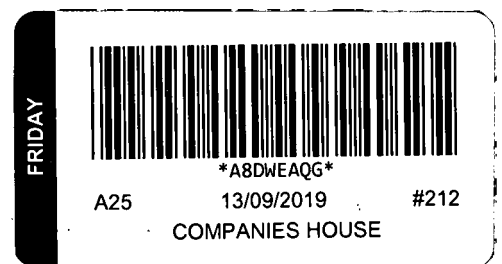


AA ACQUISITION CO LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019



Registered number: 05018987

AA ACQUISITION CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

STRATEGIC REPORT

The directors present their Annual Report and financial statements of AA Acquisition Co Limited ("the Company") for the year ended 31 January 2019.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company is a wholly owned subsidiary of AA Intermediate Co Limited. The principal activity of the Company is that of a financing company. The Company incurred a loss of £4.4m arising from tax payable on interest imputed on intercompany balances but otherwise did not trade during the year. The Company's loss after tax for the year was £4.4m (2018: profit after tax £77.3m). The directors are satisfied with the performance of the Company in the year. There are currently no plans to alter the principal activities of the Company going forward and the Company expects to continue to provide financing services to the AA plc group.

RISK MANAGEMENT FRAMEWORK

The Company is part of 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 its business. This framework enables the Company to manage risk using predefined assessment criteria to ensure residual risk levels are in line with the AA plc 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 & uncertainties facing the Company are considered to be:

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

The Company 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.

Unable to manage our debt

The Company is unable to repay or refinance its debt at an acceptable price. 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.

The above principal risks of the Company are considered to be aligned to those of the group given the performance as a non-trading holding Company is dependent on that of the group.

ON BEHALF OF THE BOARD



M W STRICKLAND
DIRECTOR

1 August 2019

Registered Office:

Fanum House

Basing View

Basingstoke

Hampshire

RG21 4EA

AA ACQUISITION CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT

DIRECTORS

The directors who held office during the year and up to the date of signing the accounts, unless otherwise stated, were as follows:

M A Clarke (resigned 29 April 2019)
G Pritchard
M W Strickland
M F Millar (resigned 17 April 2018)

COMPANY SECRETARY

M F Millar (resigned 17 April 2018)
C M Free (appointed 17 April 2018, resigned 30 January 2019)
N Hoosen (appointed 30 January 2019)

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 losses and liabilities incurred in the discharge of their duties, to the extent of the assets of the Company and as permitted by law.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law 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 of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

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.

AA ACQUISITION CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT (continued)

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

GOING CONCERN

The Company's business activities 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 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.

DIVIDENDS

During the year, the Company did not pay any dividends (2018: £80m).

AUDITORS

Pursuant to the AA plc Group audit tender process in 2017, Ernst & Young LLP resigned as the Company's auditor following completion of their statutory and regulatory audits for the financial year ended 31 January 2018. PricewaterhouseCoopers LLP were appointed as auditors of the Company for the financial year ending 31 January 2019.

ON BEHALF OF THE BOARD

M.W. Strickland

M W STRICKLAND
DIRECTOR

1 August 2019
Registered Office:
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

Independent auditors' report to the members of AA Acquisition Co Limited

Report on the audit of the financial statements

Opinion

In our opinion, AA Acquisition Co Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 January 2019; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Stuart Newman

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 August 2019

AA ACQUISITION CO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

| | Note | 2019 £m | 2018 £m |
|---|------|--------------|-------------|
| Income from shares in group undertakings | | - | 80.0 |
| Profit before tax | | - | 80.0 |
| Tax expense | 5 | (4.4) | (2.7) |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (4.4) | 77.3 |

There is no other comprehensive income other than that recognised in the income statement, therefore no separate statement of comprehensive income is presented.

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

AA ACQUISITION CO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY

| | Notes | 2019 £m | 2018 £m |
|-----------------------------|-------|-----------------------|-----------------------|
| FIXED ASSETS | | | |
| Deferred tax asset | 6 | 9.0 | 11.6 |
| Investments in subsidiaries | 7 | <u>320.0</u> | <u>320.0</u> |
| | | 329.0 | 331.6 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 8 | <u>787.0</u> | <u>787.0</u> |
| TOTAL ASSETS | | <u>1,116.0</u> | <u>1,118.6</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | <u>(235.2)</u> | <u>(233.4)</u> |
| TOTAL LIABILITIES | | <u>(235.2)</u> | <u>(233.4)</u> |
| NET ASSETS | | <u>880.8</u> | <u>885.2</u> |
| EQUITY | | | |
| Ordinary shares | 10 | - | - |
| Retained earnings | | <u>880.8</u> | <u>885.2</u> |
| TOTAL EQUITY | | <u>880.8</u> | <u>885.2</u> |

