

AA MID CO LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2013

THURSDAY



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COMPANIES HOUSE

AA MID CO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2013

The directors present their report and audited financial statements of AA Mid Co Limited ("the Company") for the year ended 31 January 2013. The Company changed its name from AA SPC Co Limited on 21 March 2013.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of AA Limited.

The principal activity of the Company during the year was that of a financing company.

The Company's key financial and other performance indicators during the year were as follows:

	2013	2012	Change
	£'000	£'000	%
Interest payable	<u>37,697</u>	32,263	17%
Net assets	<u>3,118,620</u>	3,147,145	(1%)

As shown in the Company's profit and loss on page 5, the Company's loss before taxation increased by 17% to £37.7m during the current year.

The balance sheet on page 6 of the financial statements shows the Company's financial position at the year end. Details of amounts owed to its parent company and fellow subsidiary undertakings are shown in note 8 to the financial statements.

For decision making and internal performance management, management's key performance metrics are interest payable and net assets. Interest payable increased by 17% to £37.7m (2012: £32.3m) whilst net assets decreased by 1% to £3,118m (2012: £3,147m).

DIRECTORS

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

J A Goodsell
S M Howard
A J P Strong

A K Boland was appointed as a director on 1 April 2013.

AA MID CO LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2013

RISK MANAGEMENT FRAMEWORK

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

The principal risks have been grouped into the following categories:

Financial Risk

The Company is part of the Acromas Holdings Limited Group and its financial risks are managed centrally by the Group Treasury team taking into account the Company's position as part of the group with due consideration being given to the impact of transactions with other group entities.

Brand Risk

The Company recognises that the AA brand is a key differentiator and source of competitive advantage, and brand damage from low quality products or services could have an adverse impact on the Company. The Company has in place policies and procedures to protect the brand at all times.

The business 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 both by the Compliance and Internal Audit functions to ensure they are working effectively.

GOING CONCERN

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

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

PRIOR YEAR ADJUSTMENT

During the year, the directors reviewed the accounting policy for the valuation of investments and determined that it would be more appropriate for the Company to show its investment in subsidiary at directors' valuation. Carrying investments at directors' valuation provides a better understanding of the value of the sub-group that the Company is a parent company of. Further details about the impact of this adjustment is shown in note 7.

POST BALANCE SHEET EVENT

The Company's indirect parent, AA Limited, is actively considering a debt refinancing of its business which is estimated to be of the order of £3 billion. The proceeds of any refinancing would be remitted to the Acromas group to partially repay Acromas Mid Co Limited's bank debt, in return for the release of the current guarantees provided by the AA Limited group and the Company outlined in note 15. Should such a refinancing go ahead AA Limited would no longer remit cash to Acromas group treasury and will provide security to the new lenders via a combination of fixed and floating charges and the Company will become a Guarantor to the AA Limited group debt.

AA MID CO LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPOINTMENT OF AUDITOR

In accordance with section 487(2) of the Companies Act 2006, the auditor Ernst & Young LLP is deemed re-appointed.

DISCLOSURE OF INFORMATION TO AUDITOR

Each current director has made enquiries of their fellow directors and the Company's auditor and taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

BY ORDER OF THE BOARD



A K BOLAND
DIRECTOR

60 June 2013
Registered Office
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

Registered number 05088289

AA MID CO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AA MID CO LIMITED

We have audited the financial statements of AA Mid Co Limited for the year ended 31 January 2013 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

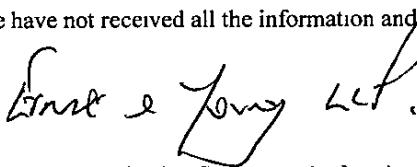
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



James Lenton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

2013

7 June

AA MID CO LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2013

	Notes	2013 £'000	2012 £'000
Interest payable and similar charges	4	(37,697)	(32,263)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>(37,697)</u>	<u>(32,263)</u>
Tax on loss on ordinary activities	5	9,172	8,491
LOSS FOR THE FINANCIAL YEAR	12	<u><u>(28,525)</u></u>	<u><u>(23,772)</u></u>

