

OS AA01Statement of details of parent law and other
information for an overseas company

Companies House

What this form is for
You may use this form to
accompany your accounts
disclosed under parent law.

What this form is NOT
You cannot use this form
an alteration of manner
with accounting require

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20/11/2019

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COMPANIES HOUSE

Part 1 Corporate company nameCorporate name of
overseas company ¹

AA BOND CO LIMITED

UK establishment
number

B R 0 1 6 5 2 3

→ **Filling in this form**Please complete in typescript or in
bold black capitals.All fields are mandatory unless
specified or indicated by *¹ This is the name of the company in
its home state.**Part 2 Statement of details of parent law and other
information for an overseas company****A1 Legislation**Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.¹ This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.Legislation ¹

The Companies (Jersey) Law 1991

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

 No. Go to **Section A3.** **Yes.** Please enter the name of the organisation or other
body which issued those principles below, and then go to **Section A3.**¹ Please insert the name of the
appropriate accounting organisation
or body.Name of organisation
or body ¹

United Kingdom Accounting Standards

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

 No. Go to **Section A5.** **Yes.** Go to **Section A4.**

OS AA01

Statement of details of parent law and other information for an overseas company

A4**Audited accounts**

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

 No. Go to **Part 3 'Signature'**. Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.

① Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ①

Financial Reporting Council

A5**Unaudited accounts**

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

 No. Yes.**Part 3****Signature**

Signature

I am signing this form on behalf of the overseas company.

Signature

X HT X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name CoSec Department

Company name AA plc

Address Fanum House

Basing View

Post town Basingstoke

County/Region

Postcode R G 2 1 4 E A

Country

DX

Telephone

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and, if appropriate, the registered number, match the information held on the public Register.
- You have completed all sections of the form, if appropriate.
- You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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



Registered FC number: FC031455
Registered Company number 112992

AA BOND CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT

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

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 class A2, A3, A5, A6 and B2 notes issued in previous years and £550m of class A7 notes issued in the current year (see note 11) are listed on the Irish Stock Exchange. £300m of Class A3 notes were repaid during the current year.

The Company incurred finance costs of £118.5m (2018: £112.9m) in the year to 31 January 2019, amortisation of issue fees of £13.7m (2018: £10.2m) and an early repayment fee of £15.3m (2018: £10.1). This was offset by interest receivable from a fellow subsidiary undertaking of £147.6m (2018: £133.5m). Management deem these figures to be the key performance indicators of the Company.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2018: £nil).

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 and uncertainties facing the Company are considered to be:

Financial Risk

The financial risks of the Company are managed centrally by the AA plc group treasury team taking into account the Company's position as part of the group with due consideration being given to the impact of transactions with other group entities.

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 AA plc group 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.

AA BOND CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT (continued)

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk in relation to the intercompany balance due from a fellow subsidiary undertaking. The AA plc group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

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)
M F Millar	(Resigned 17 April 2018)
M W Strickland	(Appointed 17 April 2018)
G Pritchard	(Resigned 2 August 2019)
H P Whitaker	
M Neville	(Appointed 2 August 2019)

COMPANY SECRETARY

Mourant Secretaries (Jersey) Limited

DIRECTORS' INDEMNITY

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Jersey law and United Kingdom Accounting Standards, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 (Jersey) Law, 1991. 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.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AA BOND CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the business review and risk management framework sections on pages 1 and 2.

The directors believe that the Company has adequate financial resources due to the available cash resources of the AA plc group which can be drawn upon to service its interest payments. In addition, the terms of the financing agreements prescribe that the Company achieves a marginal profit each year which contributes to the Company's net asset position.

The covenants in place over the loan notes issued by the Company apply to the AA Intermediate Group as a whole and thus the resources of this group are used to assess compliance with these covenants. Compliance with the debt covenants is disclosed in the AA Intermediate Co Limited financial statements.

The directors believe that the Company is well placed to manage its business risks successfully using the risk management framework described in the Directors' Report and that the residual risks being taken by the Company are commensurate with its financial resources.

