AA FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2021

Registered number: 00912211

AA FINANCIAL SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2021

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

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND KEY PERFORMANCE INDICATORS

The Company is a wholly owned subsidiary of Automobile Association Insurance Services Holdings Limited.

The Company is regulated by the Financial Conduct Authority (FCA). The principal activity of the Company is the provision of financial intermediation services for saving accounts and loans.

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.

On 31 March 2020, the Company signed an agreement to extend its Financial Services Distribution Agreement with Bank of Ireland UK by three years. As part of the Agreement, the partnership now includes AA branded car finance products to sit alongside the savings and loans products.

As shown in the Company's income statement, the Company's revenue increased by 8.9% to £7,657,000 (2020: £7,031,000) during the current year due to increased commissions generated by the updated Agreement with Bank of Ireland. Operating profit for the year decreased by 6.2% to £1,373,000 (2020: £1,464,000). After taxation, a profit of £1,089,000 (2020: £1,209,000) has been transferred to reserves. The key driver for this decrease in profit was an increase in administrative expenses due to launching of a new Smart Lease proposition, incurring marketing and employee costs in the year.

The statement of financial position shows the Company's financial position at the year end. Net assets increased by 4.6% to £24,798,000 (2020: £23,709,000).

For decision making and internal performance management, management's key performance metric is Trading EBITDA, being earnings before tax, adjusting operating items and amortisation (see note 3). Trading EBITDA decreased by 5.3% to £1,468,000 (2020: £1,550,000) during the current year.

The directors are satisfied with the performance of the Company albeit prevailing economic situation during the year. There is currently no plan to alter the principal activity of the Company in the future.

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 within the AA Limited group, refer to page 28 of AA Limited's Annual Report, being the Company's ultimate controlling party during the 2021 financial year and to whose governance the Company is subject.

RISK MANAGEMENT FRAMEWORK

The Company 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.

RISK MANAGEMENT FRAMEWORK (continued)

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

COVID-19 impacting our ability to provide service and/or performance

COVID-19 could cause significant disruptions to our operations, impacting our ability to maintain service to an expected level. COVID-19's short term, medium term and long-term economic impact could affect our ability to execute our strategy, and our performance.

During the first half of FY21, our immediate focus was on operational risks, with several changes to working practices implemented, including homeworking to ensure the safety of our employees and customers. As the pandemic progressed, we took additional steps to manage any potential conduct risks and ensure customer vulnerability was identified and appropriate measures put in place. To minimise the impact of COVID-19 on trading this year, we executed several operational and finance cost reduction activities across the business.

We continue to monitor our activities to ensure that the risks and issues posed by COVID-19 on the business are appropriately addressed.

Unable to maintain "outstanding service and market share" and unable to 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.

The AA continues to invest in new profitable business products and lines to ensure that we 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.

Business and IT transformation is not completed successfully

We must continue to transform the AA to achieve the required efficient customer-centric services and to develop the business.

There is an ongoing delivery capability and technology improvement programme in place with progress tracked at regular Management Business Reviews. A rigorous approach is taken in implementing changes to achieve satisfactory control, with ongoing monitoring and reporting. We have a talent management model in place, where skills gaps are identified, and development and/or recruitment initiatives are actioned.

Unable to protect ourselves from a significant data breach, cyber security incident or failure of IT infrastructure

Following an event or incident, the risk is that critical information is not available where and when it is needed, the integrity of critical information is corrupted or the confidentiality of commercially sensitive, private or customer information is compromised by inappropriate disclosure or a serious data breach.

The AA has an ongoing programme of security improvements to maintain an appropriate level of security against the increasingly sophisticated global cyber threats. Controls include information security awareness training, preventative and detective security, and a specialist information security team with an improved 24/7 security operations capability, with a focus on incident response and data breach readiness. The AA benchmarks its security controls against the Standard for Information Security (ISO27001), and an annual review of the effectiveness of these controls is performed by an independent third party.

AA FINANCIAL SERVICES LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2021

RISK MANAGEMENT FRAMEWORK (continued)

Financial risks

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 details see Note 1.

