AA MID CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2019

Registered number: 05088289

AA MID CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

STRATEGIC REPORT

The directors present their annual report and financial statements of AA Mid Co Limited ("the Company") for the year ended 31 January 2019.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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 but a provision of £53.5m has been booked against intercompany receivables (see note 10).

The Company has performed impairment testing at 31 January 2019 and 31 January 2018 to compare the recoverable amount of the investment in subsidiaries to their carrying values. In performing this calculation, management became aware of an impairment impacting prior years. By applying the same methodology to the prior year balances and using the respective three year plans for each prior year, we have identified an impairment of £601.1m for years prior to 31 January 2018 and a further impairment of £172.6m for the year ended 31 January 2018 (see note 5). Management have restated the prior year comparatives to reflect these impairments.

There are currently no plans to alter the principal activities of the Company going forward and the Company expects to continue to be a holding company.

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. The AA's brand and its continued success underpin the value of the Company's investments.

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.

RISK MANAGEMENT FRAMEWORK (continued)

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

M W STRICKLAND
DIRECTOR
1 August 2019

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

DIRECTORS' REPORT

DIRECTORS

The directors who were in 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
M Strickland	
M F Millar	Resigned 17 April 2018
G Pritchard	

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 all losses and liabilities incurred in the discharge of their duties, to the extent 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.

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. 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.

DIVIDENDS

During the year, the Company did not receive any dividends from subsidiary undertakings (2018: £80.0m) and did not pay any dividends (2018: £80.0m).

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 Mid Co Limited

Report on the audit of the financial statements

Opinion

In our opinion, AA Mid 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

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Note	2019 £m	2018 Restated £m
Impairment of investment in subsidiary	5	-	(172.6)
Income from shares in group undertakings		-	80.0
Provision for credit risk on intercompany receivables		**(53.5)**	-
LOSS BEFORE TAX		**(53.5)**	(92.6)
Tax expense	8	-	-
LOSS FOR THE FINANCIAL YEAR		**(53.5)**	(92.6)

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.

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Notes	2019 £m	2018 Restated (see note 5 for details of restatement) £m	2017 Restated (see note 5 for details of restatement) £m
FIXED ASSETS				
Investments in subsidiaries	5	**1,866.3**	1,866.3	2,038.9
CURRENT ASSETS				
Trade and other receivables	6	**1,724.3**	1,777.8	1,777.8
TOTAL ASSETS		**3,590.6**	3,644.1	3,816.7
CURRENT LIABILITIES				
Trade and other payables	7	**(2,982.6)**	(2,982.6)	(2,982.6)
NET ASSETS		**608.0**	661.5	834.1
EQUITY				
Ordinary shares	9	**20.9**	20.9	20.9
Retained earnings		**587.1**	640.6	813.2
TOTAL EQUITY		**608.0**	661.5	834.1

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

M.W. Strickland

M W STRICKLAND
DIRECTOR
1 August 2019
AA Mid Co Limited
Registered number: 05088289

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY

	Share capital £m	Retained earnings £m	Total £m
At 1 February 2017	20.9	1,414.3	1,435.2
Adjustment to prior year result (see note 5)	-	(601.1)	(601.1)
At 1 February 2017 (restated)	20.9	813,.2	834.1
Loss for the financial year (restated)	-	(92.6)	(92.6)
Dividends	-	(80.0)	(80.0)
At 31 January 2018 (restated)	20.9	640.6	661.5
Loss for the financial year	-	(53.5)	(53.5)
At 31 January 2019	**20.9**	**587.1**	**608.0**

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

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

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

The Company has adequate financial resources due to the Company's own net 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 Significant 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',
- 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).

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. IFRS 15 has not had a material impact on the Company. Under IFRS 9, a provision of £53.5m has been booked against intercompany receivables (see note 10). 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 judgements involving a higher degree of judgement and complexity, where the assumptions and estimates are significant to the financial statements relates to the annual impairment test of investment in subsidiaries, which includes assumptions regarding the future performance of the Company's subsidiaries (see note 5) and the assessment of credit loss allowances for intercompany receivables (see note 10) which requires judgement to assess the collectability of intercompany balances.

