

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



Registered number: 05663655

AA SENIOR CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

STRATEGIC REPORT

The directors present their report and audited financial statements of AA Senior 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 Acquisition Co Limited.

The principal activity of the Company is that of a financing company.

As shown in the Company's Income Statement, the Company incurred finance costs of £155.5m (2018: £150.8m) in the year to 31 January 2019 and made a profit for the year of £3.1m (2018: £92.8m), due to income from subsidiary undertakings.

The Statement of Financial Position shows the Company's financial position at the year end. The Company has net assets of £417.7m (2018: £410.0m).

Management deem these figures to be the key performance indicators of the Company.

RISK MANAGEMENT FRAMEWORK

The Company is part of the AA plc group which has developed an embedded enterprise risk management process that facilitates the identification, assessment, escalation and mitigation of the Company's risk exposure across every aspect and activity of the business. This framework enables the business to manage risk using predefined assessment criteria to ensure residual risk levels are in line with the Board's agreed risk appetite.

The AA plc group has put in place rigorous procedures and controls designed to prevent significant risks to the business occurring or to mitigate their effects if they should occur. These controls are monitored by the Risk, Compliance and Internal Audit functions to ensure they are working effectively

The principal risks and uncertainties facing the Company are considered to be:

Financial Risk

Financial risks are managed centrally by the 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.

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 SENIOR CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

STRATEGIC REPORT (*continued*)

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.

ON BEHALF OF THE BOARD

M.W. Strickland

M W STRICKLAND

DIRECTOR

1 August 2019

Registered Office: Fanum House, Basing View, Basingstoke, Hampshire RG21 4EA
Registered number: 05663655

AA SENIOR CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT

DIRECTORS

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

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

COMPANY SECRETARY

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

DIRECTORS' INDEMNITY

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

AA SENIOR CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT (continued)

DIRECTORS' CONFIRMATIONS

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

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

GOING CONCERN

The Company's business activities and its exposure to financial risks are described in the business review 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. The directors believe that the Company is well placed to manage its business risks successfully using the risk management framework described in the Strategic 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.

DIVIDENDS

The Company did not pay any dividends in the year (2018: £80.0m) and received dividends of £129.4m (2018: £214.8m).

AUDITORS

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

ON BEHALF OF THE BOARD



M W STRICKLAND
DIRECTOR
1 August 2019

Registered Office: Fanum House, Basing View, Basingstoke, Hampshire RG21 4EA
Registered number: 05663655

Report on the audit of the financial statements

Opinion

In our opinion, AA Senior 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 Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements 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.

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
| August 2019

AA SENIOR CO LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 JANUARY

	Notes	2019 £m	2018 £m
OPERATING COSTS			
Administrative expenses		<u>(0.1)</u>	<u>(0.1)</u>
OPERATING LOSS		<u>(0.1)</u>	<u>(0.1)</u>
Income from shares in group undertakings	7	129.4	214.8
Finance costs	8	<u>(155.5)</u>	<u>(150.8)</u>
(LOSS)/PROFIT BEFORE TAX		<u>(26.2)</u>	<u>63.9</u>
Tax on (loss)/profit	5	29.3	28.9
PROFIT FOR THE FINANCIAL YEAR		<u><u>3.1</u></u>	<u><u>92.8</u></u>

All income and expenditure arises from continuing operations.