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.

ON BEHALF OF THE BOARD

M. W. Strickland

M W STRICKLAND
DIRECTOR

9 August 2019

Registered Office: 22 Grenville Street, St Helier, Jersey, JE4 8PX

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AA BOND CO LIMITED**

***Independent auditors' report to the members of
AA Bond Co Limited***

Report on the audit of the financial statements

Opinion

In our opinion, AA Bond 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 profit 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 (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and audited 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.

Our opinion is consistent with our reporting to those charged with governance.

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

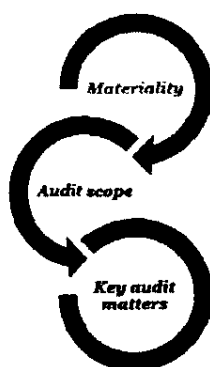
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 February 2018 to 31 January 2019.

Our audit approach

Overview



Overall materiality: £33.3 million, based on 1% of total assets .

We scope the audit, based on materiality, by financial statement line item. As there are no branches or other locations no scoping by location is required.

The areas of focus were;

- Recoverability of amounts owed by group undertakings
 - Recognition, measurement and disclosure of financial liabilities
-

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AA BOND CO LIMITED (continued)**

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies (Jersey) Law, 1991 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates such as the recoverability of intercompany loans. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, internal compliance, internal legal counsel and enquiries of the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud;
- Challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to the recoverability of intercompany loans receivable;
- Identifying and testing journal entries posted with unusual account combinations or posted by members of senior management with a financial reporting oversight role;
- Incorporating elements of unpredictability into the audit procedures performed; and
- Reviewing the disclosures in the Annual Report and financial statements against the specific legal requirements.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AA BOND CO LIMITED (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of amounts owed by group undertakings (£3,332bn, 2018: £2,969bn). See note 13.</i></p> <p>This represents a key audit matter due to the size of the intercompany receivables balance and the complexity of the intercompany arrangements within the AA plc group. There is a risk that the counterparty may be unable to repay the balance, resulting in a reduction of its carrying amount.</p>	<p>We have agreed the carrying amount to the audited group intercompany reconciliation and have confirmed that the balance has been recorded as a liability in the trial balance of the counterparty.</p> <p>We tested recoverability of this balance by confirming the net current asset position of the counterparty to evaluate the likelihood of default.</p> <p>The counterparty's ability to settle the balance is itself dependent on amounts owed to the counterparty by other AA group companies and we have therefore also tested management's assessment of recoverability on those balances.</p> <p>We challenged management's assessment that the Expected Credit Loss on receivables which are not immediately recoverable is immaterial.</p> <p>We found no material misstatements arising from our testing.</p>
<p><i>Recognition, measurement and disclosure of financial liabilities (£2.7m, 2018: £2.5m). See notes 11 and 13.</i></p> <p>During the year, the Company issued £550m of Class A7 Fixed Rate Notes. £300m of the proceeds were used to redeem £300m of the outstanding £500m aggregate principal of Class A3 notes.</p> <p>During the year, the Company also adopted IFRS 9, giving rise to a gain on transition of £10m. This was recognised as a decrease in the opening balance of borrowings and loans and an increase in opening retained earnings at 1 February 2018.</p> <p>The refinancing transaction and transition to IFRS 9 give rise to a risk of error in the recognition, measurement and disclosure in financial liabilities.</p>	<p>We assessed the Company's compliance with IFRS 9, including obtaining management's transition impact assessment and recalculating the transition adjustment.</p> <p>We obtained third party confirmation of the total outstanding loan principal as at 31 January 2019, and the fair value at that date.</p> <p>We inspected the terms of the A7 notes agreement, and agreed the refinancing transactions, including the proceeds, issue costs and associated legal expenses, to supporting evidence. We also considered management's treatment of unamortised issue costs on the A3 loan notes and recalculated amortisation of issue costs for the year.</p> <p>We agreed with management's conclusion that this represented an extinguishment rather than a modification of the A3 notes.</p> <p>We reviewed the financial statement disclosures and were satisfied with the nature and extent of the disclosures provided.</p> <p>We found no material misstatements from our testing.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AA BOND CO LIMITED (continued)**

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£33.3 million (2018: £12.4 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	The company is a financing company and issues loan notes on behalf of the AA plc group. All interest costs are recharged to another group company, therefore we believe that total assets is the most appropriate benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.3m (2018: £1.6 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 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.

