AA SENIOR CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2017

Registered number: 05663655

AA SENIOR CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2017

STRATEGIC REPORT

The directors present their report and audited financial statements of AA Senior Co Limited ("the Company") for the year ended 31 January 2017.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of AA Acquisition Co Limited.

The principal activity of the Company is that of a financing company.

As shown in the Company's Income Statement, the Company incurred finance costs of £162.8m (2016: £259.4m) in the year to 31 January 2017 and made a profit for the year of £575.5m (2016: loss £111.5m), primarily due to intercompany debt forgiveness.

The Statement of Financial Position shows the Company's financial position at the year end. The Company has net assets of £390.7m (2016: net liabilities £132.8m).

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

DIVIDENDS

The Company has paid a dividend of £60.0m (2016: £60.0m),received dividends of £202.7m (2016: £71.0m) and was forgiven debt of £503.1m (2016: £25.0m) in the year.

RISK MANAGEMENT FRAMEWORK

The Company is part of the AA plc group which has developed an embedded enterprise risk management process that facilitates the identification, assessment, escalation and mitigation of the Company's risk exposure across every aspect and activity of 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

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.

The Company is an obligor of the financial indebtedness of the AA Intermediate Co Limited group, a parent undertaking of the Company and part of the AA plc group. Its viability and financial success is therefore tied to the viability and financial success of the AA Intermediate Co Limited group. No material uncertainties have been identified that would cast doubt over the financial success of the AA Intermediate Co Limited group.

STRATEGIC REPORT *(continued)*

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 AA plc group has in place policies and procedures to protect the brand at all times.

BY ORDER OF THE BOARD

G PRITCHARD
DIRECTOR
16 JUNE 2017

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

AA SENIOR CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2017

DIRECTORS' REPORT

DIRECTORS

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

M A Clarke	
G Pritchard	(Appointed 30 April 2016)
R J H Scott	(Resigned 30 April 2016)
M Millar	

COMPANY SECRETARY

M Millar

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 losses and liabilities incurred in the discharge of their duties, to the extent of the assets of the Company and as permitted by law.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and 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 applicable laws and United Kingdom Accounting Standards (United Kingdom Generally accepted Accounting Policies) including FRS101 "Reduced Disclosure Framework". 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

GOING CONCERN

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

The directors believe that the Company has adequate financial resources due to the available cash resources of the AA plc group which can be drawn upon. The directors believe that the Company is well placed to manage its business risks successfully using the risk management framework described in the Strategic Report and that the residual risks being taken by the Company are commensurate with its financial resources.

The directors have a reasonable expectation 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.

RE-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 director has made enquiries of their fellow director 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

G PRITCHARD
DIRECTOR
16 JUNE 2017

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

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

We have audited the financial statements of AA Senior Co Limited for the year ended 31 January 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 16. 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), including FRS 101 "Reduced Disclosure Framework".

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 auditor's 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 as 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have 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 have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Ernst & Young LLP

Kathryn Barrow (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 June **2017**

AA SENIOR CO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Notes	2017 £m	2016 £m
OPERATING COSTS			
Administrative expenses		**(0.1)**	(0.1)
OPERATING LOSS		**(0.1)**	(0.1)
Trading EBITDA		**(0.1)**	(0.1)
OPERATING LOSS		**(0.1)**	(0.1)
Income from shares from group undertakings	**7**	**705.8**	96.0
Finance costs	**8**	**(162.8)**	(259.4)
		542.9	(163.5)
Tax income	**5**	**32.6**	52.0
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**575.5**	(111.5)

All income and expenditure arises from continuing operations.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2017

	Note	2017 £m	2016 £m
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**575.5**	(111.5)
Effective portion of changes in fair value of cash flow hedges		10.0	13.5
Tax expense	6	(2.0)	(2.6)
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR		**583.5**	(100.6)