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

M.W. Strickland

M W STRICKLAND
 DIRECTOR
 1 August 2019
 AA Acquisition Co Limited
 Registered number: 05018987

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

AA ACQUISITION CO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY

| | Share capital £m | Retained earnings £m | Total £m |
|---------------------------|---------------------|-------------------------|--------------|
| At 1 February 2017 | - | 887.9 | 887.9 |
| Profit for the year | - | 77.3 | 77.3 |
| Dividends | - | (80.0) | (80.0) |
| At 31 January 2018 | - | 885.2 | 885.2 |
| Loss for the year | - | (4.4) | (4.4) |
| At 31 January 2019 | - | 880.8 | 880.8 |

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

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRESENTATION OF FINANCIAL STATEMENTS

AA Acquisition Co Limited is a private limited company and is incorporated and domiciled in England and Wales.

The Company has adequate financial resources due to the Company's own net current asset position. 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.

The financial statements are prepared in Sterling and are rounded to the nearest £100,000.

2 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"). The financial statements are prepared under the historical cost convention. The Company takes the exemption under IFRS 10 paragraph 4 from presenting consolidated financial statements. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2019.

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',
- IFRS 7 'Financial Instruments Disclosures',
- IAS 8 paragraphs 30 and 31 (accounting policies, changes in accounting estimates and errors),
- 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),
- IFRS 13 'Fair value measurement'.

NEW STANDARDS, AMENDMENTS AND IFRIC INTERPRETATIONS

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 January 2019 and have not had a material impact on the Company (see note 12). There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2019 that have had a material impact on the Company.

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 involving a higher degree of judgement and complexity, where the assumptions and estimates are significant to the financial statements relate to the annual impairment test which includes assumptions regarding the future performance of the Company's subsidiaries (see note 7).

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES

a) TAXATION

Tax for the year comprises current and deferred tax.

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

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

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

b) 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.

c) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Trade and other receivables

Trade and other receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised at fair value and are subsequently held at amortised cost. The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables.

Trade and other payables

Trade and other payables are not interest bearing and are recognised at fair value and are subsequently held at amortised cost using the effective interest method.

The Company has no financial assets or liabilities measured at fair value through other comprehensive income or fair value through profit and loss.

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 AUDITORS' REMUNERATION

Audit fees are paid on the Company's behalf by another AA group company with no recharge (2018: nil). Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, AA plc. The group financial statements are required to comply with the statutory disclosure requirements.

4 DIRECTORS' REMUNERATION

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Aggregate remuneration in respect of qualifying services | 1.5 | 1.3 |
| Money purchase scheme | 0.1 | 0.1 |
| | 1.6 | 1.4 |
| | | |
| | 2019 £m | 2018 £m |
| The amounts paid in respect to the highest paid director were as follows: | | |
| Remuneration | 0.9 | 0.5 |
| Money purchase scheme | 0.1 | 0.1 |
| | 1.0 | 0.6 |

All 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 (2018: 2) director under a defined benefit scheme and 2 (2018: 1) under a money purchase scheme.

The Company had no employees throughout the year (2018: nil).

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 TAX EXPENSE

The major components of the income tax expenses are:

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Current tax: | | |
| - Current tax payable | 1.8 | 0.7 |
| Total current tax | 1.8 | 0.7 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 2.8 | 2.0 |
| Rate change differences | (0.2) | - |
| Total deferred tax | 2.6 | 2.0 |
| Total tax expense | 4.4 | 2.7 |

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

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Profit before tax | - | 80.0 |
| Tax at rate of 19.00% (2018: 19.16%) | - | 15.3 |
| Effects of: | | |
| Non-taxable dividend income | - | (15.3) |
| Interest imputed on intercompany balances | 4.6 | 2.7 |
| Rate change differences | (0.2) | - |
| Income tax expense reported in the income statement | 4.4 | 2.7 |

6 DEFERRED TAX ASSET

| | Statement of financial position | | Income statement | |
|----------------------------|---------------------------------|------------|------------------|------------|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Tax losses carried forward | 9.0 | 11.6 | 2.6 | 2.0 |
| Deferred tax asset | 9.0 | 11.6 | 2.6 | 2.0 |

| | £m |
|---|------------|
| Deferred tax asset as at 1 February 2018 | 11.6 |
| Charge to the income statement | (2.6) |
| Deferred tax asset as at 31 January 2019 | 9.0 |

At the statement of financial position date the UK corporation tax rate was set to reduce from 19% to 17% on 1 April 2020. These rates have been enacted at the statement of financial position date and used to calculate the deferred tax asset.