A changing regulatory environment may adversely affect the AA's activities

The changing regulatory environment could cause currently compliant services to become non-compliant, with material implications to customer offerings, pricing and profitability. Failure to comply with regulatory obligations could result in fines and reputational damage. Changes in regulatory rules or guidance, legislation or taxation could impact the business model.

To mitigate this risk, close engagement with regulatory objectives is coupled with good governance and strong monitoring processes to ensure that we continue to focus on delivering products and services that result in good customer outcomes. Our regulated Boards continue to actively review pricing practices in line with guidance from the FCA.

ON BEHALF OF THE BOARD

J E FAIRCLOUGH
DIRECTOR

11 August 2021

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

AA FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2021

DIRECTORS

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

J E Fairclough	
S J Breakwell	(resigned 17 July 2020)
D P Coughlan	(appointed 17 July 2020)

COMPANY SECRETARY

N Hoosen	(resigned 31 May 2021)
J Cox	(appointed 01 June 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.

Statement of directors' responsibilities in respect of the financial statements (Continued)

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.

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.

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).

GOING CONCERN

The Company's business activities and its exposure to financial risks are described in the business review and risk management framework sections on pages 1 to 3.

The Company has adequate financial resources due to the Company's own net current asset position. The directors have reviewed projected cash flows for a period of one year from the date of signing these financial statements and have concluded that the Company has sufficient funds to continue trading for this period and the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 financial statements were issued on 13 April 2021. At this time, the AA Limited group directors proposed a refinancing of the group's Class A5 Notes in advance of their maturity on 31 January 2022. The outstanding £1,997m Class A Notes were trading at a price near par with yields below 4% which indicated that the debt market considered 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 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 were, on this basis, confident that this refinancing would be successful.

The AA Limited group directors considered these points along with the projected cash flows, for a period of one year from the date of approval of the AA Limited group financial statements and concluded that they had confidence that the AA Limited group would have sufficient funds to continue trading for this period and would 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.

GOING CONCERN (continued)

However, as noted above, the refinancing of the Class A5 Notes, due on 31 January 2022, was not committed at the date

of issue of the AA Limited group financial statements. These circumstances indicated that a material uncertainty existed that may cast significant doubt on AA Limited's ability to continue as a going concern for a period of in excess of a year from the date of issue of those financial statements.

Further to this however, on 21 July 2021, the AA Limited group issued £270m of Class A9 Notes and deposited the proceeds into an escrow account. These proceeds will be used, along with the remaining £100m of equity committed by the Consortium (see note 17), to repay the Class A5 Notes ahead of their maturity on 31 January 2022. Although the Company has intercompany receivables from other members of the AA Limited group, for which settlement is dependent on successful refinancing, these revised circumstances were reviewed by the directors of the Company in the context of its status as a subsidiary of the AA Limited group.

As the financing is now committed, the material uncertainty over 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 has been removed. At the date of approval of these Company financial statements, there is no other debt with a maturity date within 12 months from the issue of the financial statements.

POST BALANCE SHEET EVENTS

The 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 the Class A5 Notes
On 21 July 2021, the AA Limited group issued £270m of Class A9 Notes and deposited the proceeds into an escrow account. These proceeds will be used, along with the remaining £100m of equity committed by the Consortium, to repay the Class A5 Notes ahead of their maturity on 31 January 2022.

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

J E FAIRCLOUGH
DIRECTOR

11 August 2021
Registered Office: Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA FINANCIAL SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, AA Financial Services 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: the Statement of financial position as at 31 January 2021; the Income statement 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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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 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 journals to increase revenue or 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 and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.
- Challenging accounting assumptions and judgements individually and collectively for indications of management bias.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA FINANCIAL SERVICES LIMITED (continued)

- 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. 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.

