

**AA SENIOR CO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2021**

**Registered number: 05663655**

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2021**

**STRATEGIC REPORT**

The directors present their annual report and audited financial statements of AA Senior Co Limited ("the Company") for the year ended 31 January 2021.

**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 for the AA Limited group ("the Group").

The COVID-19 pandemic has caused significant disruption across the globe. The impact on society has been reflected in business closures, restrictions on movement, home working and cancellations of sporting and other events, leading to an economic downturn.

Despite the resultant volatility in financial markets, the Company remains in a robust position to continue to perform its primary activity and management have assessed that this will continue to be the case.

As shown in the Company's income statement, the Company incurred finance costs of £166.6m (2020: £144.3m) in the year to 31 January 2021 and made a profit for the year of £0.5m (2020: £11.7m), due to income from subsidiary undertakings and an income tax credit receivable for the year. The statement of financial position shows the Company's financial position at the year end. The Company has net assets of £429.7m (2020: £429.4m).

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

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

The directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006. For details of how this is accomplished across the AA Limited group, refer to page 28 of AA Limited's Annual Report, with whom the Company shares common directorship and management structure.

**RISK MANAGEMENT FRAMEWORK**

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

The 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:

*Unable to maintain outstanding service and market share and grow the business in a manner that complements and sustains the brand*

The AA's brand and its continued success, and the loyalty of its customers, relies on delivering outstanding service that is superior to the rest of the market. Inadequate investment in technology, systems, people and processes would place this objective at increasing risk.

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2021**  
**STRATEGIC REPORT (continued)**

**RISK MANAGEMENT FRAMEWORK (continued)**

The AA continues to invest to ensure that we have the optimal patrol and call centre headcount to meet demand, together with training and support to make sure we are well placed to provide a premium service to our customers throughout the year. We carry out ongoing monitoring of complaints, press reports and social media through structured processes, including first line business assurance.

*Financial Risk*

The Group's senior management oversees the management of financial risks, supported by 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.

The Company is an obligor of the financial indebtedness of the AA Intermediate Co Limited group which ringfences its debt within a whole business securitisation (WBS) structure. AA Intermediate Co Limited is a parent undertaking of the Company and part of the AA Limited group. The viability and financial success of the Company is therefore tied to the viability and financial success of the AA Intermediate Co Limited group. For more detail see the AA Limited group's Financial Review on pages 22-24 of its Annual Report.

ON BEHALF OF THE BOARD



M NEVILLE  
DIRECTOR  
11 June 2021

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

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2021**  
**DIRECTORS' REPORT**

**DIRECTORS**

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

M Neville  
K Dangerfield

**COMPANY SECRETARY**

N Hoosen (Resigned 31 May 2021)

**DIRECTORS' INDEMNITY**

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against all losses and liabilities incurred in the discharge of their duties, to the extent permitted by law. This is a qualifying third-party indemnity provision and was in force throughout the financial year and at the date of approval of the financial statements.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 2021**  
**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, future developments and its exposure to financial risks 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 Limited group and more specifically, the AA Intermediate Co Limited group, which can be drawn upon.

For the AA Limited group's longer-term viability, it remains a key assumption of its directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. The AA Limited group directors propose a refinancing of the group's Class A5 Notes in advance of their maturity on 31 January 2022. The directors understand that the outstanding £1,997m Class A Notes are trading at a price near par with yields below 4% which indicate that the debt market considers the refinancing risk of the Class A5 Notes to be low. Given the significant deleveraging of the debt at both A Notes and B Notes level, the current pricing of A Notes in the secondary debt markets and the existing Investment Grade rating of BBB- of the A Notes to be issued, the directors are, on this basis, confident that this refinancing will be successful. At the date of approval of these financial statements, there is no other debt with a maturity date within 12 months from the issue of these financial statements.

The AA Limited group directors have considered these points along with the projected cash flows, for a period of one year from the date of approval of these financial statements and have concluded that they have confidence that the AA Limited group will have sufficient funds to continue trading for this period and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 60 of the AA Limited group's Annual Report. However, as noted above, the refinancing of the Class A5 Notes, due on 31 January 2022, is not committed at the date of issue of these financial statements. Further to this, the Company has intercompany receivables from and payables to other members of the AA Intermediate Co Limited group, for which settlement is dependent on successful refinancing. This has been reviewed by the directors of the Company in the context of its status as an obligor of the AA Intermediate Co Limited group's borrowings. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern for a period of in excess of a year from the date of issue of these financial statements.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

**DIVIDENDS**

The Company has not paid a dividend in the year (2020: £nil) and the directors do not propose the payment of a final dividend (2020: £nil). The Company received dividends of £137.0m (2020: £129.5m) from subsidiary undertakings.