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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AA BOND CO LIMITED (continued)**

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 set out on page 2, 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 Article 113A of the Companies (Jersey) Law 1991 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 (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 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
- proper accounting records have not been kept by the company, or proper 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 7 June 2018 to audit the financial statements of the AA plc group for the year ended 31 January 2019 and subsequent financial periods. We were formally appointed as auditors of the company on 22 July 2019. This is therefore our first year of uninterrupted engagement.

Stuart Newman

Stuart Newman
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
9 August 2019

AA BOND CO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Notes	2019 £'000	2018 £'000
OPERATING COSTS			
Administrative expenses		(218)	(232)
OPERATING LOSS		<u>(218)</u>	<u>(232)</u>
Finance income	6	147,642	133,499
Finance costs	7	(147,419)	(133,262)
PROFIT BEFORE TAX		<u>5</u>	<u>5</u>
Tax expense	8	(1)	(1)
PROFIT FOR THE FINANCIAL YEAR		<u><u>4</u></u>	<u><u>4</u></u>

All income and expenditure arises from continuing operations.

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 BOND CO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Notes	2019 £'000	2018 £'000
NON-CURRENT ASSETS			
Trade and other receivables	9	2,723,643	2,478,356
CURRENT ASSETS			
Trade and other receivables	9	607,699	491,495
TOTAL ASSETS		3,331,342	2,969,851
CURRENT LIABILITIES			
Trade and other payables	10	(607,673)	(491,472)
Current tax payable		(2)	(3)
		(607,675)	(491,475)
NON-CURRENT LIABILITIES			
Borrowings	11	(2,723,643)	(2,478,356)
		(2,723,643)	(2,478,356)
TOTAL LIABILITIES		(3,331,318)	(2,969,831)
NET ASSETS		24	20
EQUITY			
Called up share capital	12	-	-
Retained earnings		24	20
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		24	20

These financial statements were approved by the board of directors and signed for and on their behalf by

M.W. Strickland

M W STRICKLAND
DIRECTOR

9 August 2019

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

AA BOND CO LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 February 2017	-	16	16
Profit for the year	-	4	4
At 31 January 2018	-	20	20
Profit for the year	-	4	4
IFRS 9 conversion gain on external borrowings (see note 13)	-	10,224	10,224
IFRS 9 conversion loss on intercompany balances (see note 13)	-	(10,224)	(10,224)
At 31 January 2019	-	24	24

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

AA Bond Co Limited is a private company limited by shares, incorporated and domiciled in Jersey.

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 on a going concern basis. A summary of the accounting policies, which have been applied on a consistent basis are set out below.

The financial statements are prepared in Sterling and are rounded to the nearest £1,000.

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 2019.

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

- IAS 1 paragraphs 10(d) and 10(f),
- IAS 1 paragraph 16 (statement of compliance with all IFRS),
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements),
- IAS 1 paragraph 111 (cash flow statement information),
- IAS 1 paragraphs 134-136 (capital management disclosures),
- IAS 7 'Statement of cash flows',
- IFRS 7 'Financial Instruments Disclosures',
- IAS 8 paragraphs 30 and 31,
- IFRS 13 paragraphs 91 – 99 'Fair Value measurement',
- The requirements in IAS 24, 'Related party disclosures' to disclose all related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation).

2.2 Critical accounting estimates and judgements

Management have exercised judgement in applying the Company's accounting policies and in making critical estimates. The principle judgements involving a higher degree of judgement and complexity, where the assumptions and estimates are significant to the financial statements relates to the assessment of credit loss allowances for intercompany receivables which requires judgement to assess the collectability of intercompany balances.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies

a) Taxation

Tax on the profit or loss for the year comprises 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.