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

AA SENIOR CO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2019**

		2019	2018
		£m	£m
PROFIT FOR THE FINANCIAL YEAR		3.1	92.8
Effective portion of changes in fair value of cash flow hedges		(7.1)	8.0
Tax credit / (charge)	6	1.3	(1.5)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(2.7)	99.3

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

AA SENIOR CO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Notes	2019 £m	2018 £m
NON-CURRENT ASSETS			
Investments in subsidiaries	9	3,436.5	3,436.5
Deferred tax asset	6	-	1.8
		<u>3,436.5</u>	<u>3,438.3</u>
CURRENT ASSETS			
Other receivables	10	2,962.7	2,962.4
TOTAL ASSETS		<u>6,399.2</u>	<u>6,400.7</u>
CURRENT LIABILITIES			
Other payables	11	(3,256.3)	(3,254.0)
Deferred tax liability	6	(1.6)	-
		<u>(3,257.9)</u>	<u>(3,254.0)</u>
NON-CURRENT LIABILITIES			
Borrowings and loans	12	-	(258.3)
Amounts owed to group undertakings	11	(2,723.6)	(2,478.4)
		<u>(2,723.6)</u>	<u>(2,736.7)</u>
TOTAL LIABILITIES		<u>(5,981.5)</u>	<u>(5,990.7)</u>
NET ASSETS		<u>417.7</u>	<u>410.0</u>
EQUITY			
Share premium		20.0	20.0
Cash flow hedge reserve		-	5.8
Retained earnings		(1,263.4)	(1,276.9)
Capital contribution reserve		1,661.1	1,661.1
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		<u>417.7</u>	<u>410.0</u>

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

M.W. Strickland

M W STRICKLAND
DIRECTOR

1 August 2019

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

AA SENIOR CO LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share premium	Retained earnings	Cash flow hedge reserve	Capital contribution reserve	Total
	£m	£m	£m	£m	£m
At 1 February 2017	20.0	(1,291.7)	1.3	1,661.1	390.7
Profit for the year	-	92.8	-	-	92.8
Other comprehensive income for the year	-	-	6.5	-	6.5
Total comprehensive income	-	92.8	6.5	-	99.3
Other reserves	-	2.0	(2.0)	-	-
Dividends	-	(80.0)	-	-	(80.0)
At 31 January 2018	20.0	(1,276.9)	5.8	1,661.1	410.0
Profit for the year	-	3.1	-	-	3.1
Other comprehensive income for the year	-	-	(5.8)	-	(5.8)
Total comprehensive expense	-	3.1	(5.8)	-	(2.7)
IFRS 9 conversion gain on external borrowings (see note 16)	-	2.4	-	-	2.4
IFRS 9 conversion gain on intercompany balances (see note 16)	-	10.2	-	-	10.2
IFRS 9 conversion deferred tax impact	-	(2.2)	-	-	(2.2)
At 31 January 2019	20.0	(1,263.4)	-	1,661.1	417.7

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

AA Senior Co Limited is a private company limited by shares, incorporated and domiciled in England 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") and the Companies Act 2006. The financial statements are prepared under the historical cost convention.

The financial statements are prepared in Sterling and are rounded to the nearest £0.1m.

2 Accounting policies

2.1 Basis of preparation

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.

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 Instrument Disclosures',
- IAS 8 paragraphs 30 and 31 (new accounting standard that have been issued but are not yet effective),
- 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

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 and include the basis for recognising revenue in relation to consumer roadside income.

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.

Derivative financial Instruments

The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments. The Company is therefore required to identify changes in market conditions around expectations for interest rates. These assumptions may be different to the actual outcome.

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies

a) Investments in group undertakings

Investments are held at cost less impairment.

The carrying amounts of the Company's investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless they arise on a previously revalued fixed asset.

The recoverable amount of investments is the greater of their fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an investment of equal risk.

b) 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 statement of financial position date, and any adjustment to tax payable in respect of previous years. Group relief is paid at the value of the tax saving.

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 goodwill; 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.

c) Financial instruments

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 are generally due for settlement within 30 days and are therefore all classified as current. They are recognised at fair value and are subsequently held at amortised cost. The Company applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all other receivables. Other payables are not interest bearing and are recognised at fair value and are subsequently held at amortised cost.

Derivative financial instruments

The Company's capital structure exposes it to the financial risk of changes in interest rates and fuel prices. The Company uses interest rate and fuel swap contracts to hedge these exposures.