All income and expenditure arises from continuing operations

The notes on pages 7 to 12 form part of these financial statements

There are no recognised gains and losses other than those passing through the profit and loss account

AA MID CO LIMITED

BALANCE SHEET AT 31 JANUARY 2013

	Notes	2013 £'000	2012 £'000 Restated
FIXED ASSETS			
Investment in group undertakings	6	3,230,000	3,230,000
CURRENT ASSETS			
Debtors	8	1,795,526	1,786,354
Cash at bank and in hand		44	44
		<u>1,795,570</u>	<u>1,786,398</u>
CREDITORS (amounts falling due within one year)	9	(1,641,459)	(1,641,459)
NET CURRENT ASSETS		<u>154,111</u>	<u>144,939</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,384,111	3,374,939
CREDITORS (amounts falling due after more than one year)	10	(265,491)	(227,794)
NET ASSETS		<u><u>3,118,620</u></u>	<u><u>3,147,145</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	20,548	20,548
Profit and loss account	12	(111,928)	(83,403)
Revaluation reserve	13	3,210,000	3,210,000
SHAREHOLDER'S FUNDS	14	<u><u>3,118,620</u></u>	<u><u>3,147,145</u></u>

The financial statements on pages 5 to 12 were approved by the board of directors on **6 JUNE** 2013
and were signed on its behalf by



A K BOLAND
DIRECTOR

Registered number 05088289

The notes on pages 7 to 12 form part of these financial statements

AA MID CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies Act 2006 s 464. The Company is exempt from the requirement to prepare consolidated financial statements per the Companies Act 2006 s 400, as it is a wholly owned subsidiary of Acromas Holdings Limited whose consolidated financial statements are publicly available. These financial statements present information about the entity as an individual.

Despite the Company being in a net liability position, the ultimate parent undertaking has stated that it will provide continuing financial assistance to the Company for the foreseeable future.

The financial statements are prepared on a going concern basis. A summary of the accounting policies, which have been applied on a consistent basis with the prior year, is set out below.

b) Cash flow statement

The directors have taken advantage of the exemption available under FRS 1 (Cash flow statements) of the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the financial statements of the ultimate parent undertaking, Acromas Holdings Limited.

c) Investments

Investments are held at fair value based on directors' valuations and any gain on revaluation is taken to reserves. Previously investments were valued individually at the lower of cost less any provision for impairment or net realisable value. See note 7 for further details.

Income from investments is recognised in the profit and loss account when it is receivable.

d) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2 AUDITOR'S REMUNERATION

The Company's auditor provided no services other than the annual audit during either of the years under review. Audit fees of £14,000 (2012: £14,000) were borne by another group company.

3 DIRECTORS' EMOLUMENTS

J A Goodsell, S M Howard and A J P Strong are remunerated by Saga Group Limited, a fellow subsidiary of the ultimate parent undertaking, Acromas Holdings Limited, and received total remuneration for the year of £3.1m (2012: £2.9m). None of these directors received any emoluments during the year in respect of their services as a director of the Company (2012: £nil). The Company has not been recharged any amount for the emoluments of these directors (2012: £nil).

The Company had no employees throughout the year (2012: nil).

AA MID CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging

	2013 £'000	2012 £'000
Unwinding of discount on subordinated preference certificates (see note 10)	<u>37,697</u>	<u>32,263</u>

5 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit is made up as follows

	2013 £'000	2012 £'000
Current tax:		
- Current tax on loss for the financial year	<u>(9,172)</u>	<u>(8,491)</u>
Total current tax credit on ordinary activities	<u>(9,172)</u>	<u>(8,491)</u>

The current tax credit represents payments received for group losses

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

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	<u>(37,697)</u>	<u>(32,263)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 33% (2012 26 32%)	<u>(9,172)</u>	<u>(8,491)</u>
Total current tax credit	<u>(9,172)</u>	<u>(8,491)</u>

The Finance Act 2012 reduced the main rate of corporation tax from 26% to 24% with effect from 1 April 2012, and further reduced it from 24% to 23% with effect from 1 April 2013. Further reductions in the rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015 were announced in December 2012 and March 2013.

