

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



**Registered number: 05088289**

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

**STRATEGIC REPORT**

The directors present their annual report and audited financial statements of AA Mid Co Limited ("the Company") for the year ended 31 January 2022.

**PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The Company is a wholly owned subsidiary of AA Limited. The principal activity of the Company is that of a holding company. The Company did not trade during the year but received an equity injection of £360.9m during the year (2021: £nil).

The directors are satisfied with the performance of the Company in the year. There are currently no plans to alter the principal activities of the Company going forward and the Company expects to continue to be a holding company within the AA Limited group ("the Group") which was acquired by the Basing ConsortiumCo Limited Group on 9 March 2021.

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.

The directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006. For details of how this is accomplished across the AA Limited group, refer to page 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 MID 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 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.

*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.

ON BEHALF OF THE BOARD



M NEVILLE  
DIRECTOR  
23 June 2022

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

**AA MID 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:

K J Dangerfield	(Resigned 12 November 2021)
M Neville	
T O Mackay	(Appointed 15 November 2021)

**COMPANY SECRETARY**

N Hoosen	(Resigned 31 May 2021)
J E 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 MID 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 and 2.

Due to the net current liabilities position of the Company, a letter of support has been granted by AA Limited. AA Mid 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 in operation 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 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 AA Limited and its status as a subsidiary of AA Limited Group. 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 MID 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 did not receive any dividends from subsidiary undertakings (2021: £nil).

**INDEPENDENT AUDITORS**

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

ON BEHALF OF THE BOARD



M NEVILLE  
DIRECTOR  
23 June 2022

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

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

## Report on the audit of the financial statements

### Opinion

In our opinion, AA Mid 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 result 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 2022; 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.

### 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 a parent to the AA Intermediate Co Limited and subsidiaries ("AA Intermediate group") and has net current liabilities of £1.2bn, representing intercompany receivables and payables with the AA Intermediate group, which are members 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.

### 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.

## **AA MID 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 decrease losses and the potential for management bias in accounting estimates. Audit procedures performed by the engagement team included:



## AA MID CO LIMITED

- 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.
- 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  
23 June 2022

# AA MID CO LIMITED

## INCOME STATEMENT

### FOR THE YEAR ENDED 31 JANUARY

	Note	2022 £m	2021 £m
Reversal of provision for credit risk on intercompany receivables		-	53.5
<b>PROFIT BEFORE TAX</b>		-	53.5
Income tax expense	4	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		-	53.5

There is no other comprehensive income other than that recognised in the income statement, therefore no separate statement of comprehensive income is presented.

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

# AA MID CO LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Note	2022 £m	2021 £m
<b>FIXED ASSETS</b>			
Investments in subsidiaries	5	2,227.2	1,866.3
<b>CURRENT ASSETS</b>			
Trade and other receivables	6	1,777.8	1,777.8
<b>TOTAL ASSETS</b>		<u>4,005.0</u>	<u>3,644.1</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	(2,982.6)	(2,982.6)
<b>NET ASSETS</b>		<u>1,022.4</u>	<u>661.5</u>
<b>EQUITY</b>			
Called up share capital	9	55.4	20.9
Share Premium		326.4	-
Retained earnings		640.6	640.6
<b>TOTAL EQUITY</b>		<u>1,022.4</u>	<u>661.5</u>

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



M NEVILLE  
DIRECTOR

23 JUNE 2022

AA Mid Co Limited  
Registered number: 05088289

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

# AA MID CO LIMITED

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 JANUARY

	Share capital £m	Share Premium £m	Retained earnings £m	Total equity £m
At 1 February 2020	20.9	-	587.1	608.0
Profit for the financial year	-	-	53.5	53.5
<b>At 31 January 2021</b>	<b>20.9</b>	<b>-</b>	<b>640.6</b>	<b>661.5</b>
Issue of share capital	34.5	326.4	-	360.9
<b>At 31 January 2022</b>	<b>55.4</b>	<b>326.4</b>	<b>640.6</b>	<b>1,022.4</b>

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

## AA MID CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Presentation of financial statements

AA Mid Co Limited is a private company limited by shares, incorporated and domiciled in England and Wales, UK.

The financial statements are prepared in Sterling and are rounded to the nearest £100,000.

#### 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 and 2.

Due to the net current liabilities position of the Company, a letter of support has been granted by AA Limited. AA Mid 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 in operation 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 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 AA Limited and its status as a subsidiary of AA Limited Group. 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 MID CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 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 takes the exemption under IFRS 10 paragraph 4 and section 400 of the Companies Act 2006 from presenting consolidated financial statements. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2022.

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',
- IAS 8 paragraphs 30 and 31 (accounting policies, changes in accounting estimates and errors),
- 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).

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

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

## AA MID CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (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.

The Company is the parent of the AA Intermediate Co Limited group which holds debt under a Whole Business Securitisation (WBS). The Class B3 Notes within the WBS have first ranking security over the assets of the Company. In the event that there was a failure to refinance the Class B3 Notes, the Company and the AA Intermediate Co Limited group would continue operating as a group. 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 5 for details).

##### *Intercompany receivables*

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

#### 2.3 Significant accounting policies

##### **a) Investments in subsidiaries**

Investments in subsidiaries are held at cost less impairment. Income from investments is recognised in the income statement when it is receivable.

# AA MID CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2.3 Significant accounting policies (continued)

#### b) 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 and management determines the classification at initial recognition. 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 fellow subsidiary undertakings of the AA Limited group. They are generally due for settlement on demand 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 expected credit losses (ECLs) which uses a lifetime expected loss allowance for all receivables.

