

**AA SENIOR CO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2022**

**Registered number: 05663655**

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2022**

**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 2022.

**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”).

Despite the uncertain market following the impact of COVID-19 in the prior year, the Company remains in a resilient 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 £139.1m (2021: £166.6m) in the year to 31 January 2022 and made a loss for the year of £2.4m (2021: profit of £0.5m). The statement of financial position shows the Company's financial position at the year end. The Company has net assets of £431.3m (2021: £429.7m).

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 (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 46 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. The Board of Basing Topco Limited, the AA investment company controlled by Warburg Pincus and TowerBrook Capital Partners, whose ultimate parent undertaking is Basing ConsortiumCo Limited, is responsible for determining the level of risk that the AA is prepared to take, or that it is willing to accept, in order to achieve its strategic objectives. The levels of risk are articulated through a series of risk appetite statements, and we monitor ourselves closely against the statements through our risk governance and our risk management framework. These controls are monitored by the Risk, Compliance and Internal Audit functions to ensure they are working effectively.

The AA's risk management framework aims to ensure that:

- risks are made visible
- risks are discussed and understood
- risks are owned and managed
- appropriate action is taken
- risks are used for opportunities
- we learn from our risk-taking

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2022**  
**STRATEGIC REPORT (continued)**

**RISK MANAGEMENT FRAMEWORK (continued)**

The risk management framework is comprised of the five pillars set out below.

|   |  |
|---|--|
| <b>Risk culture and governance</b>            | The processes and structures to demonstrate that effective risk management, oversight and assurance is being undertaken for all key risks faced by the AA.   |
| <b>Strategy and objectives</b>                | The process to ensure that risk is considered as part of strategy and objectives, including the direction it sets for taking, avoiding and considering opportunity from risk.  |
| <b>Risk identification and prioritisation</b> | A set of key risk categories to identify where the AA has, or is likely to have, material risk exposures and the activities we perform to prioritise our actions.  |
| <b>Risk management and controls</b>           | A set of processes to review and assess the risk and control environment. Risks are assessed on an inherent (no controls), residual (with controls) and target basis to help senior management understand and manage their risk exposures. The AA will be undertaking a comprehensive review of its financial controls in 2022 as part of its continuous improvement of the risk management framework. |
| <b>Risk reporting and communication</b>       | The information and reporting in place to support senior management in discharging their risk management accountabilities effectively and to help them make informed, risk-based decisions.  |

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

*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 note 1.

*Macroeconomic risks*

The risks that the uncertain macroeconomic conditions may affect the Company's prospects. Economic uncertainty is expected to remain high as a result of the global pandemic and geopolitical risks arising from the Russian war on Ukraine.

The AA continues to monitor financial markets and the external environment.

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2022**  
**STRATEGIC REPORT (continued)**

**RISK MANAGEMENT FRAMEWORK (continued)**

*Credit Risk*

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

ON BEHALF OF THE BOARD



M NEVILLE  
DIRECTOR  
16 JUNE 2022

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

**AA SENIOR CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2022**  
**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 (Resigned 12 November 2021)  
T O Mackay (Appointed 15 November 2021)

**COMPANY SECRETARY**

N Hoosen (Resigned 31 May 2021)  
J Cox (Appointed 1 October 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 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 also 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 2022 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 "Principal activity and review of the business" and "Risk management framework" sections on pages 1 to 3.

Due to the net current liabilities position of the Company, a letter of support has been granted by Automobile Association Developments Limited. AA Senior Co Limited is a wholly owned subsidiary of the AA Limited group, hence the going concern status of the Company is linked to the wider AA Limited group. As a result, the Company directors have reviewed projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In July 2021, the AA Limited group completed a highly successful refinancing of its outstanding A5 notes, issuing £270,000k of A9 notes at a coupon of 3.25% with a 7x oversubscribed order book. The AA Limited group will continue to seek to refinance its maturities within good time of their scheduled maturities, including the refinancing of £250,000k of A6 notes which are due to mature on 31 July 2023. It is expected that market conditions in the coming months will be more challenging than in the past with significant macroeconomic concerns around interest rates and inflation as well as substantial geopolitical risk. However, despite these concerns, the AA Limited group still expects to be able to access markets at a suitable time and refinance its debt at affordable prices.