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

AA SENIOR CO LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 JANUARY

	Notes	2017 £m	2016 £m
NON-CURRENT ASSETS			
Investment in group undertakings	9	**3,436.5**	3,436.5
Deferred tax asset	6	**3.7**	4.4
		3,440.2	3,440.9
CURRENT ASSETS			
Other receivables	10	**2,969.4**	2,969.4
TOTAL ASSETS		**6,409.6**	6,410.3
CURRENT LIABILITIES			
Other payables	11	**(3,200.1)**	(3,627.1)
NON-CURRENT LIABILITIES			
Borrowings and loans	12	**(366.8)**	(475.5)
Amounts owed to group undertakings	11	**(2,452.0)**	(2,440.5)
		(2,818.8)	(2,916.0)
TOTAL LIABILITIES		**(6,018.9)**	(6,543.1)
NET ASSETS		**390.7**	(132.8)
EQUITY			
Share premium		**20.0**	20.0
Cash flow hedge reserve		**1.3**	(6.7)
Retained earnings		**(1,291.7)**	(1,807.2)
Capital contribution reserve		**1,661.1**	1,661.1
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		**390.7**	(132.8)

Signed for and on behalf of the board of directors by:

G PRITCHARD
DIRECTOR

16 JUNE 2017

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

AA SENIOR CO LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share premium	Retained earnings	Cashflow hedge reserve	Capital contribution reserve	Total
	£m	£m	£m	£m	£m
At 1 February 2015	20.0	(1,635.7)	(17.6)	1,661.1	27.8
Loss for the year	-	(111.5)	-	-	(111.5)
Other comprehensive income *for the year*	-	-	10.9	-	10.9
Total comprehensive income	-	(111.5)	10.9	-	(100.6)
Dividends	-	(60.0)	-	-	(60.0)
At 31 January 2016	**20.0**	**(1,807.2)**	**(6.7)**	**1,661.1**	**(132.8)**
Profit for the year	-	575.5	-	-	575.5
Other comprehensive income for the year	-	-	8.0	-	8.0
Total comprehensive income	-	575.5	8.0	-	583.5
Dividends	-	(60.0)	-	-	(60.0)
At 31 January 2017	**20.0**	**(1,291.7)**	**1.3**	**1,661.1**	**390.7**

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

AA Senior Co Limited Limited is incorporated and domiciled in England and Wales.

The financial statements are prepared on a going concern basis.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101"). The financial statements are prepared under the historical cost convention.

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

2 Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2017.

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,
- 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).

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 recognising revenue in relation to consumer roadside income.

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.

Derivative financial Instruments

The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments. The Company is therefore required to identify changes in market conditions around expectations for interest rates. These assumptions may be different to the actual outcome.

2.3 Significant accounting policies

a) Investments in group undertakings

Investments are valued individually at the lower of cost less any provision for impairment or net realisable value. Income from investments is recognised in the income statement when it is receivable.

b) Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

c) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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. At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Other receivables and trade payables

Trade receivables and trade payables are not interest bearing and are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Derivative financial instruments

The Company is exposed to the financial risk of changes in interest rates. The Company uses agreements to hedge these exposures. Derivative financial instruments are recorded in the balance sheet at fair value. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss unless they qualify for hedge accounting as described below.

Cashflow hedges

Changes in the fair value of derivative financial instruments that are designated as highly effective hedges of future cashflows are recognised in other comprehensive income and as part of the cashflow hedge within equity. Any ineffective portion of the hedge is recognised immediately in the income statement. Amounts recognised in other comprehensive income are reclassified from equity to profit and loss (within finance costs) in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the other comprehensive income at that time remains in equity and is reclassified when the hedged transaction is ultimately recognised in the income statement.

In order to qualify for hedge accounting, the Company is required to document from inception the relationship between the item being hedged and the hedging instrument and demonstrate that the hedge will be highly effective on an on-going basis. This effectiveness testing is performed at each period end to ensure that the hedge remains highly effective.

2.3 Significant accounting policies (continued)

Debt instruments

Debt is initially recognised in the balance sheet at fair value less transaction costs incurred directly in connection with the issue of the instrument. Debt issue fees in respect of the instrument, including discounts on issue, are capitalised at inception and charged to the income statement over the term of the instrument using the effective interest method.

d) Finance costs

Finance costs comprise interest payable, recognised in profit or loss using the effective interest method.