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.

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) 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. The Company recognises loss allowances for expected credit losses (ECLs) on relevant financial assets.

Other receivables and other payables

Other receivables and other payables due within one year are not interest bearing and are recognised initially at fair value and are subsequently held at amortised cost.

Other receivables due after more than one year are subject to an Issuer / Borrower Loan Agreement (IBLA) and are therefore subject to the same terms as the Company's Borrowings.

Loan receivables are included in other receivables and recognised at fair value through profit or loss.

Borrowings

Borrowings are initially recognised in the statement of financial position at fair value less transaction costs incurred directly in connection with the issue of the instrument and are subsequently held at amortised cost. Finance costs in respect of the instruments, including premiums and discounts on issue, are capitalised at inception and charged to the income statement over the term of the instrument using the effective interest method. Remaining issue costs on debt are written off to the income statement when the debt is extinguished.

c) Finance income

Interest receivable relates to interest received from a fellow subsidiary undertaking under the IBLA which permits the Company to recharge its expenses.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies (continued)

d) Finance costs

Finance costs comprise interest payable and amortisation of debt issue fees.

e) Exceptional items

Exceptional operating items are events or transactions that fall within the operating activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

In addition, occasionally there are events or transactions that fall below operating profit that are one-off in nature and items within operating profit that relate to transactions that do not form part of the ongoing segment performance and which by virtue of their size or incidence have been separately disclosed in the financial statements.

3 AUDITORS' REMUNERATION

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2019 amounted to £18,000 (2018: £27,840). The Company's auditors provided no services to the Company other than the annual audit during the year under review.

4 ADJUSTED PERFORMANCE MEASURES

Management reviews the Company's results and performance both on a statutory and non-GAAP (non-statutory) basis. The Company's adjusted performance measures are non-GAAP (non-statutory) financial measures and are included in these accounts as they are key financial measures used by management to evaluate performance of business segments. The measures enable management to more easily and consistently track the underlying operational performance of the Company and its business segments.

Trading EBITDA is profit after tax on a continuing basis as reported, adjusted for exceptional operating items, net finance costs and tax expense.

Reconciliation of Trading EBITDA to operating profit

Trading EBITDA is calculated as operating profit before adjustments as shown in the table below:
for the year ended 31

	Note	2019 January £'000	2018 £'000
Trading EBITDA		(192)	(178)
Exceptional operating items	5	(26)	(54)
Operating loss		(218)	(232)

Trading EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as income or costs which are the result of an isolated, non-recurring event.

These specific adjustments are made between the GAAP measure of operating profit and the non-GAAP measure of Trading EBITDA because Trading EBITDA is a performance measure required and clearly defined under the terms of the AA plc group's debt documents and is used for calculating debt covenants. Given the significance of the AA plc group debt, Trading EBITDA is therefore a key measure for management, enabling them to more easily and consistently track the underlying operational performance of the AA plc group and its business segments.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 EXCEPTIONAL ITEMS

	2019	2018
	£'000	£'000
Exceptional operating items	<u>26</u>	<u>54</u>

Exceptional operating items in the current year of £26k (2018: £54k) were due to legal costs relating to the refinancing carried out during the both the current and prior year.

6 FINANCE INCOME

	2019	2018
	£'000	£'000
Interest receivable from fellow subsidiary undertakings	<u>147,642</u>	<u>133,677</u>
	<u>147,642</u>	<u>133,677</u>

7 FINANCE COSTS

	2019	2018
	£'000	£'000
Interest on borrowings	118,506	112,912
Penalty on early repayment of debt (see note 11)	15,261	10,119
Amortisation of issue fees	<u>13,652</u>	<u>10,231</u>
	<u>147,419</u>	<u>133,262</u>

During the year, the Company repaid Class A3 notes of £300m (2018: £nil) and issued £550m of Class A7 notes (2018: £nil). As a result, the Group incurred an early repayment penalty of £15m (2018: £10m). In the prior year, the Company repaid Class A1 notes of £175m and Class A4 notes of £55m and issued £250m of Class A6 notes.