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2021**  
**DIRECTORS' REPORT (continued)**

**INDEPENDENT AUDITORS**

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

ON BEHALF OF THE BOARD



M NEVILLE  
DIRECTOR  
11 June 2021

Registered Office: Fanum House, Basing View, Basingstoke, Hampshire RG21 4EA  
Registered number: 0566365

# Independent auditors' report to the members of AA Senior Co Limited

## 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 2021 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: Statement of Financial Position as at 31 January 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is an obligor of the AA Intermediate Co Limited group's borrowings and forms part of the corresponding debt security group for which the refinancing of the Class A5 Notes, due on 31 January 2022, is not committed at the date of issue of these financial statements. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### 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

## AA SENIOR CO LIMITED

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 posting inappropriate

## AA SENIOR CO LIMITED

journal entries to increase profit and the potential for management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, internal compliance, internal legal counsel and enquiries of the Company's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.
- Challenging significant accounting assumptions and judgements individually and collectively for indications of management bias, in particular in relation to the subsidiary investment impairment assessment.
- Designing risk filters to search for journal entries, such as those posted with unusual account combinations or posted by members of senior management with a financial reporting oversight role, and testing those journals highlighted (if any).
- Incorporating elements of unpredictability into the audit procedures performed.
- Reviewing the disclosures in the Annual Report and financial statements against the specific legal requirements, for example within the Directors' Report.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

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](http://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 obtained 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  
11 June 2021

# AA SENIOR CO LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 JANUARY

	Note	2021 £m	2020 £m
<b>OPERATING COSTS</b>			
Administrative expenses		<u>(0.7)</u>	<u>(0.4)</u>
<b>OPERATING LOSS</b>		<u>(0.7)</u>	<u>(0.4)</u>
Income from shares in group undertakings	7	137.0	129.5
Finance costs	8	<u>(166.6)</u>	<u>(144.3)</u>
<b>LOSS BEFORE TAX</b>		<u>(30.3)</u>	<u>(15.2)</u>
Income tax on loss	5	30.8	26.9
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>0.5</u></u>	<u><u>11.7</u></u>

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

**AA SENIOR CO LIMITED**

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

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>0.5</b>	<b>11.7</b>
Effective portion of changes in fair value of cash flow hedges	<b>(0.2)</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>0.3</b>	<b>11.7</b>

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

## AA SENIOR CO LIMITED

### STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Note	2021 £m	2020 £m
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	9	3,436.5	3,436.5
Derivative financial instruments	12	0.1	-
		3,436.6	3,436.5
<b>CURRENT ASSETS</b>			
Other receivables	10	2,993.4	2,962.4
Cash and cash equivalents	11	-	31.8
		2,993.4	2,994.2
<b>TOTAL ASSETS</b>		<b>6,430.0</b>	<b>6,430.7</b>
<b>CURRENT LIABILITIES</b>			
Other payables	13	(3,615.3)	(3,464.4)
Deferred tax liabilities	6	(1.4)	(1.4)
Derivative financial instruments	12	(0.9)	-
		(3,617.6)	(3,465.8)
<b>NON-CURRENT LIABILITIES</b>			
Other payables	13	(2,183.0)	(2,534.7)
Derivative financial instruments	12	-	(0.8)
Borrowings	14	(199.7)	-
		(2,382.7)	(2,535.5)
<b>TOTAL LIABILITIES</b>		<b>(6,000.3)</b>	<b>(6,001.3)</b>
<b>NET ASSETS</b>		<b>429.7</b>	<b>429.4</b>
<b>EQUITY</b>			
Share premium		20.0	20.0
Cash flow hedge reserve		0.1	-
Retained earnings		(1,251.5)	(1,251.7)
Capital contribution reserve		1,661.1	1,661.1
<b>TOTAL EQUITY</b>		<b>429.7</b>	<b>429.4</b>