Derivative financial instruments are recorded in the statement of financial position at fair value. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments. The gain or loss on remeasurement to fair value is recognised immediately in the income statement unless they qualify for hedge accounting as described below.

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the cash flow hedge reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

In the same period or periods during which the hedged expected future cash flows affects profit or loss, the associated cumulative gain or loss on the hedged forecast transaction is removed from equity and recognised in the income statement.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Debt instruments

Debt is 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 subsequently measured at amortised cost. Debt issue fees in respect of the instrument, 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.

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: £24,000). The Company's auditors provided no services to the Company other than the annual audit during either of the years under review.

4 DIRECTORS' REMUNERATION

	2019 £m	2018 £m
Aggregate remuneration in respect of qualifying services	1.4	1.0
Money purchase scheme contributions	0.1	0.1
Total	1.5	1.1
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	0.9	0.5
Money purchase scheme contributions	0.1	0.1
	1.0	0.6

All directors of the Company are also directors of the ultimate parent undertaking (AA plc) and/or fellow subsidiaries. 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 (2018: 2) director under a defined benefit scheme and 2 (2018: 1) under a money purchase scheme.

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

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 TAX ON (LOSS)/PROFIT

The tax on (loss)/profit is made up as follows:

	2019 £m	2018 £m
Current tax:		
- Group relief receivable	(31.8)	(29.3)
Deferred tax:		
- Origination and reversal of temporary differences	2.5	0.4
Total tax credit in the income statement	(29.3)	(28.9)

The difference between the total current corporation tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

Reconciliation of tax credit to (profit)/loss before tax multiplied by UK's corporation tax rate:

	2019 £m	2018 £m
(Profit)/loss before tax	(26.2)	63.9
Tax at rate of 19.00% (2018: 19.16%)	(5.0)	12.2
Effects of:		
Corporate interest restriction	0.3	-
Dividend income	(24.6)	(41.1)
Tax credit reported in the income statement	(29.3)	(28.9)

6 DEFERRED TAXATION

	Statement of financial position		Income statement	
	2019 £m	2018 £m	2019 £m	2018 £m
Short term temporary differences	(1.6)	-	(0.6)	-
Fair value on interest rate swap	-	1.8	3.1	0.4
Deferred tax (liability) / asset	(1.6)	1.8	2.5	0.4
			2019 £m	2018 £m
Deferred tax asset as at 1 February			1.8	3.7
Charge to the income statement			(2.5)	(0.4)
Tax charge / (credit) recognised in other comprehensive income			1.3	(1.5)
Deferred tax recognised directly in equity			(2.2)	-
Deferred tax (liability) / asset as at 31 January			(1.6)	1.8

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The UK corporation tax rate will reduce from 19% to 17% on 1 April 2020. These rates have been substantively enacted at the statement of financial position date and have therefore been included in the deferred tax calculations.

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2019 £m	2018 £m
Dividends from subsidiary undertakings	<u>129.4</u>	<u>214.8</u>
	<u><u>129.4</u></u>	<u><u>214.8</u></u>

8 FINANCE COSTS

	2019 £m	2018 £m
Bank loans and overdrafts	6.6	9.6
Transfer from cash flow hedge reserve for extinguishment of cash flow hedge	(9.9)	(2.0)
Amortisation of issue fees	7.0	0.7
Interest on swaps	4.2	9.0
Other financing interest payable	<u>147.6</u>	<u>133.5</u>
	<u><u>155.5</u></u>	<u><u>150.8</u></u>

During the year, the Company repaid the £250m Senior Term Facility (2018: repaid £98m) (see note 12) and made a non-cash adjustment to the cash flow hedge reserve of £9.9m (2018: £2m).

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2019	2018
	£m	£m
Investment in subsidiary undertaking at cost		
At 1 February and 31 January	3,436.5	3,436.5

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

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

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

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

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

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

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

⁶ AA Corporation Limited has ordinary and redeemable preference shares.