8 TAX EXPENSE

The major components of the income tax expense are:

	2019	2018
	£'000	£'000
Current tax:		
- Current tax on income in the year	<u>1</u>	<u>1</u>
Total tax expense	<u>1</u>	<u>1</u>

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

	2019	2018
	£'000	£'000
Profit before tax	<u>5</u>	<u>5</u>
Tax at rate of 19.00% (2018: 19.16%)	<u>1</u>	<u>1</u>
Income tax expense reported in the income statement	<u>1</u>	<u>1</u>

The Company is incorporated in Jersey but not resident in Jersey as its business is centrally managed and controlled in the UK, and therefore tax resident in the UK.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Amounts receivable after one year		
Amounts owed by group undertakings	<u>2,723,643</u>	<u>2,478,356</u>
	<u>2,723,643</u>	<u>2,478,356</u>

The Company has entered into a number of Issuer / Borrower Loan Agreements (IBLAs) with AA Senior Co Limited. As a result of these agreements, the proceeds from the loan notes issued by the Company were loaned to AA Senior Co Limited. The terms of these intercompany loans reflect the terms and costs of the loan notes held by the Company. The element of the amounts owed by group undertakings which relate to the IBLAs are per the borrowings note below, see note 11.

	2019 £'000	2018 £'000
Amounts receivable within one year		
Other taxation and social security	22	-
Amounts owed by group undertakings	<u>607,677</u>	<u>491,495</u>
	<u>607,699</u>	<u>491,495</u>

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

10 TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Amounts owed to group undertakings	607,673	491,379
Accruals and deferred income	-	93
	<u>607,673</u>	<u>491,472</u>

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

11 BORROWINGS

	Expected maturity date	Interest rate	Principal £'000	Issue costs £'000	Amortised issue costs £'000	Total at 31 January 2019 £'000	Total at 31 January 2018 £'000
Class A2 notes	31 July 2025	6.27%	500,000	(819)	415	499,596	499,535
Class A3 notes	31 July 2020	4.25%	200,000	(1,091)	846	199,755	498,982
Class A5 notes	31 January 2022	2.88%	700,000	(47,461)	18,104	670,643	671,091
Class A6 notes	31 July 2023	2.75%	250,000	(3,774)	959	247,185	246,559
Class A7 notes	31 July 2024	4.88%	550,000	(8,140)	731	542,591	-
Class B2 notes	31 July 2022	5.50%	569,762	(15,990)	10,101	563,873	562,189
			<u>2,769,762</u>	<u>(77,275)</u>	<u>31,156</u>	<u>2,723,643</u>	<u>2,478,356</u>

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 BORROWINGS (continued)

A summary of the Company's refinancing transactions is shown below:

	As at 1 February 2018 £'000	Issue/ repayment date 17 July 2018 £'000	As at 31 January 2019 £'000
Class A2 notes	500,000	-	500,000
Class A3 notes	500,000	(300,000)	200,000
Class A5 notes	700,000	-	700,000
Class A6 notes	250,000	-	250,000
Class A7 notes	-	550,000	550,000
Class B2 notes	569,762	-	569,762
Total £m	2,519,762	250,000	2,769,762

In order to show the Company's net borrowing, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings. All borrowings have fixed interest rates.

All of the Class A notes are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co Limited group's assets ranks ahead of the Class B2 notes. The Class B2 notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. AA Mid Co Limited can only pay a dividend when certain Net Debt to Trading EBITDA and cash flow criteria are met.

Any voluntary repayment of the Class B2 notes would be made at a fixed premium based on the date of redemption. Any voluntary early repayments of the Class A notes would incur a make-whole payment of all interest due to expected maturity date, except the Class A5, Class A6 and Class A7 notes which can be settled without penalty within three months, two months and three months respectively of the expected maturity date.