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



M NEVILLE  
DIRECTOR  
11 JUNE 2021

## AA SENIOR CO LIMITED

### STATEMENT OF CHANGES IN EQUITY

	Share premium	Retained earnings	Cash flow hedge reserve	Capital contribution reserve	Total equity
	£m	£m	£m	£m	£m
<b>At 1 February 2019</b>	<b>20.0</b>	<b>(1,263.4)</b>	-	<b>1,661.1</b>	<b>417.7</b>
Profit for the year	-	11.7	-	-	11.7
<b>At 31 January 2020</b>	<b>20.0</b>	<b>(1,251.7)</b>	-	<b>1,661.1</b>	<b>429.4</b>
Profit for the year	-	0.5	-	-	0.5
Other comprehensive expense	-	-	(0.2)	-	(0.2)
Transfer between reserves	-	(0.3)	0.3	-	-
<b>At 31 January 2021</b>	<b>20.0</b>	<b>(1,251.5)</b>	<b>0.1</b>	<b>1,661.1</b>	<b>429.7</b>

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

# 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, and is incorporated and domiciled in England and Wales, UK.

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

#### Going concern

The directors believe that the Company has adequate financial resources due to the available cash resources of the AA Limited group and more specifically, the AA Intermediate Co Limited group, which can be drawn upon.

For the AA Limited group's longer-term viability, it remains a key assumption of its directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. The AA Limited group directors propose a refinancing of the group's Class A5 Notes in advance of their maturity on 31 January 2022. The directors understand that the outstanding £1,997m Class A Notes are trading at a price near par with yields below 4% which indicate that the debt market considers the refinancing risk of the Class A5 Notes to be low. Given the significant deleveraging of the debt at both A Notes and B Notes level, the current pricing of A Notes in the secondary debt markets and the existing Investment Grade rating of BBB- of the A Notes to be issued, the directors are, on this basis, confident that this refinancing will be successful. At the date of approval of these financial statements, there is no other debt with a maturity date within 12 months from the issue of these financial statements.

The AA Limited group directors have considered these points along with the projected cash flows, for a period of one year from the date of approval of these financial statements and have concluded that they have confidence that the AA Limited group will have sufficient funds to continue trading for this period and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 60 of the AA Limited group's Annual Report. However, as noted above, the refinancing of the Class A5 Notes, due on 31 January 2022, is not committed at the date of issue of these financial statements. Further to this, the Company has intercompany receivables from and payables to other members of the AA Intermediate Co Limited group, for which settlement is dependent on successful refinancing. This has been reviewed by the directors of the Company in the context of its status as an obligor of the AA Intermediate Co Limited group's borrowings. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern for a period of in excess of a year from the date of issue of these financial statements.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

### 2 Accounting policies

#### 2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101. The financial statements are prepared under the historical cost convention as modified by the measurement of derivatives at fair value. The Company takes the exemption under IFRS 10 paragraph 4 and section 400 of the Companies Act 2006 from presenting consolidated financial statements.

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.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2.1 Basis of preparation (continued)

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 standards that have been issued but are not yet effective),
- 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).

#### New standards, amendments and IFRIC interpretations

The Company did not identify any new accounting standards coming into effect in the current year with an 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 2021, however the Company has not identified any with an expected impact on the financial statements.

#### 2.2 Critical accounting estimates and judgements

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

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

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

##### *Intercompany receivables*

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

##### *Investments*

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

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2.2 Critical accounting estimates and judgements (continued)

In performing its impairment testing on its investment in subsidiaries, the Company prepared a traditional value in use model as described in IAS 36 which was also used in prior years. This comprises an enterprise value model which deducts net debt as at 31 January 2021 and discounts estimates of future cash flows at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. IAS 36 considers that the appropriate discount rate for a value in use calculation should take into account weighted average cost of capital, incremental borrowing rate and other market borrowing rates in making such an estimate and the Company uses a discount rate calculated on this basis. Estimates of future cash flows do not include cash inflows or outflows from financing activities or income tax receipts or payments as these are already taken into account in the discount rate.

This differs from the AA Limited company financial statements in which it was considered that applying an alternative 'dividend distribution model' to apportion the accepted offer price on its share capital across its investments in subsidiaries would best reflect an investor's assessment of the return required given the specific industry and macroeconomic conditions and risks in existence at the year end and up to the date of approval of the AA Limited financial statements. In that alternative value in use model, estimates of future cash flows included cash outflows relating to taxation and financing activities, reflecting an assessment of future refinancing and interest costs that the Group expects to arise as its existing debt is refinanced over the next 5 years. The use of this alternative value in use model was a departure from the traditional value in use model described in IAS 36 which was used by AA Limited in prior years.