3 AUDITOR'S REMUNERATION

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2017 amounted to £20,000 (2016: £20,000) which was borne by another group company. The Company's auditor provided no services to the Company other than the annual audit during either of the years under review.

4 DIRECTORS' EMOLUMENTS

	2017	2016
	£m	£m
Aggregate remuneration in respect of qualifying services	**1.3**	1.8
Money purchase scheme contributions	**0.1**	0.1
Compensation for loss of office	**0.1**	-
Total	**1.5**	1.9
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	**0.9**	1.4
Money purchase scheme contributions	**0.1**	0.1
	1.0	1.5

All directors of the Company are also directors of the ultimate parent undertaking (AA plc) and/or fellow subsidiaries. As the directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the ultimate parent undertaking and fellow subsidiary companies, their full remuneration has been reflected in the disclosure above.

Retirement benefits are accruing for 2 (2016: 2) directors under a defined benefit scheme and 1 (2016: 1) under a money purchase scheme.

The Company had no employees throughout the year (2016: nil).

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax credit is made up as follows:

	2017 £m	2016 £m
Current tax:		
- Group relief receivable	**(31.3)**	(50.8)
Deferred tax:		
-Origination and reversal of temporary differences	**(1.3)**	(1.2)
Total tax credit in the income statement	**(32.6)**	(52.0)

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:

Reconciliation of tax credit to loss before tax multiplied by UK's corporation tax rate:

	2017 £m	2016 £m
Profit / (Loss) before tax	**542.9**	(163.5)
Tax at rate of 20.00% (2016: 20.16%)	**108.6**	(33.0)
Effects of:		
Rate change	**-**	0.3
Non-taxable forgiveness of inter-company creditor	**(100.6)**	(5.0)
Dividend income	**(40.6)**	(14.3)
Income tax credit reported in the income statement	**(32.6)**	(52.0)

6 DEFERRED TAXATION

	Statement of financial position		Income statement	
	2017 £m	2016 £m	2017 £m	2016 £m
Fair value on interest rate swap	**3.7**	4.4	**1.3**	1.2
Deferred tax asset	**3.7**	4.4	**1.3**	1.2

	£m	£m
Deferred tax asset as at 1 February	**4.4**	5.8
Credit to the profit and loss account	**1.3**	1.2
Tax expense recognised in OCI	**(2.0)**	(2.6)
Deferred tax asset as at 31 January	**3.7**	4.4

The UK corporation tax rate will be reducing to 19% in April 2017 and 17% (2016: 18%) in April 2020.

7 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2017 £m	2016 £m
Forgiveness of intercompany creditor	**503.1**	25.0
Dividends from subsidiary undertakings	**202.7**	71.0
	705.8	96.0

On 20 October 2016, AA Corporation Limited relieved £500.0m of its inter-company balance owed by the company. This was done through a debt waiver.

On 31 January 2017, Automobile Association Protection and Investment Planning Limited relieved £3.1m of its inter-company balance owed by the company. This was done through a debt waiver.

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £m	2016 £m
Bank loans and overdrafts	**13.8**	24.8
Transfer from cash flow hedge reserve for extinguishment of cashflow hedge	**6.3**	7.6
Amortisation of issue fees	**0.6**	1.3
Other financing interest payable	**142.1**	225.7
	162.8	259.4

9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2017 £m	2016 £m
Investment in subsidiary undertaking at cost		
At 1 February and 31 January	**3,436.5**	3,436.5