The Company directors have confirmed with the AA Limited group directors these points along with the projected cash flows, for a period of at least 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 during 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 71 of the AA Limited group's Annual Report. 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. However, as noted above, the refinancing of the Class A6 Notes, due on 31 July 2023, is not committed at the date of issue of these financial statements. In the event the refinancing is not successful, the Company would not be able to continue as a going concern. 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 the dependence on the letter of support issued by Automobile Association Developments Limited and 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.

**AA SENIOR CO LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2022**  
**DIRECTORS' REPORT (continued)**

**DIVIDENDS**

The Company has not paid a dividend in the year (2021: £nil) and the directors do not propose the payment of a final dividend (2021: £nil). The Company received dividends of £123.6m (2021: £137.0m) from subsidiary undertakings.

**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  
16 JUNE 2022

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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statement (the "Annual Report"), which comprise: the Statement of financial position as at 31 January 2022; 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.

### 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.

### 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 AA Intermediate Co Limited group's borrowings and forms part of the corresponding debt security group for which the refinancing of the Class A6 Notes, due on 31 July 2023, 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.

## AA SENIOR CO LIMITED

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 2022 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 the Companies Act 2006 and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 journal entries to reduce losses 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.

## AA SENIOR CO LIMITED

- 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.



Nicholas Smith (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
16 June 2022

# AA SENIOR CO LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 JANUARY

|   | Note | 2022<br>£m     | 2021*<br>£m    |
|---|------|----------------|----------------|
| Administrative expenses                     | 7    | (38.0)         | (0.7)          |
| Finance income                              | 9    | 30.0           | -              |
| Finance costs                               | 10   | (139.1)        | (166.6)        |
| <b>OPERATING LOSS</b>                       |      | <b>(147.1)</b> | <b>(167.3)</b> |
| Income from shares in group undertakings    | 8    | 123.6          | 137.0          |
| <b>LOSS BEFORE TAX</b>                      |      | <b>(23.5)</b>  | <b>(30.3)</b>  |
| Tax on loss                                 | 5    | 21.1           | 30.8           |
| <b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b> |      | <b>(2.4)</b>   | <b>0.5</b>     |

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

\*2021 finance income and costs have been restated to be presented within operating loss.

**AA SENIOR CO LIMITED**

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

|   | Note | 2022<br>£m   | 2021<br>£m |
|---|------|--------------|------------|
| <b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>   |      | <b>(2.4)</b> | 0.5        |
| <b>Other comprehensive income on items that may be reclassified to income statement in subsequent years</b> |      |              |            |
| Effective portion of changes in fair value of cash flow hedges  |      | <b>5.4</b>   | (0.2)      |
| Tax effect of effective portion of changes in fair value of cash flow hedges                                | 6    | <b>(1.4)</b> | -          |
| <b>TOTAL OTHER COMPREHENSIVE INCOME</b>   |      | <b>4.0</b>   | (0.2)      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  |      | <b>1.6</b>   | 0.3        |

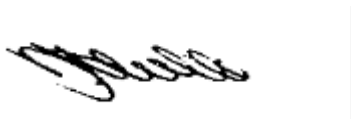
The accompanying notes are an integral part of this statement of comprehensive income.

