

**AA MID CO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2018**



**Registered number: 5088289**

**AA MID CO LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2018**

**STRATEGIC REPORT**

The directors present their report and audited financial statements of AA Mid Co Limited ("the Company") for the year ended 31 January 2018.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The Company is a wholly owned subsidiary of AA plc.

The principal activity of the Company is that of a holding company. The Company did not trade during the year.

During the year, the Company received dividends from subsidiary undertakings of £80.0m (2017: £60.0m) and paid dividends of £80.0m (2017: £60m).

**RISK MANAGEMENT FRAMEWORK**

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

The AA plc group 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 by the Risk, Compliance and Internal Audit functions to ensure they are working effectively

The principal risks applicable to the Company are considered to be:

*Unable to maintain outstanding service and market share*

The AA's brand and its continued success, and, in particular, the loyalty of its customers, relies on delivering outstanding service that is superior to the rest of the market. Inadequate investment in technology, systems, people and processes would place this objective at increasing risk.

*Unable to grow the business in a manner that complements and sustains the brand*

The AA plc group is unable to develop and grow new profitable business products and lines that complement the customer experience and which demonstrate standards and values that underlie the core brand.

BY ORDER OF THE BOARD



G PRITCHARD  
DIRECTOR

22 October 2018

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

## AA MID CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2018

### DIRECTORS' REPORT

#### DIRECTORS

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

M A Clarke	
R Mackenzie	Dismissed 1 August 2017
M Strickland	Appointed 7 August 2017
M Millar	Resigned 17 April 2018
G Pritchard	

#### COMPANY SECRETARY

M Millar	Resigned 17 April 2018
C Free	Appointed 17 April 2018

#### DIRECTORS' INDEMNITY

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

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and 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 applicable laws and United Kingdom Accounting Standards (United Kingdom Generally accepted Accounting Policies) including FRS101 "Reduced Disclosure Framework". 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.

#### GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the Strategic Report on page 1.

The directors believe that the Company has adequate financial resources. 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.

**AA MID CO LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2018**

**DISCLOSURE OF INFORMATION TO AUDITOR**

Each 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



G PRITCHARD  
DIRECTOR

22 October 2018

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AA MID CO LIMITED**

### **Opinion**

We have audited the financial statements of AA Mid Co Limited for the year ended 31 January 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework."

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2018 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, **set out on page 2**, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

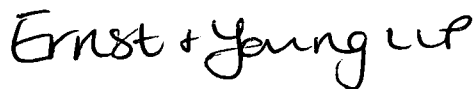
### **Auditor's responsibilities for the audit of the financial statements**

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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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.



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

23 October 2018

# AA MID CO LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	2018 £m	2017 £m
Income from shares in group undertakings	<u>80.0</u>	<u>60.0</u>
	80.0	60.0
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<u><u>80.0</u></u>	<u><u>60.0</u></u>

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 MID CO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Notes	2018 £m	2017 £m
<b>NON-CURRENT ASSETS</b>			
Investment in group undertakings	5	2,640.0	2,640.0
<b>CURRENT ASSETS</b>			
Trade and other receivables	6	<u>1,777.8</u>	<u>1,777.8</u>
<b>TOTAL ASSETS</b>		<u>4,417.8</u>	<u>4,417.8</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	<u>(2,982.6)</u>	<u>(2,982.6)</u>
<b>NET ASSETS</b>		<u>1,435.2</u>	<u>1,435.2</u>
<b>EQUITY</b>			
Called up share capital	8	20.9	20.9
Retained earnings		<u>1,414.3</u>	<u>1,414.3</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>		<u>1,435.2</u>	<u>1,435.2</u>

Signed for and on behalf of the board by:



G PRITCHARD

DIRECTOR

22 October 2018

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



AA MID CO LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Retained earnings £m	Total £m
At 1 February 2016	20.9	1,414.3	1,435.2
Profit for the year	-	60.0	60.0
Dividends	-	(60.0)	(60.0)
At 31 January 2017	20.9	1,414.3	1,435.2
Profit for the year	-	80.0	80.0
Dividends	-	(80.0)	(80.0)
<b>At 31 January 2018</b>	<b>20.9</b>	<b>1,414.3</b>	<b>1,435.2</b>

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

# AA MID CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Presentation of financial statements

AA Mid Co 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 £100,000.

