

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



Registered number: 05018987

AA ACQUISITION CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2018

STRATEGIC REPORT

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

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of AA Intermediate Co Limited.

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

DIVIDENDS

During the year, the Company paid dividends of £80m (2017: £60m).

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 & certainties 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.

BY ORDER OF THE BOARD



G PRITCHARD
DIRECTOR

22 October 2018
Registered Office:
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

AA ACQUISITION CO LIMITED
FOR THE YEAR ENDED 31 JANUARY 2018

DIRECTORS' REPORT

DIRECTORS

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

M A Clarke
G Pritchard
M W Strickland (appointed 23 August 2017)
M Millar (resigned 17 April 2018)
C E Norman (resigned 24 August 2017)

COMPANY SECRETARY

M Millar (resigned 17 April 2018)
C M Free (appointed 17 April 2018)

DIRECTORS' INDEMNITY

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against 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

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Policies) including FRS101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

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

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

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

GOING CONCERN

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

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

AA ACQUISITION CO LIMITED
FOR THE YEAR ENDED 31 JANUARY 2018
DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

BY ORDER OF THE BOARD



G PRITCHARD
DIRECTOR

22 October 2018

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AA ACQUISITION CO LIMITED

Opinion

We have audited the financial statements of AA Acquisition Co Limited for the year ended 31 January 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AA ACQUISITION CO LIMITED (continued)**

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

23 October 2018

AA ACQUISITION CO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

| | Notes | 2018 £m | 2017 £m |
|--|-------|--------------------|--------------------|
| Income from shares in group undertakings | | <u>80.0</u> | <u>60.0</u> |
| Profit before tax | | 80.0 | 60.0 |
| Tax expense | 5 | (2.7) | (3.7) |
| PROFIT FOR THE FINANCIAL YEAR | | <u>77.3</u> | <u>56.3</u> |

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

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

AA ACQUISITION CO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY

| | Notes | 2018 £m | 2017 £m |
|--|-------|-----------------------|-----------------------|
| NON-CURRENT ASSETS | | | |
| Deferred tax asset | 6 | 11.6 | 13.6 |
| Investments in group undertakings | 7 | <u>320.0</u> | <u>320.0</u> |
| | | 331.6 | 333.6 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 8 | <u>787.0</u> | <u>787.0</u> |
| TOTAL ASSETS | | <u>1,118.6</u> | <u>1,120.6</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | <u>(233.4)</u> | <u>(232.7)</u> |
| TOTAL LIABILITIES | | <u>(233.4)</u> | <u>(232.7)</u> |
| NET ASSETS | | <u>885.2</u> | <u>887.9</u> |
| EQUITY | | | |
| Called up share capital | 10 | - | - |
| Retained earnings | | <u>885.2</u> | <u>887.9</u> |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS | | <u>885.2</u> | <u>887.9</u> |

Signed for and on behalf of the board by


G PRITCHARD
DIRECTOR

22 OCTOBER 2018

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

AA ACQUISITION CO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY

| | Share capital £m | Retained earnings £m | Total £m |
|---------------------------|---------------------|-------------------------|--------------|
| At 31 January 2016 | - | 891.6 | 891.6 |
| Profit for the year | - | 56.3 | 56.3 |
| Dividends | - | (60.0) | (60.0) |
| At 31 January 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 |

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 incorporated and domiciled in United Kingdom and Wales.

The financial statements are prepared on a going concern basis.

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

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

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

- IAS 1 paragraphs 10(d) and 10(f),
- IAS 1 paragraph 16 (statement of compliance with all IFRS),
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements),
- IAS 1 paragraph 111 (cash flow statement information),
- IAS 1 paragraphs 134-136 (capital management disclosures),
- IAS 7 'Statement of cash flows',
- IFRS 7 'Financial Instruments Disclosures',
- IAS 8 paragraphs 30 and 31,
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation),
- IFRS 13 'Fair value measurement'.

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management have exercised judgement in applying the company's accounting policies and in making critical estimates. The principle judgement is around the annual impairment test which includes assumptions regarding the future performance of the Company's subsidiaries (see note 7).

2.3 SIGNIFICANT ACCOUNTING POLICIES

a) TAXATION

Tax on the profit or loss for the year comprises current and deferred tax.

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

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

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

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) INVESTMENTS

Investments are valued individually at the lower of cost less any provision for impairment or net realisable value. Income from investments is recognised in the Income Statement when it is receivable.

c) TRADE RECEIVABLES AND TRADE PAYABLES

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

3 AUDITOR'S REMUNERATION

The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year. Audit fees of £10,000 (2017: £10,000) were borne by another group company.