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.

2.3 Significant accounting policies (continued)

b) 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 fellow subsidiary undertakings of the AA plc group. They are generally due for settlement on demand and are therefore all classified as current. They 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 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 though other comprehensive income or fair value through profit and loss.

c) Taxation

Tax for the year comprises of current 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.

3 AUDITOR'S REMUNERATION

Audit fees of £2,000 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**	1.2
Money purchase scheme contributions	**0.1**	0.1
	1.6	1.3
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	**0.9**	0.5
Contributions to money purchase schemes	**0.1**	0.1
	1.0	0.6

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 has been reflected in the disclosure above.

4 DIRECTORS' REMUNERATION (continued)

Retirement benefits are accruing for 1 (2018: 1) 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).

5 INVESTMENTS IN SUBSIDIARIES

	2019	2018 Restated
	£m	£m
At 1 February	**1,866.3**	2,038.9
Impairment	**-**	(172.6)
At 31 January	**1,866.3**	1,866.3

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.

The principal subsidiary undertakings of the Company at 31 January 2019 are:

Name	**Country**
AA Acquisition Co Limited [2]	United Kingdom
AA Intermediate Co Limited [1,2]	United Kingdom
AA Bond Co Limited [3]	Jersey
AA Corporation Limited [2]	United Kingdom
AA Financial Services Limited [2]	United Kingdom
AA Media Limited [2]	United Kingdom
AA Senior Co Limited [2]	United Kingdom
AA The Driving School Agency Limited [2]	United Kingdom
Automobile Association Developments Limited [2]	United Kingdom
Automobile Association Insurance Services Limited [2]	United Kingdom
Drivetech (UK) Limited [2]	United Kingdom
Used Car Sites Limited [2]	United Kingdom

The other subsidiary undertakings of the Company at 31 January 2019 are:

Name	**Country**
A.A. Pensions Trustees Limited [2]	United Kingdom
AA Brand Management Limited [2]	United Kingdom
AA Ireland Pension Trustees DAC [4]	Ireland
AA Garage Services [2]	United Kingdom
AA Pension Funding GP Limited [5]	United Kingdom
AA Pension Funding LP [5,10]	United Kingdom
AA Underwriting Limited [2]	United Kingdom
Automobile Association Holdings Limited [2,7]	United Kingdom
Automobile Association Insurance Services Holdings Limited [2]	United Kingdom
Automobile Association Protection and Investment Planning Limited [2]	United Kingdom
Automobile Association Services Limited [2,8]	United Kingdom
Automobile Association Underwriting Services Limited [2]	United Kingdom
Breakdown Assistance Services Limited [6]	United Kingdom
Breakdown Hero Limited [6]	United Kingdom
Drakefield Holdings Limited [2,9]	United Kingdom
Drakefield Insurance Services Limited [2]	United Kingdom
Personal Insurance Mortgages and Savings Limited [2]	United Kingdom
Intelligent Data Systems (UK) Limited [2]	United Kingdom
The Automobile Association Limited [3]	Jersey

5 INVESTMENTS IN SUBSIDIARIES (continued)

[1] Directly owned by AA Mid Co Limited, all other subsidiaries are indirectly held.
[2] Company registered office: Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England.
[3] Company registered office: 22 Greenville Street, St Helier, Jersey, JE4 8PX.
[4] Company registered office: 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland.
[5] Company registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland.
[6] Company registered office: 90 Long Acre, London, WC2E 9RA, England.
[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.

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 2019 and 31 January 2018 to compare the recoverable amount of the investment in subsidiaries 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. For the year ended 31 January 2019, we have used the three year plan covering the three years up to 31 January 2022 and a 8% (2018: 2%) expectation of growth in the subsequent two years followed by a 5% growth rate in two years after that. 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 has then been adjusted for intercompany balances that sit outside of the AA Intermediate Group in order to calculate the fair value of the AA Intermediate Group. No impairment was required in the current year as a result of this test. However, in performing this calculation, management became aware of an impairment impacting prior years. By applying the same methodology to the prior year balances and using the respective three year plans for each prior year, we have identified an impairment of £601.1m for years prior to 31 January 2018 and a further impairment of £172.6m for the year ended 31 January 2018. Management have restated the prior year comparatives to reflect these impairments.