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 INVESTMENTS IN SUBSIDIARIES

| | 2019 £m | 2018 £m |
|--|--------------|--------------|
| Investment in subsidiary undertaking at cost at 31 January | 320.0 | 320.0 |

All subsidiaries are wholly owned (except where stated) and incorporated and registered where stated below. Except where otherwise stated, the share capital of each subsidiary consists of only ordinary shares.

| Name | Country |
|--|----------------|
| AA Pensions Trustees Limited ¹ | United Kingdom |
| AA Brand Management Limited ¹ | United Kingdom |
| AA Corporation Limited ^{1,6} | United Kingdom |
| AA Financial Services Limited ¹ | United Kingdom |
| AA Ireland Pension Trustees DAC ² | Ireland |
| AA Media Limited ¹ | United Kingdom |
| AA Pension Funding GP Limited ³ | United Kingdom |
| AA Pension Funding LP ^{3,10} | United Kingdom |
| AA Senior Co Limited ¹ | United Kingdom |
| AA The Driving School Agency Limited ¹ | United Kingdom |
| AA Underwriting Limited ¹ | United Kingdom |
| Automobile Association Developments Limited ¹ | United Kingdom |
| Automobile Association Holdings Limited ^{1,7} | United Kingdom |
| Automobile Association Insurance Services Holdings Limited ¹ | United Kingdom |
| Automobile Association Insurance Services Limited ¹ | United Kingdom |
| Automobile Association Protection and Investment Planning Limited ¹ | United Kingdom |
| Automobile Association Services Limited ^{1,8} | United Kingdom |
| Automobile Association Underwriting Services Limited ¹ | United Kingdom |
| Breakdown Assistance Services Limited ⁴ | United Kingdom |
| Breakdown Hero Limited ⁴ | United Kingdom |
| Drakefield Holdings Limited ^{1,9} | United Kingdom |
| Drakefield Insurance Services Limited ¹ | United Kingdom |
| DriveTech (UK) Limited ¹ | United Kingdom |
| Intelligent Data Systems (UK) Limited ¹ | United Kingdom |
| Personal Insurance Mortgages and Savings Limited ¹ | United Kingdom |
| The Automobile Association Limited ⁵ | Jersey |
| AA Garage Services Limited ¹ | United Kingdom |
| Used Car Sites Limited ¹ | United Kingdom |

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

¹ Company registered office: Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England.

² Company registered office: 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland.

³ Company registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland.

⁴ Company registered office: 90 Long Acre, London, WC2E 9RA, England.

⁵ Company registered office: 22 Greenville Street, St Helier, Jersey, JE4 8PX.

⁶ AA Corporation Limited has ordinary and redeemable preference shares.

⁷ Automobile Association Holdings Limited has ordinary and deferred redeemable non-voting special dividend shares.

⁸ Automobile Association Services Limited is limited by guarantee.

⁹ Drakefield Holdings Limited has A and B ordinary shares.

¹⁰ AA Pension Funding LP is a limited partnership.

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 INVESTMENTS IN SUBSIDIARIES (continued)

The Company has performed impairment testing at 31 January 2019 and 31 January 2018. The impairment test compares the recoverable amount of the companies to their carrying values to assess whether there is an impairment.

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% (2018: 2%) inflationary expectation of growth in the subsequent two years. For the purposes of the impairment test, terminal values have been calculated using a 2% (2018: 2%) 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 9.9% (2018: 8.6%).

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.

8 TRADE AND OTHER RECEIVABLES

| | 2019 £m | 2018 £m |
|------------------------------------|--------------|--------------|
| Amounts owed by group undertakings | <u>787.0</u> | <u>787.0</u> |

Amounts owed by group undertakings are unsecured, are repayable on demand and bear no interest.

9 TRADE AND OTHER PAYABLES

| | 2019 £m | 2018 £m |
|---|--------------|--------------|
| Amounts owed to subsidiary undertakings | 117.8 | 117.8 |
| Amounts owed to parent company | 114.9 | 114.9 |
| Taxation | 2.5 | 0.7 |
| | <u>235.2</u> | <u>233.4</u> |

Amounts owed to group undertakings are unsecured, are repayable on demand and bear no interest.

10 SHARE CAPITAL

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Allotted and fully paid | | |
| 2 (2018: 2) ordinary shares of £1 (2018: £1) each | <u>2</u> | <u>2</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 distributable reserve of £871.8m (2018: £873.6m).

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 GUARANTEES AND COMMITMENTS

The Company is an obligor to the bank loans and bond debt of the AA Intermediate Co Limited group. At 31 January 2019, the principal outstanding on the AA Intermediate Co Limited group debt was £2,769.8m (2018: £2,769.8m).

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.

12 NEW ACCOUNTING STANDARDS

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

A number of new accounting standards, amendments and interpretations have been issued and will be effective for years beginning after 1 February 2019, however the Company has not identified any with an expected material effect on the financial statements.

13 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA Intermediate Co Limited, a company registered in United Kingdom and Wales.

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 and controlling party, 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 parent financial statements are available from the website www.theaapl.com/investors.