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

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

Management has performed sensitivity analysis as part of its impairment assessment on the Company's investments in subsidiaries (see note 9).

#### 2.3 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.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2.3 Accounting policies (continued)

##### 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. The Company uses interest rate swap and interest rate cap contracts to hedge this exposure.

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 Accounting policies (continued)

##### c) Financial instruments (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 2021 amounted to £29k (2020: £26k). The Company's auditors provided no services to the Company other than the annual audit during either of the years under review.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 4 DIRECTORS' REMUNERATION

	2021 £m	2020 £m
Aggregate remuneration in respect of qualifying services	0.8	0.7
Money purchase scheme contributions	-	-
<b>Total</b>	<b>0.8</b>	<b>0.7</b>
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	0.7	0.4
Money purchase scheme contributions	-	-
<b>Total</b>	<b>0.7</b>	<b>0.4</b>

All directors of the Company are also directors of the ultimate parent undertaking (AA Limited) 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 2 (2020: 1) directors under a money purchase scheme and no directors (2020: 1) under a defined benefit scheme. There was no compensation to directors for loss of office in the year (2020: £nil).

The Company had no employees throughout the year (2020: nil).

AA SENIOR CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 INCOME TAX ON LOSS

The income tax on loss is made up as follows:

	2021 £m	2020 £m
<b>Current tax:</b>		
- Group relief receivable	(30.9)	(26.7)
- Adjustments in respect of prior periods	0.1	-
	<u>(30.8)</u>	<u>(26.7)</u>
<b>Deferred tax:</b>		
- Origination and reversal of temporary differences	(0.2)	(0.2)
- Effect of tax rate change on opening balances	0.2	-
	<u>-</u>	<u>(0.2)</u>
<b>Total income tax on loss reported in the income statement</b>	<u><b>(30.8)</b></u>	<u><b>(26.9)</b></u>

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:

	2021 £m	2020 £m
Loss before tax	<u>(30.3)</u>	<u>(15.2)</u>
Tax at rate of 19.00% (2020: 19.00%)	(5.8)	(2.9)
Effects of:		
Corporate interest restriction	0.7	0.6
Adjustments in respect of prior periods	0.1	-
Rate change adjustment	0.2	-
Dividend income	(26.0)	(24.6)
<b>Total income tax on loss reported in the income statement</b>	<u><b>(30.8)</b></u>	<u><b>(26.9)</b></u>

6 DEFERRED TAX LIABILITIES

	Statement of financial position		Income statement	
	2021 £m	2020 £m	2021 £m	2020 £m
Short term temporary differences	<u>(1.4)</u>	<u>(1.4)</u>	-	<u>(0.2)</u>
Deferred tax liabilities	<u>(1.4)</u>	<u>(1.4)</u>	-	<u>(0.2)</u>
			<b>2021</b> £m	<b>2020</b> £m
Deferred tax liabilities as at 1 February			(1.4)	(1.6)
Credit to the income statement			-	0.2
<b>Deferred tax liabilities as at 31 January</b>			<u><b>(1.4)</b></u>	<u><b>(1.4)</b></u>

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.

**AA SENIOR CO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6 DEFERRED TAX LIABILITIES (CONTINUED)**

The March 2020 budget announced that the expected reduction in tax rate to 17% would be cancelled and the 19% rate retained after 1 April 2020. The effect of cancelling the tax rate reduction did not have a material impact on the Company's deferred tax balance. The March 2021 budget announced that the main corporation tax rate will increase to 25% in April 2023. The increased rate will not impact on the Company's current tax for the year ending 31 January 2022. As this new rate is expected to be enacted later in 2021 an assessment will be made on the carrying value of the Company's deferred tax balance, depending on the expected timing of reversals, for the year ending 31 January 2022.

Deferred tax has been recognised at an overall rate of 19% at 31 January 2021 (2020: 17%). The rate has been adjusted to reflect the expected reversal profile of the Company's temporary differences.

A further £0.2m (2020: £0.2m) deferred tax asset relating to tax losses has not been recognised due to the uncertainty of the availability of suitable future profits to enable recovery.