Alison Dunwoody (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
11 August 2021

AA FINANCIAL SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Note	2021 £'000	2020* £'000
REVENUE	2.3(d)	7,657	7,031
Cost of sales		(4,147)	(4,686)
GROSS PROFIT		3,510	2,345
Administrative expenses		(2,137)	(881)
OPERATING PROFIT AND PROFIT BEFORE TAX	4	1,373	1,464
Income tax expense	8	(284)	(255)
PROFIT FOR THE FINANCIAL YEAR		1,089	1,209

* The income statement for the 2020 financial year has been restated to reflect a reallocation of corporate recharges of £771k from cost of sales to administrative expenses as these costs are made up of administrative expenses only.

There is no income and expenditure other than that passing through the income statement, therefore, no separate statement of comprehensive income is presented.

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

AA FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY

	Note	2021 £'000	2020 £'000
NON-CURRENT ASSETS			
Deferred tax assets	9	20	6
Intangible assets	10	38	76
Property, plant and equipment	11	42	-
		100	82
CURRENT ASSETS			
Trade and other receivables	12	25,853	24,532
		25,853	24,532
TOTAL ASSETS		25,953	24,614
CURRENT LIABILITIES			
Trade and other payables	13	(881)	(647)
Current tax payable		(274)	(258)
TOTAL LIABILITIES		(1,155)	(905)
NET CURRENT ASSETS		24,698	23,627
NET ASSETS		24,798	23,709
EQUITY			
Called up share capital	14	2,000	2,000
Retained earnings		22,798	21,709
TOTAL EQUITY		24,798	23,709

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

J E FAIRCLOUGH
DIRECTOR

11 AUGUST 2021

AA Financial Services Limited
Registered number: 00912211

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

AA FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 February 2019	2,000	20,500	22,500
Profit for the year	-	1,209	1,209
At 31 January 2020	**2,000**	**21,709**	**23,709**
Profit for the year	-	1,089	1,089
At 31 January 2021	**2,000**	**22,798**	**24,798**

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

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

AA Financial Services 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 £1,000.

Going concern

The Company's business activities and its exposure to financial risks are described in the business review and risk management framework sections on pages 1 to 3.

The Company has adequate financial resources due to the Company's own net current asset position. The directors have reviewed projected cash flows for a period of one year from the date of signing these financial statements and have concluded that the Company has sufficient funds to continue trading for this period and the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 financial statements were issued on 13 April 2021. At this time, the AA Limited group directors proposed a refinancing of the group's Class A5 Notes in advance of their maturity on 31 January 2022. The outstanding £1,997m Class A Notes were trading at a price near par with yields below 4% which indicated that the debt market considered 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 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 were, on this basis, confident that this refinancing would be successful.

The AA Limited group directors considered these points along with the projected cash flows, for a period of one year from the date of approval of the AA Limited group financial statements and concluded that they had confidence that the AA Limited group would have sufficient funds to continue trading for this period and would 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, was not committed at the date of issue of the AA Limited group financial statements. These circumstances indicated that a material uncertainty existed that may cast significant doubt on AA Limited's ability to continue as a going concern for a period of in excess of a year from the date of issue of those financial statements.

Further to this however, on 21 July 2021, the AA Limited group issued £270m of Class A9 Notes and deposited the proceeds into an escrow account. These proceeds will be used, along with the remaining £100m of equity committed by the Consortium (see note 17), to repay the Class A5 Notes ahead of their maturity on 31 January 2022. Although the Company has intercompany receivables from other members of the AA Limited group, for which settlement is dependent on successful refinancing, these revised circumstances were reviewed by the directors of the Company in the context of its status as a subsidiary of the AA Limited group.

As the financing is now committed, the material uncertainty over 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 has been removed. At the date of approval of these Company financial statements, there is no other debt with a maturity date within 12 months from the issue of the financial statements.

2 Accounting policies

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.

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"). The financial statements are under the historical cost convention and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The Company did not identify any new accounting standards coming into effect in the current year with a material impact on the financial statements.

