AA ACQUISITION CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2020

Registered number: 05018987

AA ACQUISITION CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2020

STRATEGIC REPORT

The directors present their Annual Report and financial statements of AA Acquisition Co Limited ("the Company") for the year ended 31 January 2020.

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 £4.8m 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 £4.8m (2019: loss after tax £4.4m). 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 ("the Group").

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. The impact on society is reflected in business closures, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets is being monitored by management who have assessed that the Company remains in a robust position to continue to perform its primary activity. The impact of COVID-19 is continuing to evolve at a fast pace but we do not expect there to be any material financial impact on the Company at the time of writing.

The directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006. For details of how this is accomplished across the AA plc group, refer to page 25 of AA plc's Annual Report, with whom the Company shares common directorship and management structure.

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.

RISK MANAGEMENT FRAMEWORK (continued)

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 AA Intermediate Co Limited group given the performance as a non-trading holding Company is dependent on that of the group.

ON BEHALF OF THE BOARD

M NEVILLE
DIRECTOR
12 June 2020

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

AA ACQUISITION CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2020

DIRECTORS' REPORT

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were as follows:

M A Clarke	(Resigned 29 April 2019)
G Pritchard	(Resigned 2 August 2019)
M W Strickland	(Resigned 13 February 2020)
M Neville	(Appointed 2 August 2019)
K J Dangerfield	(Appointed 13 February 2020)

COMPANY SECRETARY

N Hoosen

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. This is a qualifying third-party indemnity provision and was in force throughout the financial year and at the date of approval of the financial statements.

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, future developments and its exposure to financial risk are described in the Strategic Report on pages 1 and 2.

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

The Company has not paid a dividend in the year (2019: £nil) and the directors do not propose the payment of a final dividend (2019: £nil). The Company did not receive any dividends from subsidiary undertakings (2019: £nil).

INDEPENDENT AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

ON BEHALF OF THE BOARD

M NEVILLE
DIRECTOR
12 June 2020

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 2020 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; the income statement, and 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

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

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.

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.

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

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 2020 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 set out on page 3, 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.

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

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
12 June 2020

AA ACQUISITION CO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Note	2020 £m	2019 £m
Tax expense	5	**(4.8)**	(4.4)
LOSS FOR THE FINANCIAL YEAR		**(4.8)**	(4.4)

There is no income and expenditure other than that passing through the income statement, therefore no separate statement of comprehensive income is presented.

The accompanying notes are an integral part of this income statement.

AA ACQUISITION CO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY

	Note	2020 £m	2019 £m
FIXED ASSETS			
Deferred tax assets	6	6.2	9.0
Investments in subsidiaries	7	320.0	320.0
		326.2	329.0
CURRENT ASSETS			
Trade and other receivables	8	787.0	787.0
TOTAL ASSETS		1,113.2	1,116.0
CURRENT LIABILITIES			
Trade and other payables	9	(237.2)	(235.2)
TOTAL LIABILITIES		(237.2)	(235.2)
NET ASSETS		876.0	880.8
EQUITY			
Called up share capital	10	-	-
Retained earnings		876.0	880.8
TOTAL EQUITY		876.0	880.8

The accompanying notes are an integral part of this statement of financial position.

These financial statements were approved by the board of directors and signed on its behalf by:

M NEVILLE
DIRECTOR

12 June 2020

AA Acquisition Co Limited
Registered number: 05018987

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 2018	-	885.2	885.2
Loss for the financial year	-	(4.4)	(4.4)
At 31 January 2019	**-**	**880.8**	**880.8**
Loss for the financial year	-	(4.8)	(4.8)
At 31 January 2020	**-**	**876.0**	**876.0**

The accompanying notes are an integral part of this statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

1 PRESENTATION OF FINANCIAL STATEMENTS

AA Acquisition Co Limited is a private company limited by shares, incorporated and domiciled in the UK.

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 under the historical cost convention and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The Company takes the exemption under IFRS 10 paragraph 4 and section 400 of the Companies Act 2006 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 2020.

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

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 2020, however the Company has not identified any with an expected material effect on the financial statements.

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The principal estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Investments

The Group tests the investment balances for impairment annually. The recoverable amounts of the investments have been determined based on value in use calculations which require the use of estimates. Management has prepared discounted cash flow forecasts based on the latest strategic plan.

In performing its impairment testing on its investment in subsidiaries, the Company prepared a traditional value in use model as described in IAS 36 which was also used in prior years. This comprises an enterprise value model which deducts net debt as at 31 January 2020 and discounts estimates of future cash flows at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. IAS 36 considers that the appropriate discount rate for a value in use calculation should take into account weighted average cost of capital, incremental borrowing rate and other market borrowing rates in making such an estimate and the Company uses a discount rate calculated on this basis. Estimates of future cash flows do not include cash inflows or outflows from financing activities or income tax receipts or payments as these are already taken into account in the discount rate.