**7 INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Dividends from subsidiary undertakings	<u>137.0</u>	<u>129.5</u>
	<b>137.0</b>	<b>129.5</b>

**8 FINANCE COSTS**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Bank loans and overdrafts	7.1	4.5
Interest on swaps	0.9	-
Fair value movement on interest rate swaps	0.1	1.1
Other financing interest payable	<u>158.5</u>	<u>138.7</u>
	<b>166.6</b>	<b>144.3</b>

**9 INVESTMENTS IN SUBSIDIARIES**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<b>Investments in subsidiary undertakings at cost and net book value</b>		
At 1 February and 31 January	<u>3,436.5</u>	<u>3,436.5</u>

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

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 9 INVESTMENTS IN SUBSIDIARIES (continued)

The principal subsidiary undertakings of the Company at 31 January 2021 are:

Name	Country of Incorporation / Registered Office Key	Class of shares held
AA Corporation Limited	England and Wales, UK / A	Ordinary
AA Financial Services Limited	England and Wales, UK / A	Ordinary
A A The Driving School Agency Limited	England and Wales, UK / A	Ordinary
Automobile Association Developments Limited	England and Wales, UK / A	Ordinary
Automobile Association Insurance Services Limited	England and Wales, UK / A	Ordinary
DriveTech (UK) Limited	England and Wales, UK / A	Ordinary
Prestige Fleet Servicing Limited	England and Wales, UK / A	Ordinary
Used Car Sites Limited	England and Wales, UK / A	Ordinary

The other subsidiary undertakings of the Company at 31 January 2021 are:

Name	Country of Incorporation / Registered Office Key	Class of shares held
A.A. Pensions Trustees Limited	England and Wales, UK / A	Ordinary
AA Brand Management Limited	England and Wales, UK / A	Ordinary
AA Garage Services Limited	England and Wales, UK / A	Ordinary
AA Ireland Pension Trustees DAC	Ireland / C	Ordinary
AA Newco Limited <sup>2</sup>	England and Wales, UK / A	Ordinary
AA Pension Funding GP Limited	Scotland, UK / D	Ordinary
AA Pension Funding LP <sup>3</sup>	Scotland, UK / D	Membership Interest
Automobile Association Holdings Limited	England and Wales, UK / A	Ordinary and deferred redeemable non-voting special dividend
Automobile Association Insurance Services Holdings Limited	England and Wales, UK / A	Ordinary
Automobile Association Services Limited	England and Wales, UK / A	Limited by guarantee
Accident Assistance Services Limited	England and Wales, UK / A	Ordinary
Intelligent Data Systems (UK) Limited	England and Wales, UK / A	Ordinary
Personal Insurance Mortgages and Savings Limited	England and Wales, UK / A	Ordinary
Prestige Motor Care Holdings Limited <sup>1</sup>	England and Wales, UK / A	Ordinary
The Automobile Association Limited <sup>4</sup>	Jersey / B	Ordinary

<sup>1</sup> The Group has filed an active proposal to strike off this company.

<sup>2</sup> AA Newco Limited was dissolved on 4 May 2021.

<sup>3</sup> This partnership is fully consolidated into the group financial statements and the Group has taken advantage of the exemption (as confirmed by regulation 7 of the Partnerships (Accounts) Regulations 2008) not to prepare or file separate financial statements for this entity.

<sup>4</sup> This Company also has a UK branch establishment.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 9 INVESTMENTS IN SUBSIDIARIES (continued)

##### Registered Office Key

Registered Office	Key
Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England	A
22 Grenville Street, St Helier, Jersey, JE4 8PX	B
6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland	C
20 Castle Terrace, Edinburgh, EH1 2EN, Scotland	D

The Company has performed impairment testing at 31 January 2021 to compare the recoverable amount of the investments in subsidiaries to their carrying value.

The impairment test was principally performed on the directly held subsidiary which is supported by cash flow projections of the underlying AA Corporation Limited group. The recoverable amount of the investment was determined based on a value in use calculation using cash flow projections from the Group's five-year plan. For the year ended 31 January 2021, the Company used the five-year plan covering the four years up to 31 January 2025 and a 2.0% expectation of growth in the subsequent year. For the purposes of the impairment test, terminal values have been calculated using a 2.0% (2020: 2.0%) inflationary growth assumption in perpetuity based on the IMF's UK long-term growth rate.