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

Name	Country
A.A Pensions Trustees Limited[1]	United Kingdom
AA Assistance Limited[1]	United Kingdom
AA Brand Management Limited[1]	United Kingdom
AA Corporation Limited[1]	United Kingdom
AA Financial Services Limited[1]	United Kingdom
AA Ireland Pension Trustees Limited[2]	Ireland
AA Media Limited[1]	United Kingdom
AA Pension Funding GP Limited[3]	Scotland
AA Pension Funding LP[3]	Scotland
AA Road Services Limited[1]	United Kingdom
AA The Driving School Agency Limited[1]	United Kingdom
AA Underwriting Limited[1]	United Kingdom
AA Insurance Holdings Limited[1]	United Kingdom
Automobile Association Developments Limited[1]	United Kingdom
Automobile Association Holdings Limited[1]	United Kingdom
Automobile Association Insurance Services Holdings Limited[1]	United Kingdom
Automobile Association Insurance Services Limited[1]	United Kingdom
Automobile Association Protection and Investment Planning Limited[1]	United Kingdom
Automobile Association Services Limited[1]	United Kingdom
Automobile Association Travel Services Limited[1]	United Kingdom

9 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Automobile Association Underwriting Services Limited[1]	United Kingdom
Breakdown Assistance Services Limited[4]	United Kingdom
Breakdown Hero Limited[4]	United Kingdom
Drakefield Group Limited[1]	United Kingdom
Drakefield Holdings Limited[1]	United Kingdom
Drakefield Insurance Services Limited[1]	United Kingdom
Drakefield Services Limited[1]	United Kingdom
DriveTech (UK) Limited[1]	United Kingdom
Intelligent Data Systems (UK) Limited[1]	United Kingdom
Nationwide 4x4 Limited[1]	United Kingdom
Peak Performance Management Limited[1]	United Kingdom
Personal Insurance Mortgages and Savings Limited [1]	United Kingdom
The Automobile Association Limited[5]	Jersey

[1] Company registered office: Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England.
[2] Company registered office: 61a South William Street, Dublin 2, Ireland.
[3] Company registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland.
[4] Company registered office: 90 Long Acre, London, WC2E 9RA.
[5] Company registered office: 22 Greenville Street, St Helier, Jersey, JE4 8PX.

All subsidiary undertakings are indirectly held by the Company, except for AA Corporation Limited, which is a direct subsidiary undertaking.

10 OTHER RECEIVABLES

	2017	2016
	£m	£m
Current		
Amounts owed by group undertakings	**2,969.4**	2,969.4
	2,969.4	2,969.4

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

11 OTHER PAYABLES

	2017	2016
	£m	£m
Current		
Amounts owed to group undertakings	**3,199.5**	3,626.4
Accruals and deferred income	**0.6**	0.7
	3,200.1	3,627.1
Non-current		
Amounts owed to group undertakings	**2,452.0**	2,440.5
	2,452.0	2,440.5

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

During the year ended 31 January 2013, the Company entered into an Issuer / Borrower Loan Agreement (IBLA). As a result of this agreement, the proceeds from loan notes issued by AA Bond Co Limited are loaned to the Company and the terms of this intercompany loan reflect the terms of the loan notes held by AA Bond Co Limited. Amounts owed to group undertakings which relate to the IBLA are as follows:

11 OTHER PAYABLES *(continued)*

Inter-Company balance relating to:	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	**Total at 31 January 2017 £m**	Total at 31 January 2016 £m
Class A1 notes	31 July 2018	4.72%	175.0	(3.0)	2.7	**174.7**	473.6
Class A2 notes	31 July 2025	6.27%	500.0	(0.8)	0.3	**499.5**	499.4
Class A3 notes	31 July 2020	4.25%	500.0	(2.7)	1.3	**498.6**	498.2
Class A4 notes	31 July 2019	3.78%	55.0	(2.2)	2.0	**54.8**	248.5
Class A5 notes	31 January 2022	2.88%	700.0	(37.2)	1.1	**663.9**	-
Class B2 notes	31 July 2022	5.50%	569.8	(16.0)	6.7	**560.5**	720.8
			2,499.8	**(61.9)**	**14.1**	**2,452.0**	2,440.5

12 BORROWINGS AND LOANS

	2017	2016
	£m	£m
Interest rate swap used for hedging	**19.4**	23.1
Borrowings	**347.4**	452.4
	366.8	475.5

Borrowings	Expected Maturity Date	Principal £m	Issue costs £m	Amortised issue costs £m	**Total at 31 January 2017 £m**	Total at 31 January 2016 £m
Senior Term Facility	31 January 2019	348.0	(3.1)	2.5	**347.4**	452.4
		348.0	(3.1)	2.5	**347.4**	452.4

Issue costs are shown net of any premium on the issue of borrowings.