**AA SENIOR CO LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY**

|                                  | Note | 2022<br>£m       | 2021<br>£m |
|----------------------------------|------|------------------|------------|
| <b>NON-CURRENT ASSETS</b>        |      |                  |            |
| Investments in subsidiaries      | 11   | 3,436.5          | 3,436.5    |
| Derivative financial instruments | 13   | 5.4              | 0.1        |
|                                  |      | <b>3,441.9</b>   | 3,436.6    |
| <b>CURRENT ASSETS</b>            |      |                  |            |
| Other receivables                | 12   | 3,067.0          | 2,993.4    |
|                                  |      | <b>3,067.0</b>   | 2,993.4    |
| <b>TOTAL ASSETS</b>              |      |                  |            |
|                                  |      | <b>6,508.9</b>   | 6,430.0    |
| <b>CURRENT LIABILITIES</b>       |      |                  |            |
| Other payables                   | 14   | (3,769.0)        | (3,615.3)  |
| Deferred tax liabilities         | 6    | (2.8)            | (1.4)      |
| Derivative financial instruments | 13   | -                | (0.9)      |
|                                  |      | <b>(3,771.8)</b> | (3,617.6)  |
| <b>NON-CURRENT LIABILITIES</b>   |      |                  |            |
| Other payables                   | 14   | (2,156.4)        | (2,183.0)  |
| Borrowings                       | 15   | (149.4)          | (199.7)    |
|                                  |      | <b>(2,305.8)</b> | (2,382.7)  |
| <b>TOTAL LIABILITIES</b>         |      |                  |            |
|                                  |      | <b>(6,077.6)</b> | (6,000.3)  |
| <b>NET ASSETS</b>                |      |                  |            |
|                                  |      | <b>431.3</b>     | 429.7      |
| <b>EQUITY</b>                    |      |                  |            |
| Share capital                    | 16   | -                | -          |
| Share premium                    |      | 20.0             | 20.0       |
| Cash flow hedge reserve          |      | 4.1              | 0.1        |
| Accumulated losses               |      | (1,253.9)        | (1,251.5)  |
| Capital contribution reserve     |      | 1,661.1          | 1,661.1    |
| <b>TOTAL EQUITY</b>              |      | <b>431.3</b>     | 429.7      |

The financial statements were approved by the Board of Directors on 16 June 2022 and signed on its behalf by:



M NEVILLE  
DIRECTOR  
16 JUNE 2022

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

## AA SENIOR CO LIMITED

### STATEMENT OF CHANGES IN EQUITY

|                               | Share<br>premium | Accumulated<br>losses | Cash flow<br>hedge<br>reserve | Capital<br>contribution<br>reserve | Total<br>equity |
|-------------------------------|------------------|-----------------------|-------------------------------|------------------------------------|-----------------|
|                               | £m               | £m                    | £m                            | £m                                 | £m              |
| <b>At 1 February 2020</b>     | <b>20.0</b>      | <b>(1,251.7)</b>      | <b>-</b>                      | <b>1,661.1</b>                     | <b>429.4</b>    |
| Profit for the financial 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>    |
| Loss for the financial year   | -                | (2.4)                 | -                             | -                                  | (2.4)           |
| Other comprehensive income    | -                | -                     | 4.0                           | -                                  | 4.0             |
| <b>At 31 January 2022</b>     | <b>20.0</b>      | <b>(1,253.9)</b>      | <b>4.1</b>                    | <b>1,661.1</b>                     | <b>431.3</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 Company's business activities, future developments and its exposure to financial risks are described in the "Principal activity and review of the business" and "Risk management framework" sections on pages 1 to 3.

Due to the net current liabilities position of the Company, a letter of support has been granted by Automobile Association Developments Limited. AA Senior Co Limited is a wholly owned subsidiary of the AA Limited group, hence the going concern status of the Company is linked to the wider AA Limited group. As a result, the Company directors have reviewed projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In July 2021, the AA Limited group completed a highly successful refinancing of its outstanding A5 notes, issuing £270,000k of A9 notes at a coupon of 3.25% with a 7x oversubscribed order book. The AA Limited group will continue to seek to refinance its maturities within good time of their scheduled maturities, including the refinancing of £250,000k of A6 notes which are due to mature on 31 July 2023. It is expected that market conditions in the coming months will be more challenging than in the past with significant macroeconomic concerns around interest rates and inflation as well as substantial geopolitical risk. However, despite these concerns, the AA Limited group still expects to be able to access markets at a suitable time and refinance its debt at affordable prices.

The Company directors have confirmed with the AA Limited group Directors these points along with the projected cash flows, for a period of at least 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 during 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 71 of the AA Limited group's Annual Report. 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. However, as noted above, the refinancing of the Class A6 Notes, due on 31 July 2023, is not committed at the date of issue of these financial statements. In the event the refinancing is not successful, the Company would not be able to continue as a going concern. 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 the dependence on the letter of support issued by Automobile Association Developments Limited and 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.

# AA SENIOR CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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.

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 Standard, Amendments and IFRIC Interpretations**

The Company did not identify any new accounting standards coming into effect in the current year with a material impact on the financial statements. A number of new accounting standards, amendments and interpretations have been issued and will be effective for years beginning after 1 February 2022, however the Company has not identified any with an expected material 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 has exercised judgement in applying the Group's accounting policies and in making critical estimates. The underlying assumptions on which these judgements are based are reviewed on an ongoing basis and include the assumptions for future growth of cash flows to support the value in use calculations for the investment impairment review.