Using an enterprise value model which deducts net debt as at 31 January 2021, cash flows were discounted at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. This was determined as a pre-tax rate of 7.7% (2020: 8.9%). The equivalent post-tax rate was 7.0% (2020: 8.0%). The use of this value in use calculation and the determination of its inputs were consistent with the impairment test performed in the prior year. The result of this impairment test was that there was a significant amount of headroom and therefore no indicators of impairment in the value of investments in subsidiaries were identified (2020: no indicators of impairment).

The value in use calculation used is the most sensitive to the assumptions used for growth and to the discount rate. Changes to these assumptions would impact the value of the headroom calculated. However, neither a 1% increase in the discount rate in the current year nor a 1% reduction in the terminal value growth rate would result in an impairment in the current year. In any case, management believes that neither of these scenarios reflect the most likely true outcome and accordingly, no impairment has been recognised in the current year.

#### 10 OTHER RECEIVABLES

	2021 £m	2020 £m
Amounts owed by group undertakings	<b>2,993.4</b>	2,962.4
	<b>2,993.4</b>	2,962.4

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

**AA SENIOR CO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11 CASH AND CASH EQUIVALENTS**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Cash at bank and in hand - restricted	-	31.8
	-	31.8

At 31 January 2020, restricted cash comprised £31.8m held in a separate bank account due to a requirement under the terms of the Group's debt documents. The requirement is to deposit a calculated amount of 'excess cash' at the year end when within an 'accumulation period' (the 12 months before which any borrowings become due). This applied to the Class A3 Notes which were due on 31 July 2020. On 31 July 2020, the Group completed the refinancing of the £200.0m outstanding Class A3 Notes using the £199.7m proceeds from drawing down the Senior Term Facility (see note 14). Therefore, as it was no longer required, the excess cash was returned to available cash on 31 July 2020.

**12 DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<b>Non-current assets</b>		
Interest rate cap	0.1	-
	0.1	-
<b>Current liabilities</b>		
Interest rate swap	(0.9)	-
	(0.9)	-
<b>Non-current liabilities</b>		
Interest rate swap	-	(0.8)
	-	(0.8)

The interest rate swap is held as a financial liability at fair value through profit or loss. Hedge accounting is applied to the interest rate cap and so it is held as a financial asset at fair value through other comprehensive income.

**AA SENIOR CO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13 OTHER PAYABLES**

	2021 £m	2020 £m
<b>Current</b>		
Amounts owed to group undertakings	<b>3,614.8</b>	3,464.0
Accruals	<b>0.5</b>	0.4
	<b>3,615.3</b>	3,464.4
<b>Non-current</b>		
Amounts owed to group undertakings	<b>2,183.0</b>	2,534.7
	<b>2,183.0</b>	2,534.7

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:

Intercompany balance relating to:	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	Total at 31 January 2021 £m	Total at 31 January 2020 £m
Class A2 Notes	31 July 2025	6.27%	500.0	(0.9)	0.6	<b>499.7</b>	499.7
Class A3 Notes	31 July 2020	4.25%	-	-	-	-	199.9
Class A5 Notes	31 January 2022	2.88%	372.2	(25.2)	20.0	<b>367.0</b>	677.7
Class A6 Notes	31 July 2023	2.75%	250.0	(3.8)	2.2	<b>248.4</b>	247.8
Class A7 Notes	31 July 2024	4.88%	550.0	(8.1)	3.4	<b>545.3</b>	543.9
Class A8 Notes	31 July 2027	5.50%	325.0	(3.1)	0.4	<b>322.3</b>	-
Class B2 Notes	31 July 2022	5.50%	569.8	(16.0)	13.5	<b>567.3</b>	565.6
		<b>4.87%</b>	<b>2,567.0</b>	<b>(57.1)</b>	<b>40.1</b>	<b>2,550.0</b>	2,734.6

Amounts owed to group undertakings which relate to the IBLA are included in current and non-current liabilities as below:

	2021 £m	2020 £m
Current liabilities	<b>367.0</b>	199.9
Non-current liabilities	<b>2,183.0</b>	2,534.7
	<b>2,550.0</b>	2,734.6

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 14 BORROWINGS

	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	Total as at 31 January 2021 £m	Total as at 31 January 2020 £m
Senior Term Facility	31 July 2023	2.72%	199.7	-	-	199.7	-

At 31 January 2021, the Senior Term Facility was subject to a variable interest rate of LIBOR plus a margin of 1.75% per annum. However, the Company has an interest rate swap in place which exchanges LIBOR for a fixed interest rate of 0.97% thereby fixing the Senior Term Facility's interest rate at 2.72% through to 31 July 2021. Thereafter, the Company had an interest rate cap in place which caps the variable interest rate at 1.00% through to 31 July 2023.