The Company has a Working Capital Facility of £140.0m and a Liquidity Facility of £164.7m.

The Senior Term Facility is secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited (a parent undertaking) and its subsidiaries.

During the year, AA Corporation Limited a subsidiary disposed of its investment in Ireland, part of the sale proceeds were used to repay £106m of the Senior Term Facility on 31 August 2016. Under the terms of our borrowings, we have held back £24m from the net proceeds in ring-fenced available cash to be used for potential future acquisitions. Any amounts not committed to an acquisition within 12 months from the AA Ireland completion date must be used to repay either Class A notes or the Senior Term Facility.

During the prior year, a fellow subsidiary undertaking repaid £655m of listed loan notes and issued £735m of new listed loan notes. The proceeds from this issue were used to partially fund the repayment of £209m of the Senior Term Facility. As a result, the amortisation of the associated issue fees on the Senior Term Facility was accelerated and an additional £1m was written off.

The Senior Term Facility carries interest at a rate of LIBOR plus a margin of 2%. The variable element has been fully hedged using matching interest rate swap arrangements. The fair value of these interest rate swaps as at 31 January 2017 was a liability of £19.4m.

13 CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2017 £	2016 £
1 ordinary shares of £1	**1**	1

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

As at 31 January 2017, the company had distributable reserves of £369.4m (2016: £nil).

14 GUARANTEES AND COMMITMENTS

The Company, together with others in the Group, is guarantor to the bank loans and bond debt of the AA Intermediate Co Limited group. At 31 January 2016, the principal outstanding on the AA Intermediate Co Limited group debt was £2,848.0m (2016: £2,914.0m).

The covenants governing the bank loans and bond debt of the AA Intermediate Co Limited group place restrictions on the group's ability to distribute cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise borrowings and other payables. The main purpose of these financial liabilities is to finance the AA plc group's operations. The Company's principal financial assets are intercompany receivables.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks, supported by the AA plc group (the group) treasury function. The group treasury function ensures that the group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the group Treasury function. It is the group's policy not to trade in derivatives for speculative purposes.

The Directors review and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices set by the market. The key market risk that the Company is exposed to is interest rate risk. The AA plc group has policies and limits approved by the Board for managing the interest risk exposure. The Company's policy is to fully hedge all of its exposure to variable interest rates. The Company has therefore taken out interest rate swaps to hedge against this risk. An increase in interest rates of 50 basis points at 31 January 2017 would have increased equity by £2m (2016: £4m) and had no impact on profit or cash. A decrease in interest rates of the same magnitude will have an equal and opposite effect on equity and profit. This calculation assumes all other variables remain the same.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk in relation to its financial assets, mainly the outstanding derivatives. Credit risk in relation to deposits and derivative counterparties is managed by the AA plc group's treasury function in accordance with the group's policy.

The Company's maximum exposure to credit risk for the components of the statement of financial position at each reporting date is the carrying amount except for derivative financial instruments. The Company's maximum exposure for financial derivative instruments is noted under market risk.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Company either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Company's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it notifies the AA plc group treasury function of cash requirements.

Capital management

The Company considers its capital to be its share premium and reserves.

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to generate cash flows in order to pay dividends to its shareholder. This is an on-going objective.

The Company manages its capital by ensuring dividends are received from its subsidiary undertakings to cover interest payments due and maintain its reserves.

16 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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

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, RG21 4EA. The ultimate parent undertaking, which is also the parent of the largest group to consolidate these financial statements, is AA plc whose registered office is at Fanum House, Basing View, Basingstoke, RG21 4EA.

AA plc is the ultimate controlling party and parent undertaking.

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