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 38 (comparative information in respect of Property, Plant and Equipment, and Intangible Assets),
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements),
- IAS 1 paragraph 111 (cash flow statement information),
- IAS 1 paragraphs 134-136 (capital management disclosures),
- IAS 7 'Statement of cash flows',
- IFRS 7 'Financial Instruments Disclosures',
- IFRS 15 'Revenue from Contracts with Customers',
- IAS 8 paragraphs 30 and 31 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective),
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation),
- IFRS 13 'Fair value measurement'

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 became effective 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 and include the basis for accruing revenue.

2.2 Critical accounting estimates and judgements (continued)

The principal estimate and assumption that has a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year is in respect of contract assets.

Management accrue income each month based on a best estimate of the number of products sold. This is then aligned to the actual number of products sold in the following month but is not expected to generate a material impact to the financial statements. There are no critical accounting estimates or judgements.

2.3 Significant accounting policies

a) Intangible assets

Intangible assets which are acquired separately are initially recognised at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Software development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied. The asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over its useful life of five years.

b) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on property, plant and equipment at rates calculated to write off the costs, less estimated residual value based on prices prevailing at the date of acquisition of each asset, evenly over its expected useful life as follows:

Plant and Equipment	3 years

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c) 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.

2.3 Significant accounting policies (continued)

c) Taxation (continued)

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 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.

d) Revenue recognition

Revenue represents commission income receivable from the sale and related marketing and administrative services of financial products, excluding value added tax and trade discounts. Revenue is recognised on a point in time basis at the point of the provision of the service. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable. All revenue originates in the UK. Revenue by destination is not materially different from revenue by origin.

e) Adjusting operating items

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

f) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. They are classified according to the substance of the contractual arrangements entered into. The Company recognises loss allowances for expected credit losses (ECLs) on relevant financial assets.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised at fair value and are subsequently held at amortised cost. The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables and contract assets. Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as trade receivables for the same type of contracts.

Trade and other payables

Trade and other payables are not interest bearing and are recognised at fair value and are subsequently held at amortised cost using the effective interest method.

3 ADJUSTED PERFORMANCE MEASURES

Management reviews the Company's results and performance both on a statutory and non-GAAP (non-statutory) basis. The Company's adjusted performance measure of Trading EBITDA is a non-GAAP (non-statutory) financial measure and is included in these financial statements as it is a key financial measure used by management to evaluate performance. The measure enables management to more easily and consistently track the underlying operational performance of the Company.

Trading EBITDA is profit after tax on a continuing basis as reported, adjusted for amortisation, adjusting operating items and tax expense.

Reconciliation of Trading EBITDA to operating profit

Trading EBITDA is calculated as operating profit before adjustments as shown in the table below:

	Note	2021 £'000	2020 £'000
Trading EBITDA		**1,468**	1,550
Amortisation	10	**(38)**	(38)
Adjusting operating items	5	**(57)**	(48)
Operating profit	4	**1,373**	1,464

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

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

4 OPERATING PROFIT AND PROFIT BEFORE TAX

Operating profit is stated after charging:

	2021 £'000	2020 £'000
Amortisation of intangible assets	**38**	38
Adjusting operating items	**57**	48

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2021 amounted to £16,000 (2020: £15,000). The Company's auditors provided no services to the Company other than the statutory audit during either the current or prior year.

5 ADJUSTING OPERATING ITEMS

	2021 £'000	2020 £'000
Adjusting operating costs	**57**	48

Adjusting operating items in the current year related to £57,000 recharge of group adjusting operating costs (2020: £48,000).

6 EMPLOYEE COSTS

Employee costs during the year were as follows:

	2021 £'000	2020 £'000
Wages and salaries	**1,115**	551
Social security costs	**105**	43
Other pension costs	**159**	140
	1,379	734

Employee costs relate to those recharged from Automobile Association Developments Limited. The average number of employees directly employed during the year was nil (2020: nil). The average number of employees for whose services the Company was charged during the year was 15 (2020: 10).

