	1,006	1,006
At 31 January 2016	2,000	18,775	20,775

The accompanying notes are an integral part of these financial statements.

AA FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

AA Financial Services Limited is incorporated and domiciled in England and Wales.

The financial statements are prepared on a going concern basis.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The financial statements are prepared under the historical cost convention.

The financial statements are prepared in Sterling and are rounded to the nearest £1,000.

2 Accounting policies

2.1 Basis of preparation

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. As a consequence of adopting FRS 101, the Company has made no restatements to the comparatives with regards to recognition and measurement but has required amendments to presentation and disclosures in the accounts. The Company has early adopted Statutory Instrument 2015/980.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2016.

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

- IAS 1 paragraphs 10(d) and 10(f),
- 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),
- IFRS 1 paragraphs 6 and 21,
- 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,
- IAS 24 'Related party disclosures' (key management compensation).

2.2 Critical accounting estimates and judgements

Estimates are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

The principal estimate and assumption that has a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial period is in respect of accrued income.

Management accrue income each month based on a best estimate of the number of products sold. This is then aligned to the actual number of products sold in the following month.

AA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies

a) Intangible assets

Intangible assets which are acquired separately are stated at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised over the useful economic life.

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

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

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

b) 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.

c) 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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

d) Revenue recognition

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

Commission income from third parties is recognised when the income can be reasonably determined.

AA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies(continued)

e) Exceptional items

Exceptional items are events or transactions that fall within the operating activities of the Company and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

f) Trade receivables and trade payables

Trade receivables (excluding instalment debtors) and trade payables are not interest bearing and are recognised initially at fair value. Instalment debtors accrue interest on the month end balance. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

3 SEGMENTAL INFORMATION

Revenue originates in the UK. Revenue by destination is not materially different from revenue by origin.

4 OPERATING PROFIT

Profit on ordinary activities before interest and taxation is stated after charging:

	2016 £'000	2015 £'000
Amortisation of intangible fixed assets	15	15
Operating lease rentals:		
- Motor vehicles	-	6

Auditor remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2016 amounted to £40,000 (2015: £30,000). The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year.

Trading EBITDA is profit before tax as reported adjusted for amortisation, depreciation and exceptional items.

5 EXCEPTIONAL ITEMS

	2016 £'000	2015 £'000
Exceptional costs	437	300

Exceptional items in the current year related to £154,000 recharge of group exceptional costs and £283,000 of restructuring costs which reflected a change in the way that these group costs were recharged compared to the prior year.

Exceptional items in the prior year related to restructuring costs.

AA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 STAFF COSTS

Staff costs during the year were as follows:

	2016 £'000	2015 £'000
Wages and salaries	761	930
Social security costs	96	95
Retirement benefit costs	77	55
	<u>934</u>	<u>1,080</u>

Staff costs relate to those recharged from Automobile Association Developments Limited. The average number of employees directly employed during the year was nil (2015: nil).

7 DIRECTORS' EMOLUMENTS

	2016 £'000	2015 £'000
Aggregate remuneration in respect of qualifying services	525	1,035
Compensation for loss of office	48	860
	<u>573</u>	<u>1,895</u>

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

	2016 £'000	2015 £'000
Defined benefit pension scheme:		
Accrued pension at the end of the year	5	-
	<u>268</u>	<u>-</u>

M Johnson is remunerated by the Company for his services as director. All other directors of the Company are also directors of the ultimate parent undertaking (AA plc) and/or fellow subsidiaries. These directors are remunerated by another company that is part of the AA plc group. As the directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the ultimate parent undertaking and fellow subsidiary companies, their full remuneration have been reflected in the disclosure above.

Retirement benefits are accruing for 2 (2015: 1) directors under a defined benefit scheme and nil (2015: 1) under a money purchase scheme.