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

⁸ Automobile Association Services Limited is limited by guarantee.

⁹ Drakefield Holdings Limited has A and B ordinary shares.

¹⁰ AA Pension Funding LP is a limited partnership.

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

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 OTHER RECEIVABLES

	2019 £m	2018 £m
Current		
Amounts owed by group undertakings	2,962.4	2,962.4
Financial assets at fair value through profit or loss	0.3	-
	2,962.7	2,962.4

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

Financial assets at fair value through profit or loss comprised interest rate swaps (see note 12).

11 OTHER PAYABLES

	2019 £m	2018 £m
Current		
Amounts owed to group undertakings	3,255.9	3,253.7
Accruals	0.4	0.3
	3,256.3	3,254.0
Non-current		
Amounts owed to group undertakings	2,723.6	2,478.4
	2,723.6	2,478.4

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

During the year ended 31 January 2013, the Company entered into an Issuer / Borrower Loan Agreement (IBLA). As a result of this agreement, the proceeds from loan notes issued by AA Bond Co Limited are loaned to the Company and the terms of this intercompany loan reflect the terms of the loan notes held by AA Bond Co Limited. Amounts owed to group undertakings which relate to the IBLA are as follows:

	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	Total at 31 January 2019 £m	Total at 31 January 2018 £m
Inter-Company balance relating to:							
Class A2 notes	31 July 2025	6.27%	500.0	(0.8)	0.4	499.6	499.5
Class A3 notes	31 July 2020	4.25%	200.0	(1.1)	0.8	199.7	499.0
Class A5 notes	31 January 2022	2.88%	700.0	(47.5)	18.1	670.6	671.1
Class A6 notes	31 July 2023	2.75%	250.0	(3.8)	1.0	247.2	246.6
Class A7 notes	31 July 2024	4.88%	550.0	(8.1)	0.7	542.6	-
Class B2 notes	31 July 2022	5.50%	569.8	(16.0)	10.1	563.9	562.2
			2,769.8	(77.3)	31.1	2,723.6	2,478.4

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 BORROWINGS AND LOANS

	2019	2018
	£m	£m
Interest rate swap used for hedging	-	9.4
Borrowings	-	248.9
	-	258.3

Borrowings	Expected Maturity Date	Principal £m	Issue costs £m	Amortised issue costs £m	Total at 31 January 2019 £m	Total at 31 January 2018 £m
Senior Term Facility	31 July 2021	-	-	-	-	248.9
		-	-	-	-	248.9

Issue costs are shown net of any premium on the issue of borrowings.

On the 17 July 2018, the Company repaid the £250m Senior Term Facility (STF). In line with the Group accounting policy, this was accounted for as an extinguishment of debt and therefore issue costs associated with the STF have been written-off totalling £3m.

On 17 July 2018, the 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 held by a fellow subsidiary. In addition, a new working capital facility of £60m (together with a £15m accordion facility), was put in place to replace the previous £75m working capital facility, with a maturity to 31 July 2023 and with the same margin as the previous facility. In line with group policy the fees associated with this of £3m were written-off, as both facilities were undrawn.

Following the repayment of the STF, all but one of the outstanding interest rate swaps scheduled to conclude after 31 July 2018 were settled for £7m. One future dated interest rate swap was left in place to cover the undrawn STF. Following the settlement of the interest rate swaps and the repayment of the original STF, there is no longer an interest rate hedge on the original STF so the cash flow hedge reserve was released back through other comprehensive income.

On 30 July 2018, the Group drew down £15m of the working capital facility. This was repaid on 29 August 2018.

The Senior Term Facility carried interest at a rate of LIBOR plus a margin of 1.75%. The variable element has been fully hedged using matching interest rate swap arrangements. The fair value of these interest rate swaps as at 31 January 2019 was an asset of £0.3m (see note 10) (2018: liability of £9.4m).