7 DIRECTORS' REMUNERATION

	2021 £'000	2020 £'000
Aggregate remuneration in respect of qualifying services	**1076**	1,234
Contribution to money purchase schemes	**98**	59
	1,174	1,293
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	**557**	892
Contribution to money purchase schemes	**82**	48
	639	940

All directors of the Company are directors of the ultimate parent undertaking and/or fellow subsidiaries. These directors are remunerated by another company that is part of the AA 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 0 (2020:1) directors under a defined benefit scheme and 2 (2020: 2) under a money purchase scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 INCOME TAX EXPENSE

The major components of the income tax expense are:

	2021 £'000	2020 £'000
Current tax:		
- Current tax on income in the year	274	258
- Adjustment in respect of prior years	24	-
Total current income tax charge	298	258
Deferred tax:		
- Origination and reversal of temporary differences	(13)	(3)
- Effect of tax rate change on opening balances	(1)	-
Total deferred income tax credit	(14)	(3)
Total income tax expense	284	255

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

	2021 £'000	2020 £'000
Profit before tax	1,373	1,464
Tax at rate of 19% (2020: 19%)	261	278
Effects of:		
Adjustments relating to prior years	24	-
Rate change adjustment on temporary differences	(1)	-
Income not taxable	-	(23)
Income tax expense reported in the income statement	284	255

9 DEFERRED TAX ASSETS

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed asset temporary differences	7	4	(3)	(3)
Other short-term temporary differences	13	2	(11)	-
Deferred tax assets	20	6	(14)	(3)

	2021 £'000	2020 £'000
Deferred tax assets as at 1 February	6	3
Tax credit recognised in the income statement	14	3
Deferred tax assets as at 31 January	20	6

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 DEFERRED TAX ASSETS (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 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 19.0% at 31 January 2021 (2020: 17%). The rate has been adjusted to reflect the expected reversal profile of the Company's temporary differences.

10 INTANGIBLE ASSETS

	Software £'000
Cost	
At 1 February 2020 and at 31 January 2021	**178**
Accumulated amortisation	
At 1 February 2020	102
Charge for year	38
At 31 January 2021	**140**
Net book value	
At 31 January 2021	**38**
At 31 January 2020	76

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment £'000
Cost	
At 1 February 2020	-
Additions	42
At 31 January 2021	**42**
Accumulated depreciation	
At 1 February 2020 and 31 January 2021	-
Net book value	
At 31 January 2021	**42**
At 31 January 2020	-

12 TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Trade receivables	**668**	456
Contract assets	**1,117**	1,046
Amounts owed by group undertakings	**16,272**	22,894
Prepayments	**7,796**	136
	25,853	24,532

Amounts owed by group undertakings within one year are unsecured, are repayable on demand and bear no interest.

13 TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Trade payables	**263**	18
Other taxation and social security	**46**	20
Accruals	**423**	490
Deferred income	**134**	108
Other payables	**15**	11
	881	647

14 CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2021 £'000	2020 £'000
2,000,000 (2020: 2,000,000) ordinary shares of £1 each	**2,000**	2,000

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

In the year ended 31 January 2021, the Company did not pay a dividend (2020: £nil).

15 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 £2,767m (2020: £2,767m).

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. We do not anticipate the bank loans or bond debt being called upon in the 12 months after the signing of these financial statements. It was noted that the outstanding £1,997m Class A Notes were trading at a price near par with yields below 4% which indicated that the debt market considered the refinancing risk of the Class A5 Notes to be low. On 21 July 2021, the AA Limited group issued £270m of Class A9 Notes and deposited the proceeds into an escrow account. These proceeds will be used, along with the remaining £100m of equity committed by the Consortium, to repay the Class A5 Notes ahead of their maturity on 31 January 2022.

16 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of Automobile Association Insurance Service Holdings 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 17) whose registered office is at Fanum House, Basing View, Basingstoke, Hampshire, RG214EA.

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

17 EVENTS AFTER THE REPORTING PERIOD

The 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 the Class A5 Notes
On 21 July 2021, the AA Limited group issued £270m of Class A9 Notes and deposited the proceeds into an escrow account. These proceeds will be used, along with the remaining £100m of equity committed by the Consortium, to repay the Class A5 Notes ahead of their maturity on 31 January 2022.