4 DIRECTORS' REMUNERATION

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Aggregate remuneration in respect of qualifying services | 1.3 | 1.5 |
| Compensation for loss of office | - | 0.1 |
| Money purchase scheme | 0.1 | 0.1 |
| | <u>1.4</u> | <u>1.7</u> |
| The amounts paid in respect of the highest paid director were as follows: | | |
| Remuneration | 0.5 | 0.9 |
| Money purchase scheme | 0.1 | 0.1 |
| | <u>0.6</u> | <u>1.0</u> |

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 2 (2017: 3) directors under a defined benefit scheme and 1 (2017: 1) under a money purchase scheme.

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

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 TAX EXPENSE

The major components of the income tax expenses are:

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Current tax: | | |
| - Current tax payable | 0.7 | - |
| | 0.7 | - |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 2.0 | 2.8 |
| Rate change differences | - | 0.9 |
| Total deferred tax charge | 2.0 | 3.7 |
| Total tax expense | 2.7 | 3.7 |

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

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Profit before tax | 80.0 | 60.0 |
| Tax at rate of 19.16% (2017: 20.00%) | 15.3 | 12.0 |
| Effects of: | | |
| Non-taxable dividend income | (15.3) | (12.0) |
| Losses utilised | 2.7 | 3.2 |
| Rate change | - | 0.5 |
| Income tax expense reported in the income statement | 2.7 | 3.7 |

6 DEFERRED TAXATION

| | Statement of financial position | | Income statement | |
|----------------------------|---------------------------------|------------|------------------|------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| Tax losses carried forward | 11.6 | 13.6 | 2.0 | 3.7 |
| Deferred tax asset | 11.6 | 13.6 | 2.0 | 3.7 |

| | £m |
|---|-------------|
| Deferred tax asset as at 1 February 2017 | 13.6 |
| Charge to the profit and loss account | (2.0) |
| Deferred tax asset as at 31 January 2018 | 11.6 |

At the balance sheet 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 balance sheet date and used to calculate the deferred tax asset.

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 INVESTMENTS IN GROUP UNDERTAKINGS

At 31 January 2017 and 2018 £m
320.0

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

| Name | Country |
|--|----------------|
| AA Pensions Trustees Limited ¹ | United Kingdom |
| AA Brand Management Limited ¹ | United Kingdom |
| AA Corporation Limited ¹ | 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 | Scotland |
| AA Pension Funding LP ³ | Scotland |
| AA Road Services Limited ¹ | United Kingdom |
| AA Senior Co Limited ¹ | United Kingdom |
| AA The Driving School Agency Limited ¹ | United Kingdom |
| AA Underwriting Limited ¹ | United Kingdom |
| AA Insurance Holdings Limited ¹ | United Kingdom |
| Automobile Association Developments Limited ¹ | United Kingdom |
| Automobile Association Holdings Limited ¹ | 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 | United Kingdom |
| Automobile Association Underwriting Services Limited ¹ | United Kingdom |
| Breakdown Assistance Services Limited ⁴ | United Kingdom |
| Breakdown Hero Limited ⁴ | United Kingdom |
| Drakefield Group Limited ¹ | United Kingdom |
| Drakefield Holdings Limited ¹ | United Kingdom |
| Drakefield Insurance Services Limited ¹ | United Kingdom |
| DriveTech (UK) Limited ¹ | United Kingdom |
| Intelligent Data Systems (UK) Limited ¹ | United Kingdom |
| Peak Performance Management 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: 61a South William Street, Dublin 2, Ireland.

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

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

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

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

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

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

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

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Amounts receivable within one year | | |
| Amounts owed by group undertakings | 787.0 | 787.0 |

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

9 TRADE AND OTHER PAYABLES

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Amounts owed to subsidiary undertakings | 117.8 | 117.8 |
| Amounts owed to parent company | 114.9 | 114.9 |
| Taxation | 0.7 | - |
| | 233.4 | 232.7 |

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

10 CALLED UP SHARE CAPITAL

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 2 ordinary shares of £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 £873.6m (2017: £874.3m).

11 RELATED PARTY TRANSACTIONS

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

| | 2018 £m | 2017 £m |
|---------------------------|------------|------------|
| Owed by: | | |
| AA Senior Co Ltd | 787.0 | 787.0 |
| Owed to: | | |
| AA Insurance Services Ltd | (117.8) | (117.8) |
| AA Intermediate Co Ltd | (114.9) | (114.9) |

These amounts are unsecured, have no repayment terms and bear no interest.

AA ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 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 2018, the principal outstanding on the AA Intermediate Co Limited group debt was £2,770.0m (2017: £2,848.0m).

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

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.