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.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2 ACCOUNTING POLICIES (continued)

##### 2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

###### *Investments*

Fixed asset investments are stated at historical cost. The Company tests the investment balances for impairment triggers annually, and where a trigger is noted, a full quantitative assessment is performed. The recoverable amounts of the investments have been determined based on value in use calculations which require the use of estimates. Management has prepared discounted cash flow forecasts based on the latest strategic plan.

In performing its impairment testing on its investment in subsidiaries, the Company prepared a traditional value in use model as described in IAS 36 which was also used in prior years. This comprises an enterprise value model which deducts net debt as at 31 January 2022 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 using an alternative 'dividend distribution model' would best reflect an investor's assessment of the return required given the short period of time between the acquisition and year end. 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 will continue operating as a group in the event that there was a failure to refinance the Group's class B notes. However, companies above the level of AA Mid Co Limited could face a significantly higher level of risk in those circumstances. 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 11 for details).

##### 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 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 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 those 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.

###### *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.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2 ACCOUNTING POLICIES (continued)

##### 2.3 ACCOUNTING POLICIES (continued)

##### c) Financial instruments (continued)

###### *Cash flow hedges (continued)*

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.

##### d) Investment Income

The accounting treatment of the distribution is determined by whether the distribution paid or received is considered to represent a return of the capital of the subsidiary or not. Where it is deemed to represent a return of capital, a reduction in the parent's investment balance in that subsidiary is recorded rather than the recognition of dividend income in the Income Statement. The factors considered by the directors when determining whether a distribution represents a dividend or return of capital include the following:

- The amount of the distribution relative to the original investment value;
- The legal form of the distribution; and
- The future operating plans for the subsidiary after the distribution.

If the amount of the distribution exceeds the carrying value of the investment balance, the excess gain is recognised in the Income statement, to the extent that it is realised or in the Statement of Comprehensive Income to the extent that it is unrealised. If the distribution is considered to represent a dividend the parent recognises the dividend in the Income Statement.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 3 AUDITORS' REMUNERATION

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2022 amounted to £30k (2021: £29k). 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

|   | 2022<br>£m | 2021<br>£m |
|---|------------|------------|
| Aggregate remuneration in respect of qualifying services                  | 0.8        | 0.8        |
| Money purchase scheme contributions                                       | -          | -          |
| Share based payments  | 0.1        | -          |
| Compensation for loss of office   | 0.4        | -          |
| <b>Total</b>  | <b>1.3</b> | <b>0.8</b> |
| The amounts paid in respect of the highest paid director were as follows: |            |            |
| Remuneration  | 0.6        | 0.7        |
| Compensation for loss of office   | 0.4        | -          |
| Money purchase scheme contributions                                       | -          | -          |
| <b>Total</b>  | <b>1.0</b> | <b>0.7</b> |

All directors of the Company are also directors of the ultimate parent undertaking (Basing ConsortiumCo Limited) and/or fellow subsidiaries. These directors are remunerated by another company that is part of the Basing ConsortiumCo Limited group. As the directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the ultimate parent undertaking and fellow subsidiary companies, their full remuneration has been reflected in the disclosure above.

Retirement benefits are accruing for 1 (2021: 2) directors under a money purchase scheme and no directors (2021: nil) under a defined benefit scheme. There was compensation to directors for loss of office in the year of £0.4m (2021: £nil).

The Company had no employees throughout the year (2021: 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:

|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>£m</b>     | <b>£m</b>     |
| <b>Current tax:</b>  |               |               |
| - Group relief receivable  | (20.7)        | (30.9)        |
| - Adjustments in respect of prior periods                        | (0.4)         | 0.1           |
|  | <b>(21.1)</b> | <b>(30.8)</b> |
| <b>Deferred tax:</b>   |               |               |
| - Origination and reversal of temporary differences              | (0.3)         | (0.2)         |
| - Effect of UK corporation tax rate change                       | 0.3           | 0.2           |
|  | -             | -             |
|  | -             | -             |
| <b>Total income tax on loss reported in the income statement</b> | <b>(21.1)</b> | <b>(30.8)</b> |