13 CALLED UP SHARE CAPITAL

	2019	2018
	£	£
Allotted, called up and fully paid		
1 (2018: 1) ordinary share of £1	1	1

The voting rights of the holders of all ordinary shares are the same and all ordinary shares rank pari passu on a winding up.

As at 31 January 2019, the company had distributable reserves of £389.4m (2018: £384.8m).

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 GUARANTEES AND COMMITMENTS

The Company, together with others in the Group, is guarantor to the bank loans and bond debt of the AA Intermediate Co Limited group. At 31 January 2019, the principal outstanding on the AA Intermediate Co Limited group debt was £2,770.0m (2018: £2,770.0m).

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.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise borrowings and other payables. The main purpose of these financial liabilities is to finance the AA plc group's operations. The Company's principal financial assets are intercompany receivables.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks, supported by the AA plc group ('the Group') treasury function. The Group treasury function ensures that the group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group Treasury function. It is the Group's policy not to trade in derivatives for speculative purposes.

The Directors review and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices set by the market. The key market risk that the Group is exposed to is interest rate risk. The Group has policies and limits approved by the Board for managing the interest rate risk exposure. The Group's policy is to fully hedge all of its exposure to variable interest rates. The Group has therefore taken out interest rate swaps to the value of its variable rate instruments.

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 its financial assets, mainly the outstanding derivatives. Credit risk in relation to deposits and derivative counterparties is managed by the Group Treasury function in accordance with the Group's policy.

The Company's maximum exposure to credit risk for the components of the statement of financial position at each reporting date is the carrying amount except for derivative financial instruments. The Company's maximum exposure for financial derivative instruments is noted under market risk.

Liquidity risk

Liquidity risk is the risk that the Company either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Company's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it notifies the Group Treasury function of cash requirements.

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 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.

	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				
Other receivables	Loans and receivables	Amortised cost	2,962.4	2,962.4
Total financial assets			2,962.4	2,962.4
Financial liabilities				
Interest swaps used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	(9.4)	(9.4)
Borrowings	Amortised cost	Amortised cost	(248.9)	(246.5)
Other payables	Amortised cost	Amortised cost	(5,732.4)	(5,722.2)
Total financial liabilities			(5,990.7)	(5,978.1)

On transition to IFRS 9, using the original effective interest rate, the new carrying value of the borrowings was £2.4m 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.

On transition to IFRS 9, using the original effective interest rate, the new carrying value of AA Bond Co Limited's borrowings was £10.2m lower than the old carrying value as a result of the lower interest rates on the refinanced debt. Under the terms of the IBLA, this therefore resulted in a gain of £10m on the Company's intercompany balance payable to AA Bond Co Limited. This was recognised as an increase in the Company's opening retained earnings at 1 February 2018.

The adoption of IFRS 9 has therefore resulted in a taxable gain of £12.6m, less the associated £2.2m of tax, being posted to reserves. As the restatement is taxable in the year of change the £2.2m is represented in the reserves movement as a deferred tax charge.

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Impairment of financial assets

From 1 February 2018, the Company implemented an expected credit loss impairment model for financial assets. For other 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.

Hedge accounting

The Company applied the hedge accounting requirements of IFRS 9 prospectively. At the date of initial application all of the Company's existing hedging relationships were eligible to be treated as continuing hedge relationships.

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.
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under IAS 39 at 31 January 2018 met the criteria for hedge accounting under IFRS 9 at 1 February 2018 and are therefore regarded as continuing hedging relationships.

Other new accounting standards

With the exception of the transition to IFRS 9 as described above, the Company did not identify any new accounting standards coming into effect in the current year with a material impact on the financial statements.

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

17 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA Acquisition Co Limited, a company registered in England 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, 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.

AA plc is the ultimate controlling party and parent undertaking.

Copies of the consolidated AA plc financial statements are available from the website www.theaapl.com/investors.