8 TAX EXPENSE

The major components of the income tax expense are:

	2016 £'000	2015 £'000
Current tax:		
- Current tax on income in the year	255	1,431
- Adjustments in respect of prior periods	1	13
Total current tax charge	<u>256</u>	<u>1,444</u>
Deferred tax:		
- Origination and reversal of temporary differences	(1)	32
- Adjustments in respect of prior periods	-	(12)
Total deferred tax (credit) / charge	<u>(1)</u>	<u>20</u>
Total tax expense	<u>255</u>	<u>1,464</u>

AA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAX EXPENSE (continued)

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

	2016 £'000	2015 £'000
Profit before tax	<u>1,261</u>	<u>6,870</u>
Tax at rate of 20.16% (2015: 21.32%)	254	1,465
Effects of:		
Rate change	-	(2)
Adjustments to tax charge in respect of previous years	<u>1</u>	<u>1</u>
Income tax expense reported in the income statement	<u>255</u>	<u>1,464</u>

9 DEFERRED TAXATION

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Other short term temporary differences	<u>3</u>	<u>2</u>	<u>(1)</u>	<u>20</u>
Deferred tax asset	<u>3</u>	<u>2</u>	<u>(1)</u>	<u>20</u>
				£'000
Deferred tax asset as at 1 February 2015				2
Tax credit recognised in the income statement				<u>1</u>
Deferred tax asset as at 31 January 2016				<u>3</u>

At the balance sheet date the UK corporation tax rate was set to reduce from 20% to 19% on 1 April 2017 and then to 18% on 1 April 2020. These rates have been enacted at the balance sheet date and used to calculate the deferred tax asset. On 16 March 2016 the Chancellor presented the 2016 budget in which he announced a reduction in the future corporation tax rate to 17% instead of 18% on 1 April 2020. The impact of this new rate is not expected to be material to the deferred tax balance in the accounts and has not been enacted at the balance sheet date.

AA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 INTANGIBLE ASSETS

	Software £'000
Cost	
At 1 February 2015 and 31 January 2016	<u>76</u>
Amortisation	
At 1 February 2015	33
Charge for year	<u>15</u>
At 31 January 2016	<u>48</u>
Net book value	
At 31 January 2016	<u>28</u>
At 31 January 2015	<u>43</u>

11 TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Trade receivables	4,001	3,543
Amounts owed by group undertakings	18,248	18,202
Deferred income	<u>271</u>	<u>-</u>
	<u>22,520</u>	<u>21,745</u>

12 TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	271	-
Amounts owed to group undertakings	-	1,403
Other taxation and social security	19	18
Accruals	1,479	364
Other payables	<u>7</u>	<u>22</u>
	<u>1,776</u>	<u>1,807</u>

13 PROVISIONS

	£'000
At 1 February 2014	214
Utilised during the year	(545)
Released unutilised during the year	(100)
Charge for the year	<u>200</u>
At 31 January 2015	<u>214</u>
Utilised during the year	(214)
At 31 January 2016	<u>-</u>
Current	-
Non-current	-
At 31 January 2016	<u>-</u>
Current	214
Non-current	-
At 31 January 2015	<u>214</u>

Provisions related to the liability arising from loyalty points and other payments due to customers. Following the completion of the contract, this provision is no longer required.

AA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

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

The Company has 3,000,000 authorised ordinary shares of £1 each.

15 GUARANTEES AND COMMITMENTS

The Company, together with others in the Group, is guarantor to the bank loans and bond debt of the AA Intermediate Co Limited group. At 31 January 2016, the principal outstanding on the AA Intermediate Co Limited group debt was £2,914.0m (2015: £3,043.0m).

The covenants governing the bank loans and bond debt of the AA Intermediate Co Limited group place restrictions on the group's ability to distribute cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts.

16 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of Automobile Association Insurance Services Holdings Limited, a company registered in England and Wales. AA plc is the ultimate controlling party and parent undertaking.

The parent of the smallest group to consolidate these financial statements is AA Intermediate Co Limited whose registered office is Fanum House, Basing View, Basingstoke, RG21 4EA. The ultimate parent undertaking, which is also the parent of the largest group to consolidate these financial statements, is AA plc whose registered office is at Fanum House, Basing View, Basingstoke, RG21 4EA.

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