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:

|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>£m</b>     | <b>£m</b>     |
| Loss before tax  | <b>(23.5)</b> | <b>(30.3)</b> |
| Tax at rate of 19.0% (2021: 19.0%)                               | <b>(4.5)</b>  | <b>(5.8)</b>  |
| Effects of:  |               |               |
| Corporate interest restriction                                   | 9.0           | 0.7           |
| Adjustments in respect of prior periods                          | (0.4)         | 0.1           |
| Rate change adjustment   | 0.3           | 0.2           |
| Non-taxable forgiveness of inter-company debt                    | (5.5)         | -             |
| Non- deductible transaction costs                                | 3.5           | -             |
| Dividend income  | (23.5)        | (26.0)        |
| <b>Total income tax on loss reported in the income statement</b> | <b>(21.1)</b> | <b>(30.8)</b> |

**6 DEFERRED TAX LIABILITIES**

|  | <b>Statement of financial position</b> |              | <b>Income statement</b> |              |
|--|--|--------------|-------------------------|--------------|
|  | <b>2022</b>                            | <b>2021</b>  | <b>2022</b>             | <b>2021</b>  |
|  | <b>£m</b>                              | <b>£m</b>    | <b>£m</b>               | <b>£m</b>    |
| Cashflow hedges                                  | (1.4)                                  | -            | -                       | -            |
| Short-term temporary differences                 | (1.4)                                  | (1.4)        | -                       | -            |
| Deferred tax liabilities                         | <b>(2.8)</b>                           | <b>(1.4)</b> | <b>-</b>                | <b>-</b>     |
|  |  |              | <b>2022</b>             | <b>2021</b>  |
|  |  |              | <b>£m</b>               | <b>£m</b>    |
| Deferred tax liabilities as at 1 February        |  |              | (1.4)                   | (1.4)        |
| Charge to the income statement                   |  |              | -                       | -            |
| Charge to the Statement of Comprehensive Income  |  |              | (1.4)                   | -            |
| <b>Deferred tax liabilities as at 31 January</b> |  |              | <b>(2.8)</b>            | <b>(1.4)</b> |

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 6 DEFERRED TAX LIABILITIES (continued)

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 March 2021 budget announced that the main corporation tax rate will increase from 19% to 25% in April 2023. This increase was substantively enacted in May 2021 and has therefore been reflected in the measurement of deferred tax as at 31 January 2022. The effect of the tax rate increase has not had a material effect on the deferred tax balances during the year.

Deferred tax balances have been measured according to the substantively enacted rates applicable to the periods in which they are scheduled to reverse.

A further £0.2m (2021: £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 ADMINISTRATIVE EXPENSES

|   | 2022<br>£m | 2021<br>£m |
|---|------------|------------|
| Transaction fees related to debt financing arrangements recharged from AA Bond Co Ltd | 37.6       | -          |
| Other administrative expenses   | 0.4        | 0.7        |
|   | 38.0       | 0.7        |

#### 8 INCOME FROM SHARES IN GROUP UNDERTAKINGS

|  | 2022<br>£m | 2021<br>£m |
|--|------------|------------|
| Dividends from subsidiary undertakings | 123.6      | 137.0      |
|  | 123.6      | 137.0      |

#### 9 FINANCE INCOME

|  | 2022<br>£m | 2021<br>£m |
|--|------------|------------|
| Gain from release of Class B2 Notes IBLA (see note 14) | 28.9       | -          |
| Fair value movement on interest rate swaps             | 1.1        | -          |
|  | 30.0       | -          |

During the period, AA Limited surrendered for cancellation £28.9m of Class B2 notes. Consequently, the Company was released from £28.9m of the B2 IBLA resulting in a gain of £28.9m. The Company made a £1.1m gain on fair value movement on interest swaps.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 10 FINANCE COSTS

|   | 2022<br>£m   | 2021<br>£m   |
|---|--------------|--------------|
| Bank loans and overdrafts   | 7.2          | 7.1          |
| Interest on swaps   | 1.2          | 0.9          |
| Fair value movement on interest rate swaps  | -            | 0.1          |
| Interest payable to fellow parent undertakings                                      | 129.5        | 158.5        |
| Debt issue fees immediately written off following refinancing of banking facilities | 1.1          | -            |
| Ongoing amortisation of debt issue fees   | 0.1          | -            |
|   | <b>139.1</b> | <b>166.6</b> |