The value in use calculation used is the most sensitive to the assumptions used for growth and to the discount rate. Changes to these assumptions would impact the value of the impairment calculated. For example, a 1% increase in the discount rate in the current year would result in an impairment of c.£320m and a 1% reduction in the terminal value growth rate would result in an impairment of c.£150m in the current year. Management believes that neither of these scenarios reflect the most likely true outcome and accordingly, no impairment has been recognised in the current year.

6 TRADE AND OTHER RECEIVABLES

	2019	2018
	£m	£m
Amounts owed by subsidiary undertakings	**1,724.3**	1,777.8

Amounts owed by subsidiary undertakings are unsecured, are repayable on demand and bear no interest. An impairment for credit losses of £53.5m has been booked against intercompany receivables (see note 10).

7 TRADE AND OTHER PAYABLES

	2019	2018
	£m	£m
Amounts owed to subsidiary undertakings	**2,982.6**	2,982.6

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

8 TAX EXPENSE

The major components of the income tax expenses are:

	2019	2018
	£m	£m
Current tax:		
- Current tax payable	**-**	-
Total current tax	**-**	-
Deferred tax:		
Origination and reversal of temporary differences		
Rate change differences	**-**	-
Total deferred tax	**-**	-
Total tax expense	**-**	-

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

	2019	2018
	£m	£m
Loss before tax	**(53.5)**	(92.6)
Tax at rate of 19.00% (2018: 19.16%)	**(10.2)**	(17.7)
Effects of:		
Non- taxable dividend income	**-**	(15.3)
Non-deductible IFRS 9 credit risk provision	**10.2**	-
Non-deductible investment impairment	**-**	33.0
Income tax expense reported in the income statement	**-**	-

9 SHARE CAPITAL

	2019	2018
Allotted and fully paid	**£m**	£m
2,090,547,948 (2018: 2,090,547,948) ordinary shares of £0.01 (2018: £0.01) each	**20.9**	20.9

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 2019, the company had distributable reserves of £584.9m (2018: £638.4m).

10 NEW ACCOUNTING STANDARDS

IFRS 9 Financial Instruments

On 1 February 2018, the Company adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments: Recognition and Measurement'. The Group has not restated comparative information for prior periods.

Classification and measurement of financial assets and liabilities

On 1 February 2018, there were no changes to the classification or carrying values of the Company's financial assets or financial liabilities from adopting the new classification model.

However during the year there was a change to the carrying values of the Company's financial assets. Under IFRS 9 the Company is required to book impairment / credit loss allowances against all types of receivable to reflect the possibility of future default or uncollectability. In particular, the requirement for an impairment allowance was identified against our intercompany receivable balances.

The following table demonstrates the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 February 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 £m	New carrying amount under IFRS 9 £m
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	1,777.8	1,777.8
Total financial assets			**1,777.8**	**1,777.8**

Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	(2,982.6)	(2,982.6)
Total financial liabilities			**(2,982.6)**	**(2,982.6)**

Impairment of financial assets

Under IFRS 9, the Company has recognised loss allowances for expected credit losses resulting in a loss of £53.5m in the income statement with a corresponding reduction to intercompany receivables. This loss has arisen from a review of the intercompany receivable balances due to the Company and an estimation of the applicable default rate which has been determined as 1.45%. Management have applied judgement in determining this rate and have benchmarked it against both the AA plc group's external borrowings rate and LIBOR and then applied a reduction to this rate because all the balances are intercompany receivables and management have more information about future cash generation and therefore collectability of the balances than the external markets possess.

10 NEW ACCOUNTING STANDARDS (continued)

Transition

Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively, except as described below:

- The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised as at 1 February 2018. Accordingly, the information presented for the prior period does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

- The determination of the business model assessment within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

- If an investment in a financial asset had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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.

11 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.theaaplc.com/investors.