On 17 July 2018, the Company issued £550m of Class A7 notes at an interest rate of 4.88%. £8m of costs associated with the issue of the A7 notes were capitalised. This consisted of £2m of premium and £6m of new issue fees.

From the proceeds of the A7 notes, the Company repaid £300m of A3 notes incurring a penalty of £15m. This was accounted for as an extinguishment of debt and therefore issue costs associated with the A3 notes have been written off totalling £0.5m.

On 17 July 2018, the AA plc group also entered into a new undrawn £200m forward starting Senior Term Facility due in July 2023 in order to secure committed funding to be able to redeem the £200m of Class A3 notes left outstanding at their effective maturity on 31 July 2020.

All of the Company's loan notes are listed on the Irish Stock Exchange.

In order to comply with the requirements of the Class A notes, we are required to maintain the Class A free cash flow to debt service ratio in excess of 1.35x. The actual Class A free cash flow to debt service ratio as at 31 January 2019 was 2.6x (2018: 3.3x). The Class B2 notes require us to maintain the Class B2 free cash flow to debt service ratio in excess of 1x. The actual Class B2 free cash flow to debt service ratio as at 31 January 2019 was 1.9x (2018: 2.4x).

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 BORROWINGS (continued)

The Class A notes only permit the release of cash providing the senior leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The Class B2 notes restrictions only permit the release of cash providing the fixed charge cover ratio after payment is more than 2:1 and providing that the aggregate payments do not exceed 50% of the accumulated consolidated net income.

The Class A and Class B2 notes therefore place restrictions on the Group's ability to upstream cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts.

12 CALLED UP SHARE CAPITAL

	2019	2018
	£	£
Allotted, called up and fully paid		
2 (2018: 2) ordinary shares of £1	<u>2</u>	<u>2</u>

As at 31 January 2019, the Company had distributable reserves of £23,868 (2018: £19,818)

13 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

New accounting standards, amendments and interpretations adopted in the year

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 Company 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 carrying values of the Company's financial assets from adopting the new classification model.

There have been no changes to the classification of the Company's financial liabilities. The effect of adopting IFRS 9 on the carrying amount of financial liabilities at 1 February 2018 relates solely to new requirements relating to non-substantial modifications of borrowings and loans, as described further below.

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.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

	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	2,970	2,960
Total financial assets			2,970	2,960
Financial liabilities				
Borrowings and loans	Amortised cost	Amortised cost	(2,478)	(2,468)
Trade and other payables	Amortised cost	Amortised cost	(491)	(491)
Total financial liabilities			(2,969)	(2,959)

As part of the refinancing of existing debt, in prior years the Group performed a modification of borrowings, which is treated as a non-substantial modification under IFRS 9 which does not result in an extinguishment of debt.

The existing borrowings and loans are not derecognised, but the carrying value is adjusted. Under IAS 39, modifications were accounted for by discounting the remaining cash flows of the modified debt at a revised effective interest rate. Under IFRS 9, remaining cash flows should be discounted at the original effective interest rate, leading to an immediate gain or loss being recognised in the income statement. On transition to IFRS 9, using the original effective interest rate, the new carrying value of the external borrowings was £10m lower than the old carrying value as a result of the lower interest rates on the refinanced debt. This gain was recognised as a decrease in the opening balance of borrowings and loans and an increase in opening retained earnings at 1 February 2018.

Under the terms of the IBLA, the adoption of IFRS 9 has also resulted in a loss of £10m on the intercompany balance receivable from AA Senior Co Limited.

There is therefore a net nil impact on the Company's opening reserves as a result of the adoption of IFRS 9.

Impairment of financial assets

From 1 February 2018, the Group implemented an expected credit loss impairment model for financial assets. For trade receivables, our calculation methodology has been updated to consider expected losses based on their ageing profile. The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset. Management calculated an expected credit loss provision and assessed that the resulting adjustment would not be material.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (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 in retained earnings and reserves 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 Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

14 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA Intermediate Co Limited, 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 Intermediate Co Limited 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 parent financial statements are available from the website www.theaapl.com/investors.