##### *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.

The Company has no financial assets or liabilities measured at fair value through other comprehensive income or fair value through profit and loss.

#### c) Taxation

Tax for the year comprises of current 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.

### 3 AUDITORS' REMUNERATION

Audit fees of £30,000 are paid on the Company's behalf by another group company with no recharge (2021: £29,000). Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of AA Limited. The group financial statements are required to comply with the statutory disclosure requirements.

### 4 INCOME TAX EXPENSE

The major components of the income tax expense are:

	2022 £m	2021 £m
<b>Current tax:</b>		
- Current income tax charge	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>

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

	2022 £m	2021 £m
Profit before taxation	-	53.5
Tax at rate of 19% (2021: 19%)	-	10.2
Effects of:		
Reversal of intercompany provision	-	(10.2)
<b>Income tax expense reported in the income statement</b>	<b>-</b>	<b>-</b>



# AA MID CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5 INVESTMENTS IN SUBSIDIARIES

	2022 £m	2021 £m
At 1 February	1,866.3	1,866.3
Additions	360.9	-
At 31 January	<u>2,227.2</u>	<u>1,866.3</u>

In the year end 31 January 2022, there was an increase in investments in subsidiaries of £360.9m. This was due to additions in relation to a capital contribution from the Company to AA Intermediate Co Limited.

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

All subsidiaries are consolidated in the group financial statements.

The principal subsidiary undertakings of the Company at 31 January 2022 are:

Name	Country of Incorporation / Registered Office Key	Class of shares held
AA Acquisition Co Limited	England and Wales, UK / A	Ordinary
AA Bond Co Limited <sup>1</sup>	Jersey / B	Ordinary
AA Corporation Limited	England and Wales, UK / A	Ordinary
AA Financial Services Limited	England and Wales, UK / A	Ordinary
AA Intermediate Co Limited <sup>2</sup>	England and Wales, UK / A	Ordinary
AA Senior Co Limited	England and Wales, UK / A	Ordinary
AA 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
Drivotech (UK) Limited	England and Wales, UK / A	Ordinary
Used Car Sites Limited	England and Wales, UK / A	Ordinary
Prestige Fleet Servicing Limited	England and Wales, UK / A	Ordinary

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 / C	Ordinary
AA Pension Funding GP Limited	Scotland, UK / D	Ordinary
AA Pension Funding LP <sup>3</sup>	Scotland, UK / D	Membership Interest
Automobile Association Holdings Limited	England and Wales, UK / A	Ordinary and deferred redeemable non-voting special dividend
Automobile Association Insurance Services Holdings Limited	England and Wales, UK / A	Ordinary
Automobile Association Services Limited	England and Wales, UK / A	Limited by guarantee
Accident Assistance Services Limited	England and Wales, UK / A	Ordinary
Intelligent Data Systems (UK) Limited	England and Wales, UK / A	Ordinary
Personal Insurance Mortgages and Savings Limited	England and Wales, UK / A	Ordinary
The Automobile Association Limited <sup>1</sup>	Jersey / B	Ordinary

## AA MID CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5 INVESTMENTS IN SUBSIDIARIES (continued)

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

<sup>2</sup> Directly owned by AA Mid Co Limited; all other subsidiaries are indirectly held.

<sup>3</sup> This partnership is fully consolidated into the AA Limited group financial statements and the AA Limited 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.

#### Registered Office Key

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

The Company has performed impairment testing as at 31 January 2022 to compare the recoverable amount of the investments in subsidiaries to their carrying value.

The impairment test was performed on the directly held subsidiary which is supported by cash flow projections of the underlying AA Intermediate Co Limited group. The recoverable amount of the investment was determined based on a value in use calculation using cash flow projections from the AA Intermediate Co group's five-year plan. For the year ended 31 January 2022, the Company used the five-year plan 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.

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 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 0.5% increase in the discount rate in the current year nor a 0.5% 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.

# AA MID CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Amounts owed by subsidiary undertakings	<u>1,777.8</u>	<u>1,777.8</u>

Amounts owed by subsidiary undertakings are unsecured, are repayable on demand and bear no interest.

### 7 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Amounts owed to subsidiary undertakings	<u>2,982.6</u>	<u>2,982.6</u>

Amounts owed to group undertakings are unsecured, are repayable on demand and bear no interest.

### 8 DIRECTORS' REMUNERATION

	2022 £m	2021 £m
<b>Aggregate remuneration in respect of qualifying services</b>		
Remuneration	0.8	0.8
Share-based payments	0.1	-
Money purchase scheme contributions	-	-
Compensation for loss of office	0.4	-
	<u>1.3</u>	<u>0.8</u>

	2022 £m	2021 £m
<b>The amounts paid in respect of the highest paid director were as follows:</b>		
Remuneration	0.6	0.7
Money purchase scheme contributions	-	-
Compensation for loss of office	0.4	-
	<u>1.0</u>	<u>0.7</u>

The 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: 1) directors under a money purchase scheme.

The Company had no employees throughout the year (2021: nil).

## AA MID CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 9 CALLED UP SHARE CAPITAL

	2022 £m	2021 £m
<b>Allotted and fully paid</b>		
5,538,461,351 (2021: 2,090,547,948) ordinary shares of £0.01 (2021: £0.01) each	<u>55.4</u>	<u>20.9</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.

During the year the Company did not pay a dividend (2021: £nil).

#### 10 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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

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. At 31 January 2022, the ultimate controlling party and parent undertaking was Basing ConsortiumCo Limited whose registered office is 3rd Floor 44 Esplanade, St Helier, JE4 9WG, Jersey.