#### 11 INVESTMENTS IN SUBSIDIARIES

|  | 2022<br>£m     | 2021<br>£m     |
|--|----------------|----------------|
| <b>Investments in subsidiary undertakings at cost and net book value</b> |                |                |
| At 1 February and 31 January   | <b>3,436.5</b> | <b>3,436.5</b> |

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

The principal subsidiary undertakings of the Company at 31 January 2022 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             |

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 11 INVESTMENTS IN SUBSIDIARIES (continued)

The other subsidiary undertakings of the Company at 31 January 2022 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 / B                                      | Ordinary   |
| AA Pension Funding GP Limited                              | Scotland, UK / C                                 | Ordinary   |
| AA Pension Funding LP <sup>1</sup>                         | Scotland, UK / C                                 | 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   |
| The Automobile Association Limited <sup>2</sup>            | Jersey / D                                       | Ordinary   |

<sup>1</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>2</sup> This company also has a UK branch establishment.

#### Registered Office Key

| Registered Office   | Key |
|---|-----|
| Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England | A   |
| 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland       | B   |
| 20 Castle Terrace, Edinburgh, EH1 2EN, Scotland                     | C   |
| 3rd Floor 44 Esplanade, St Helier, JE4 9WG, Jersey                  | D   |

The Company has performed impairment testing at 31 January 2022 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 2022, the Company used the five-year plan, adjusted for expected changes, covering the four years up to 31 January 2026 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% (2021: 2.0%) inflationary growth assumption in perpetuity based on the IMF's UK long-term growth rate.

**AA SENIOR CO LIMITED**

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

**11 INVESTMENTS IN SUBSIDIARIES (continued)**

Using an enterprise value model which deducts net debt as at 31 January 2022, 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 10.2% (2021: 7.7%). The equivalent post-tax rate was 7.7% (2021: 7.0%). 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 (2021: 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.

**12 OTHER RECEIVABLES**

|                                    | <b>2022</b>    | <b>2021</b> |
|------------------------------------|----------------|-------------|
|                                    | <b>£m</b>      | <b>£m</b>   |
| Amounts owed by group undertakings | <b>3,067.0</b> | 2,993.4     |
|                                    | <b>3,067.0</b> | 2,993.4     |

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

**13 DERIVATIVE FINANCIAL INSTRUMENTS**

|                            | <b>2022</b> | <b>2021</b> |
|----------------------------|-------------|-------------|
|                            | <b>£m</b>   | <b>£m</b>   |
| <b>Non-current assets</b>  |             |             |
| Interest rate swap         | <b>5.4</b>  | 0.1         |
|                            | <b>5.4</b>  | 0.1         |
| <b>Current liabilities</b> |             |             |
| Interest rate swap         | <b>-</b>    | (0.9)       |
|                            | <b>-</b>    | (0.9)       |

The interest rate swap is held as a financial asset at fair value through other comprehensive income. Hedge accounting is applied to the interest rate swap.

**AA SENIOR CO LIMITED**

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

**14 OTHER PAYABLES**

|                                    | <b>2022</b>    | <b>2021</b> |
|------------------------------------|----------------|-------------|
|                                    | <b>£m</b>      | <b>£m</b>   |
| <b>Current</b>                     |                |             |
| Amounts owed to group undertakings | <b>3,766.7</b> | 3,614.8     |
| Accruals                           | <b>2.3</b>     | 0.5         |
|                                    | <b>3,769.0</b> | 3,615.3     |
| <b>Non-current</b>                 |                |             |
| Amounts owed to group undertakings | <b>2,156.4</b> | 2,183.0     |
|                                    | <b>2,156.4</b> | 2,183.0     |