6 INVESTMENTS IN GROUP UNDERTAKINGS

	£'000
At 31 January 2012	20,000
Revaluation of investment	<u>3,210,000</u>
Restated balance at 31 January 2012	<u>3,230,000</u>
As at 31 January 2013	<u>3,230,000</u>

The investment in AA Intermediate Co Limited was revalued at 1 February 2011, resulting in a revaluation gain of £3,210m. See note 7 for further details.

AA MID CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

The principal undertakings at 31 January 2013 were as follows

Subsidiary undertakings	Country of incorporation or registration	% Holdings in ordinary shares	Principal activity
AA Intermediate Co Limited	England	100	Financing company
AA Acquisition Co Limited	England	100	Financing company
AA Senior Co Limited	England	100	Financing company
The Automobile Association Limited	Jersey	100	Roadside services
AA The Driving School Agency Limited	England	100	Franchise operation
Acromas Reinsurance Company Limited	Guernsey	100	Reinsurance underwriting
AA Underwriting Limited	England	100	Roadside and financial underwriting (dormant)
Automobile Association Developments Limited	England	100	Roadside services
AA Corporation Limited	England	100	Holding company
Automobile Association Holdings Limited	England	100	Holding company
Automobile Association Insurance Services Holdings Limited	England	100	Holding company
Automobile Association Insurance Services Limited	England	100	Roadside and insurance intermediation
Automobile Association Underwriting Services Limited	England	100	Roadside and insurance underwriting
AA Ireland Limited	Ireland	100	Roadside and insurance services
AA Ireland Pension Trustees Limited	Ireland	100	Pension Trustee
AA Financial Services Limited	England	100	Financial services
Drakefield Holdings Limited	England	100	Holding company
Drakefield Insurance Services Limited	England	100	Insurance intermediation
AA Media Limited	England	100	Publishing and signage
DriveTech (UK) Limited	England	100	Driver training services
Driving Services (UK) Limited	England	100	Driver training services
Autowindshields (UK) Limited	England	100	Roadside services
<u>Associates</u>			
ARC Europe SA	Belgium	20	Roadside services
A C T A SA	France	22	Roadside services
A C T A Assurance SA	France	22	Roadside and insurance services
A C T A Assistance SA	France	22	Roadside services

AA MID CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

All principal undertakings are indirectly held by the Company, except for AA Intermediate Co Limited, which is a direct subsidiary undertaking

The holding in Automobile Association Holdings Limited also includes 100% of the company's special shares

Dormant subsidiary undertakings whose results and financial position do not principally affect the Company's financial statements have been omitted

7 PRIOR YEAR ADJUSTMENT

During the year, the directors reviewed the accounting policy for the valuation of investments and determined that it would be more appropriate for the Company to show its investment in subsidiary at directors' valuation. Carrying investments at directors' valuation provides a better understanding of the value of the sub-group that the Company is a parent company of. Previously investments were valued individually at the lower of cost less any provision for impairment or net realisable value.

The change in the Company's accounting policy on the valuation of investment in subsidiaries to a directors' valuation based on the enterprise value of the underlying trading subsidiaries was effective 1 February 2011. The impact on the financial statements is a £3,210m increase in investment in subsidiaries and the creation of a revaluation reserve of £3,210m at 1 February 2011.