This differs from the AA plc company financial statements in which it was considered that applying an alternative 'dividend distribution model' would best reflect an investor's assessment of the return required given the specific industry and macroeconomic conditions and risks in existence at the year end and up to the date of approval of the AA plc financial statements. In that alternative value in use model, estimates of future cash flows were discounted at a 5-year average cost of equity of 17.0%. Cash flows included income tax receipts and payments and cash inflows and outflows from financing activities, reflecting an assessment of future refinancing and interest costs that the Group expects to arise as its existing debt is refinanced over the next 5 years. The use of this alternative value in use model was a departure from the traditional value in use model described in IAS 36 which was used by AA plc in prior years.

As the Company is a holding company within the WBS ringfence, it and its subsidiary investments do not experience the same risks as experienced at the level of AA plc's investment in AA Mid Co Limited, in particular the risks of refinancing the Group's Class B2 notes, for which the Company sits inside the security ringfence. The alternative value in use valuation approach used at an AA plc level is therefore not considered to be an appropriate valuation methodology for the Company to use in its own investment impairment testing.

On this basis, the Company has made the critical accounting judgement to continue to perform impairment testing of its investment in subsidiaries using the traditional enterprise value model which deducts net debt, as outlined above.

Management has performed sensitivity analysis as part of its impairment assessment on the Company's investments in subsidiaries (see note 7 for details).

Intercompany receivables

The assessment of credit loss allowances for intercompany receivables requires judgement to assess the collectability of intercompany balances.

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 though other comprehensive income or fair value through profit and loss.

3 AUDITORS' REMUNERATION

Audit fees of £22,000 are paid on the Company's behalf by another group company with no recharge (2019: £18,000). 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

	2020	2019
	£m	£m
Aggregate remuneration in respect of qualifying services	**0.7**	1.5
Money purchase scheme	**-**	0.1
	0.7	1.6

	2020	2019
	£m	£m
The amounts paid in respect to the highest paid director were as follows:		
Remuneration	**0.5**	0.9
Money purchase scheme	**-**	0.1
	0.5	1.0

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 has been reflected in the disclosure above.

Retirement benefits are accruing for 1 (2019: 1) director under a defined benefit scheme and 1 (2019: 2) under a money purchase scheme. There was no compensation to directors for loss of office in the year (2019: £nil).

The Company had no employees throughout the year (2019: £nil).

5 TAX EXPENSE

The major components of the tax expense are:

	2020 £m	2019 £m
Current tax:		
- Current income tax charge	2.0	1.8
Total current tax	2.0	1.8
Deferred tax:		
Origination and reversal of temporary differences	2.8	2.8
Rate change differences	-	(0.2)
Total deferred tax	2.8	2.6
Total tax expense	4.8	4.4

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

	2020 £m	2019 £m
Result before taxation	-	-
Tax at rate of 19.00% (2019: 19.00%)	-	-
Effects of:		
Interest imputed on intercompany balances	4.9	4.6
Rate change differences	(0.1)	(0.2)
Tax expense reported in the income statement	4.8	4.4

6 DEFERRED TAX ASSETS

	Statement of financial position		Income statement	
	2020 £m	2019 £m	2020 £m	2019 £m
Tax losses carried forward	6.2	9.0	2.8	2.6
Deferred tax assets	6.2	9.0	2.8	2.6

	£m
Deferred tax assets as at 1 February 2019	9.0
Charge to the income statement	(2.8)
Deferred tax assets as at 31 January 2020	6.2

The UK corporation tax rate was expected to reduce from 19% to 17% on 1 April 2020. These rates had been substantively enacted at the statement of financial position date and have therefore been included in the deferred tax calculations. The March 2020 budget announced that the reduction in tax rate would be cancelled and the 19% rate retained after 1 April 2020.

Deferred tax has been recognised at an overall rate of 17.0% at 31 January 2020 (2019: 17.2%). The rate has been adjusted to reflect the expected reversal profile of the Company's temporary differences. Recalculating the deferred tax assets on the basis that the tax rate remained at 19% would increase the assets by £0.7m.

7 INVESTMENTS IN SUBSIDIARIES

	2020 £m	2019 £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.

All subsidiaries are consolidated in the Group financial statements.