On 23 April 2020, the Company announced that it had drawn down in full its £199.7m Senior Term Facility. The proceeds were held in escrow and subsequently released to refinance the remaining £199.7m Class A3 Notes on 31 July 2020.

On 10 March 2021, the Company also refinanced its Senior Term Facility, Working Capital Facility and Liquidity Facility. See note 19 for further detail.

#### 15 CALLED UP SHARE CAPITAL

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
1 (2020: 1) ordinary share of £1	<u>1</u>	<u>1</u>

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

The Company did not pay any dividends in the year (2020: £nil).

#### 16 GUARANTEES AND COMMITMENTS

The Company is an obligor to the bank loans and bond debt of the AA Intermediate Co Limited group. At 31 January 2021, the principal outstanding on the AA Intermediate Co Limited group debt was £2,766.7m (2020: £2,767.0m).

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.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Company's principal financial assets include deposits with financial institutions, money market funds and trade receivables.

The Company is exposed to market risk, credit risk, liquidity risk and insurance risk. The Company's senior management oversees the management of these risks, supported by 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 therefore takes 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, outstanding derivatives and trade and other receivables. The Company assesses its counterparty exposure in relation to the investment of surplus cash and undrawn credit facilities. The Company primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty, in accordance with approved treasury policies.

Credit risk in relation to deposits and derivative counterparties is managed by the Group Treasury function in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to mitigate financial loss through any potential counterparty failure.

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 liquidity 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 maintains sufficient reserves of cash and headroom on its working capital facilities.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 18 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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

The parent of the smallest group to consolidate these financial statements is AA Intermediate Co Limited whose registered office is Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA. At 31 January 2021, the ultimate controlling party and parent undertaking, which is also the parent of the largest group to consolidate these financial statements, was AA Limited (see note 19) whose registered office is at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA.

Copies of the consolidated AA Limited and AA Intermediate Co Limited financial statements are available from the website [www.theaacorporate.com/investors](http://www.theaacorporate.com/investors).

#### 19 EVENTS AFTER THE REPORTING PERIOD

##### Group Acquisition

On 9 March 2021, the Company's ultimate controlling party and parent undertaking, AA Limited (previously AA plc), was acquired by Basing Bidco Limited, a company controlled by TowerBrook Capital Partners (U.K.) LLP and Warburg Pincus International LLC (together, 'the Consortium'). AA Limited's ordinary shares were de-listed from the London Stock Exchange on 10 March 2021. AA Limited was re-registered as a private company on 17 March 2021. A number of new holding companies were incorporated above Basing Bidco Limited and the ultimate parent undertaking of the Company became Basing Consortiumco Limited.

##### Refinancing of Senior Term Facility, Working Capital Facility and Liquidity Facility

On 10 March 2021, the Company refinanced its Senior Term Facility, Working Capital Facility and Liquidity Facility:

- The Company entered into a new £150.0m Senior Term Facility which it drew down immediately and used, in combination with £49.7m of cash, to refinance its existing £199.7m Senior Term Facility. The new £150.0m Senior Term Facility is subject to a variable interest rate of LIBOR plus a margin of 2.75% per annum, and the terms of the loan include provisions for the parties to enter into negotiations to replace the LIBOR benchmark with a suitable replacement benchmark expected to be SONIA. The Company has an interest rate swap in place which fixes the variable interest rate at 0.97% until 31 July 2021 and has entered into a new interest rate swap which fixes the variable SONIA interest rate at 0.46% from 1 August 2021 to 10 March 2026.
- The Company agreed a new £55.7m Working Capital Facility, of which £45.7m is available for cash drawings and remains undrawn, and cancelled its existing Working Capital Facility of £60.0m.
- The Company agreed a new £160.0m Liquidity Facility which remains undrawn and cancelled its existing Liquidity Facility of £165.0m.