### 2 Significant accounting policies

#### 2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2018.

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),
- 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

Management have exercised judgement in applying the company's accounting policies and in making critical estimates. The principle judgement is around the annual impairment test which includes assumptions regarding the future performance of the Company's subsidiaries (see note 5).

#### 2.3 Significant accounting policies

##### a) Investments in subsidiaries

Investments in subsidiaries are valued individually at the lower of cost less any provision for impairment. Income from investments is recognised in the income statement when it is receivable.

##### b) Trade receivables and trade payables

Trade receivables and trade payables are not interest bearing and are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

### 3 AUDITOR'S REMUNERATION

The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year. Audit fees of £5,000 (2017: £5,000) were borne by another group company.

## AA MID CO LIMITED

### 4 DIRECTORS' REMUNERATION

	2018 £m	2017 £m
Aggregate remuneration in respect of qualifying services	1.2	2.6
Money purchase scheme contributions	0.1	0.1
Compensation for loss of office	-	0.1
	1.3	2.8
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	0.5	1.3
Contributions to money purchase schemes	0.1	0.1
	0.6	1.4

The 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 1 (2017: 2) directors under a defined benefit scheme and 1 (2017: 2) under a money purchase scheme.

The Company had no employees throughout the year (2017: nil).

### 5 INVESTMENTS IN SUBSIDIARIES

	2018 £m	2017 £m
Investment in subsidiary undertaking at cost At 31 January	2,640.0	2,640.0

All subsidiaries are wholly owned and incorporated and registered where stated below.

The principal subsidiary undertakings of the Company at 31 January 2018 are:

Name	Country
AA Acquisition Co Limited <sup>2</sup>	United Kingdom
AA Intermediate co Limited <sup>1,2</sup>	United Kingdom
AA Bond Co Limited <sup>3</sup>	Jersey
AA Corporation Limited <sup>2</sup>	United Kingdom
AA Financial Services Limited <sup>2</sup>	United Kingdom
AA Media Limited <sup>2</sup>	United Kingdom
AA Senior Co Limited <sup>2</sup>	United Kingdom
AA The Driving School Agency Limited <sup>2</sup>	United Kingdom
Automobile Association Developments Limited <sup>2</sup>	United Kingdom
Automobile Association Insurance Services Limited <sup>2</sup>	United Kingdom
Drivetech (UK) Limited <sup>2</sup>	United Kingdom
Intelligent Data Systems (UK) Limited <sup>2</sup>	United Kingdom

## AA MID CO LIMITED

### 5 INVESTMENTS IN SUBSIDIARIES (continued)

The other subsidiary undertakings of the Company at 31 January 2018 are:

Name	Country
A.A. Pensions Trustees Limited <sup>2</sup>	United Kingdom
AA Brand Management Limited <sup>2</sup>	United Kingdom
AA Ireland Pension Trustees DAC <sup>4</sup>	Ireland
AA Garage Services <sup>2</sup>	United Kingdom
AA Pension Funding GP Limited <sup>5</sup>	United Kingdom
AA Pension Funding LP <sup>5</sup>	United Kingdom
AA Road Services Limited <sup>2</sup>	United Kingdom
AA Underwriting Limited <sup>2</sup>	United Kingdom
Automobile Association Holdings Limited <sup>2</sup>	United Kingdom
Automobile Association Insurance Services Holdings Limited <sup>2</sup>	United Kingdom
Automobile Association Protection and Investment Planning Limited <sup>2</sup>	United Kingdom
Automobile Association Services Limited <sup>2</sup>	United Kingdom
Automobile Association Underwriting Services Limited <sup>2</sup>	United Kingdom
Breakdown Assistance Services Limited <sup>6</sup>	United Kingdom
Breakdown Hero Limited <sup>6</sup>	United Kingdom
Drakefield Group Limited <sup>2</sup>	United Kingdom
Drakefield Holdings Limited <sup>2</sup>	United Kingdom
Drakefield Insurance Services Limited <sup>2</sup>	United Kingdom
Nationwide 4 X 4 Ltd <sup>2</sup>	United Kingdom
Peak Performance Management Limited <sup>2</sup>	United Kingdom
Personal Insurance Mortgages and Savings Limited <sup>2</sup>	United Kingdom
Used Car Sites Limited <sup>2</sup>	United Kingdom
The Automobile Association Limited <sup>3</sup>	Jersey

<sup>1</sup> Directly owned by AA Mid Co Limited, all other subsidiaries are indirectly held.

<sup>2</sup> Company registered office: Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England.

<sup>3</sup> Company registered office: 22 Greenville Street, St Helier, Jersey, JE4 8PX.

<sup>4</sup> Company registered office: 61a South William Street, Dublin 2, Ireland.

<sup>5</sup> Company registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland.

<sup>6</sup> Company registered office: 90 Long Acre, London, WC2E 9RA.

All related undertakings are indirectly held by the Company, except for AA Intermediate Co Limited, which is a direct subsidiary undertaking.

The company has performed impairment testing at 31 January 2018 and 31 January 2017. The impairment test compares the recoverable amount of the companies to their carrying values.

The impairment test was performed on the directly held subsidiary which is supported by cash flow projections of the underlying AA Intermediate Group. The recoverable amount of the investment has been determined based on a value in use calculation using cash flow projections from the Group's three year plan up to 31 January 2021 and a 2% (2017: 2%) inflationary expectation of growth in the subsequent two years. For the purposes of the impairment test, terminal values have been calculated using the Gordon growth model and a 2% (2017: nil%) inflationary growth assumption in perpetuity. Cash flows have been discounted at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. This has been determined as a pre-tax rate of 8.6% (2017: 9.0%).

The value in use calculation used is the most sensitive to the assumptions used for growth and for 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. Further to this, management believes that no reasonably foreseeable change in any of the key assumptions would cause the recoverable amount of investment in subsidiaries to be lower than its carrying amount, and consequently no impairment has been recognised.

## AA MID CO LIMITED

### 6 TRADE AND OTHER RECEIVABLES

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Amounts owed by subsidiary undertakings	<b>1,777.8</b>	<b>1,777.8</b>

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

### 7 TRADE AND OTHER PAYABLES

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Amounts owed to subsidiary undertakings	<b>2,982.6</b>	<b>2,982.6</b>

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

### 8 CALLED UP SHARE CAPITAL

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<b>Allotted, called up and fully paid</b>		
2,090,547,948 ordinary shares of £0.01 each	<b>20.9</b>	<b>20.9</b>

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

As at 31 January 2018, the company had distributable reserves of £862,094,015 (2017: £862,094,045)

### 9 RELATED PARTY TRANSACTIONS

During the year, the Company entered into related party transactions with its fellow subsidiary undertakings. The balances outstanding at the end of the financial year were:

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Owed by:		
AA Corporation Ltd	<b>21.5</b>	<b>21.5</b>
AA Intermediate Co Limited	<b>1,756.3</b>	<b>1,756.3</b>
Owed to:		
Automobile Association Developments Ltd	<b>(20.2)</b>	<b>(20.2)</b>
AA Senior Co Limited	<b>(2,962.4)</b>	<b>(2,962.4)</b>

### 10 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA plc, 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 plc 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 website [www.theaapl.com/investors](http://www.theaapl.com/investors).