The principal subsidiary undertakings of the Company at 31 January 2020 are:

Name	Country of Incorporation / Registered Office Key	Class of shares held
AA Corporation Limited	United Kingdom / A	Ordinary
AA Financial Services Limited	United Kingdom / A	Ordinary
AA Senior Co Limited	United Kingdom / A	Ordinary
A A The Driving School Agency Limited	United Kingdom / A	Ordinary
Automobile Association Developments Limited	United Kingdom / A	Ordinary
Automobile Association Insurance Services Limited	United Kingdom / A	Ordinary
Drivetech (UK) Limited	United Kingdom / A	Ordinary
Prestige Fleet Servicing Limited[6]	United Kingdom / A	Ordinary
Used Car Sites Limited	United Kingdom / A	Ordinary

The other subsidiary undertakings of the Company at 31 January 2020 are:

Name	Country of Incorporation / Registered Office Key	Class of shares held
A.A. Pensions Trustees Limited	United Kingdom / A	Ordinary
AA Brand Management Limited	United Kingdom / A	Ordinary
AA Garage Services Limited	United Kingdom / A	Ordinary
AA Insurance Holdings Limited[2]	United Kingdom / A	Ordinary
AA Ireland Pension Trustees DAC	Ireland / C	Ordinary
AA New Co Limited[2]	United Kingdom / A	Ordinary
AA Pension Funding GP Limited	United Kingdom / D	Ordinary
AA Pension Funding LP[7]	United Kingdom / D	Membership Interest
AA Underwriting Limited	United Kingdom / A	Ordinary
Automobile Association Holdings Limited	United Kingdom / A	Ordinary and Deferred redeemable non-voting special dividend
Automobile Association Insurance Services Holdings Limited	United Kingdom / A	Ordinary
Automobile Association Services Limited	United Kingdom / A	Limited by guarantee

7 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of Incorporation / Registered Office Key	Class of shares held
Automobile Association Underwriting Services Limited	United Kingdom / A	Ordinary
Accident Assistance Services Limited[4]	United Kingdom / A	Ordinary
Breakdown Hero Limited[5]	United Kingdom / E	Ordinary
Drakefield Holdings Limited	United Kingdom / A	A and B Ordinary Shares
Intelligent Data Systems (UK) Limited	United Kingdom / A	Ordinary
Personal Insurance Mortgages and Savings Limited	United Kingdom / A	Ordinary
Automobile Association Protection and Investment Planning Limited[3]	United Kingdom / A	Ordinary
Prestige Car Servicing Limited[6]	United Kingdom / A	Ordinary
Prestige Motor Care Holdings Limited[6]	United Kingdom / A	Ordinary
The Automobile Association Limited[1]	Jersey / B	Ordinary

[1] This Company also has a UK branch establishment.
[2] AA New Co Limited was incorporated on 23 October 2019.
[3] Automobile Association Protection and Investment Planning Limited was dissolved on 3 March 2020.
[4] Breakdown Assistance Services Limited changed its name to Accident Assistance Services Limited on 30 August 2019.
[5] Breakdown Hero Limited was dissolved on 7 April 2020.
[6] The AA plc group acquired the Prestige Group on 1 February 2019.
[7] This partnership is fully consolidated into the Group financial statements and the Group has taken advantage of the exemption (as confirmed by regulation 7 of the Partnerships (Accounts) Regulations 2008) not to prepare or file separate financial statements for this entity.

Registered Office Key

Registered Office	Key
Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England	A
22 Greenville Street, St Helier, Jersey, JE4 8PX	B
6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland	C
50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland	D
90 Long Acre, London, WC2E 9RA, England	E

The Company has performed impairment testing at 31 January 2020 to compare the recoverable amount of the investments in subsidiaries to their carrying value.

The impairment test was principally performed on the directly held subsidiary which is supported by cash flow projections of the underlying AA Senior Co Limited group. The recoverable amount of the investment was 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 2020, the Company used the three-year plan covering the three years up to 31 January 2023 and a 2.0% expectation of growth in the subsequent two years. The three-year plan was adjusted to reflect estimates of certain downside risks existing in the current environment in March 2020 that were not reflected or evident when the plan was prepared. For the purposes of the impairment test, terminal values have been calculated using a 2.0% (2019: 2.0%) inflationary growth assumption in perpetuity based on the IMF's UK long-term growth rate.

7 INVESTMENTS IN SUBSIDIARIES (continued)

Using an enterprise value model which deducts net debt as at 31 January 2020, cash flows were discounted at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. This was determined as a pre-tax rate of 8.9% (2019: 9.9%). The use of this value in use calculation and the determination of its inputs were consistent with the impairment test performed in the prior year. The result of this impairment test was that there was a significant amount of headroom and therefore no indicators of impairment in the value of investments in subsidiaries were identified (2019: no indicators of impairment).

8 TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Amounts owed by group undertakings	**787.0**	787.0

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

9 TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Amounts owed to subsidiary undertakings	**120.3**	117.8
Amounts owed to parent company	**114.9**	114.9
Current tax payable	**2.0**	2.5
	237.2	235.2

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

10 CALLED UP SHARE CAPITAL

Allotted and fully paid	2020 £	2019 £
2 (2019: 2) ordinary shares of £1 (2019: £1) each	**2**	2

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 £869.9m (2019: £871.8m).

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 2020, the principal outstanding on the AA Intermediate Co Limited group debt was £2,767.0m (2019: £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 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA Intermediate Co Limited, a company registered in the UK.

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.theaaplc.com/investors.