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 2022 £m | Total at 31 January 2021 £m |
|-----------------------------------|------------------------|---------------|----------------|----------------|--------------------------|-----------------------------|-----------------------------|
| Class A2 Notes                    | 31 July 2025           | 6.27%         | 500.0          | (0.8)          | 0.6                      | <b>499.8</b>                | 499.7                       |
| Class A5 Notes                    | 31 January 2022        | 2.88%         | -              | -              | -                        | -                           | 367.0                       |
| Class A6 Notes                    | 31 July 2023           | 2.75%         | 250.0          | (3.8)          | 2.8                      | <b>249.0</b>                | 248.4                       |
| Class A7 Notes                    | 31 July 2024           | 4.88%         | 550.0          | (8.1)          | 4.8                      | <b>546.7</b>                | 545.3                       |
| Class A8 Notes                    | 31 July 2027           | 5.50%         | 325.0          | (3.1)          | 0.8                      | <b>322.7</b>                | 322.3                       |
| Class A9 Notes                    | 31 July 2028           | 3.25%         | 270.0          | (3.7)          | 0.3                      | <b>266.6</b>                | -                           |
| Class B2 Notes                    | 31 July 2022           | 5.50%         | -              | -              | -                        | -                           | 567.3                       |
| Class B3 Notes                    | 31 January 2026        | 6.50%         | 280.0          | (10.5)         | 2.1                      | <b>271.6</b>                | -                           |
|                                   |                        | <b>5.05%</b>  | <b>2,175.0</b> | <b>(30.0)</b>  | <b>11.4</b>              | <b>2,156.4</b>              | 2,550.0                     |

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

|                         | <b>2022</b>    | <b>2021</b> |
|-------------------------|----------------|-------------|
|                         | <b>£m</b>      | <b>£m</b>   |
| Current liabilities     | -              | 367.0       |
| Non-current liabilities | <b>2,156.4</b> | 2,183.0     |
|                         | <b>2,156.4</b> | 2,550.0     |

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 15 BORROWINGS

|                           | Expected maturity date | Interest rate | Principal £m | Issue costs £m | Amortised issue costs £m | Total as at 31 January 2022 £m | Total as at 31 January 2021 £m |
|---------------------------|------------------------|---------------|--------------|----------------|--------------------------|--------------------------------|--------------------------------|
| Senior Term Facility      | 31 July 2023           | 2.72%         | -            | -              | -                        | -                              | 199.7                          |
| Senior Term Facility 2021 | 10 March 2026          | 3.31%         | 150.0        | (0.7)          | 0.1                      | <b>149.4</b>                   | -                              |

On 10 March 2021, the Company refinanced its Senior Term Facility. The new £150m Senior Term Facility was drawn down immediately and used, in combination with £50m of cash, to refinance the existing £200m Senior Term Facility. £0.7m of facility arrangement fees were capitalised for the Senior Term Facility.

At 31 January 2022, the Senior Term Facility was subject to a variable interest rate of LIBOR plus a margin of 2.75% per annum. This converted to a rate of SONIA plus a credit adjustment spread of 0.28% and a margin of 2.75% from March 2022. However, the Group has an interest rate swap in place which exchanges SONIA for a fixed interest rate of 0.46% thereby fixing the Senior Term Facility's interest rate at 3.49% through to 10 March 2026.

On 25 January 2022, the Company also refinanced its Liquidity Facility. See note 20 for further detail.

#### 16 CALLED UP SHARE CAPITAL

|   | 2022<br>£ | 2021<br>£ |
|---|-----------|-----------|
| <b>Allotted, called up and fully paid</b> |           |           |
| 1 (2021: 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 (2021: £nil).

#### 17 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 2022, the principal outstanding on the AA Intermediate Co Limited group debt was £2,325.0m (2021: £2,766.7m).

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.

The Company also guarantees all Automobile Association Developments Limited's financial obligations to the UK pension scheme, as well as the contributions currently committed by AA Corporation Limited to the Ireland pension scheme.

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 18 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 Company's operations. The Company's principal financial assets derivative financial instruments and other 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 Group Treasury function. The Group Treasury function ensures that the Company's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company'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 Company'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 Company is exposed to is interest rate risk. The Company has policies and limits approved by the Board for managing the interest rate risk exposure. The Company's policy is to fully hedge all of its exposure to variable interest rates. The Company 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 other receivables. 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 derivative counterparties is managed by the Group Treasury function in accordance with the Company's policy. 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 and headroom on its working capital facilities.

#### 19 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 2022, the ultimate parent undertaking and controlling party is Basing Consortium Co Limited, whose registered office is 3rd Floor 44 Esplanade, St Helier, JE4 9WG, Jersey. 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).

## AA SENIOR CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20 EVENTS AFTER THE REPORTING PERIOD

##### **Renewal of Liquidity Facility**

On 25 January 2022, the Group renewed, under the same terms, the £160m Liquidity Facility. This was effective 9 March 2022.