8 DEBTORS

	2013 £'000	2012 £'000
Amounts owed by group undertakings	<u>1,795,526</u>	<u>1,786,354</u>

The amounts owed by group undertakings are unsecured, have no repayment terms and bear no interest

9 CREDITORS (amounts falling due within one year)

	2013 £'000	2012 £'000
Amounts owed to group undertakings	<u>1,641,459</u>	<u>1,641,459</u>

10 CREDITORS (amounts falling due after more than one year)

	2013 £'000	2012 £'000
Subordinated preference certificates	<u>265,491</u>	<u>227,794</u>
Maturity of debt:		
In more than three years	<u>265,491</u>	<u>227,794</u>

The subordinated preference certificates were issued on 30 September 2004 at a discounted subscription price and are redeemable at par on 30 September 2015. The certificates are included in the balance sheet at the value of their proceeds plus amortised discount to the balance sheet date. The discount, amortised on a compound basis, is charged to net interest payable and similar charges in the profit and loss account over the term of the instrument to give an effective rate of 16.5%, compounded quarterly. The certificates are unsecured.

The movement in the subordinated preference certificates balance is a result of the unwinding of the discount (see note 4).

AA MID CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
20,547,950 ordinary shares of £1 each	<u>20,548</u>	<u>20,548</u>

12 PROFIT AND LOSS ACCOUNT

	2013 £'000	2012 £'000
Opening balance	(83,403)	(59,630)
Loss for the financial year	<u>(28,525)</u>	<u>(23,772)</u>
Closing balance	<u>(111,928)</u>	<u>(83,403)</u>

13 REVALUATION RESERVE

	2013 £'000	2012 £'000 Restated
Opening balance at 1 February	3,210,000	-
Prior year adjustment (note 7)	-	3,210,000
Restated balance at 1 February	<u>3,210,000</u>	<u>3,210,000</u>
Movement in year	-	-
Closing balance	<u>3,210,000</u>	<u>3,210,000</u>

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2013 £'000	2012 £'000 Restated
Opening shareholder's funds at 1 February	3,147,145	(39,083)
Prior year adjustment (note 7)	-	3,210,000
Restated shareholder's funds at 1 February	<u>3,147,145</u>	<u>3,170,917</u>
Loss for the financial year	<u>(28,525)</u>	<u>(23,772)</u>
Closing shareholder's funds	<u>3,118,620</u>	<u>3,147,145</u>

15 GUARANTEES AND COMMITMENTS

The Company, along with certain of its fellow subsidiaries, acts as Obligor on bank loans made to Acromas Mid Co Limited. At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £5,132.1 million (2012 £5,098.2 million).

At the year-end, the Company had no capital commitments (2012 £nil) and no capital expenditure authorised but not yet committed (2012 £nil).

AA MID CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within FRS 8 (Related party disclosures) in not disclosing transactions with other entities in the Acromas group of companies. There are no other related party transactions.

17 ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party to be funds advised by Charterhouse Capital Partners, CVC Capital Partners and Permira Advisers acting in concert.

18 ULTIMATE PARENT UNDERTAKING

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

The parent of the smallest group to consolidate these financial statements is AA Limited whose registered office is Fanum House, Basing View, Basingstoke, RG21 4EA. The ultimate parent undertaking, which is also the parent of the largest group to consolidate these financial statements, is Acromas Holdings Limited whose registered office is at Enbrook Park, Folkestone, Kent, CT20 3SE.

Copies of the consolidated parent financial statements are available from the Company Secretary at the relevant registered office address.

19 POST BALANCE SHEET EVENT

The Company's indirect parent, AA Limited, is actively considering a debt refinancing of its business which is estimated to be of the order of £3 billion. The proceeds of any refinancing would be remitted to the Acromas group to partially repay Acromas Mid Co Limited's bank debt, in return for the release of the current guarantees provided by the AA Limited group and the Company outlined in note 15. Should such a refinancing go ahead, AA Limited would no longer remit cash to Acromas group treasury and will provide security to the new lenders via a combination of fixed and floating charges and the Company will become a Guarantor to the AA Limited group debt.