In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

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COMPANIES HOUSE

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is N**
You cannot use this fo an alteration of mann with accounting requ

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

Part 1 Corporate company name

Corporate name of overseas company ❶: AA Bond Co Limited

UK establishment number: B R 0 1 6 5 2 3

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷: Companies (Jersey) Law 1991

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸: Financial Reporting Council

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	Financial Reporting Council	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature **X** M.W. Stockford **X**
	This form may be signed by: Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name: AA Company Secretarial

Company name: AA Bond Co Limited

Address: Fanum House

Basing View

Post town: Basingstoke

County/Region:

Postcode: R G 2 1 4 E A

Country:

DX:

Telephone:

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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AA BOND CO LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2018

Registered FC number: FC031455

Registered Company number 112992

AA BOND CO LIMITED

FOR THE YEAR ENDED 31 JANUARY 2018

DIRECTORS' REPORT

The directors present their report and audited financial statements of AA Bond Co Limited ("the Company") for the year ended 31 January 2018.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

The principal activity of the Company is that of a financing company. The class A2 A3, A5 and B2 notes issued in previous years and class A6 notes issued in the current year (see note 10) are listed on the Irish Stock Exchange. Class A1 and A4 notes were repaid during the current year.

The Company incurred finance costs of £112.9m (2017: £123.2m) in the year to 31 January 2018, amortisation of issue fees of £10.2m (2017: £10.4m) and an early repayment fee of £10.1m (2017: £nil). This was offset by interest receivable from a fellow subsidiary undertaking of £133.5m (2017: £133.7m). Management deem these figures to be the key performance indicators of the Company.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2017: £nil).

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 AA plc group has put in place rigorous procedures and controls designed to prevent significant risks to the business occurring or to mitigate their effects if they should occur. These controls are monitored by the Risk, Compliance and Internal Audit functions to ensure they are working effectively

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

Financial Risk

The financial risks of the Company are managed centrally by the AA plc 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.

Unable to grow the business in a manner that complements and sustains the brand

The Company is unable to develop and grow new profitable business products and lines that complement the customer experience and which demonstrate standards and values that underlie the core brand.

Unable to manage our debt

The AA plc group is unable to repay or refinance its debt at an acceptable price. 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.

DIRECTORS' REPORT (continued)

Credit Risk

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

DIRECTORS

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

M A Clarke	
M F Millar	(Resigned 17 April 2018)
M W Strickland	(Appointed 17 April 2018)
G Pritchard	
H P Whitaker	

COMPANY SECRETARY

Mourant Governance Services (Jersey) Limited

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the company are required by law to give a true and fair view of the state of affairs of the company at the period end and of the profit or loss of the company for the period then ended.

In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; 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 accounting records which 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 prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. 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.

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the business review and risk management framework sections 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 to service its interest payments. In addition, the terms of the financing agreements prescribe that the Company achieves a marginal profit each year which contributes to the Company's net asset position.

The covenants in place over the loan notes issued by the Company apply to the AA Intermediate Group as a whole and thus the resources of this group are used to assess compliance with these covenants. Compliance with the debt covenants is disclosed in the AA Intermediate Co Limited financial statements.

The directors believe that the Company is well placed to manage its business risks successfully using the risk management framework described in the Directors' 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.

BY ORDER OF THE BOARD

G PRITCHARD
DIRECTOR
8 June 2018

Registered Office:
22 Grenville Street
St Helier
Jersey
JE4 8PX

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

Opinion

We have audited the financial statements of AA Bond Co Limited (the 'Company') for the year ended 31 January 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework"; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	► Financial instrument measurement, recognition and disclosure
Materiality	► Overall Company materiality of £14.8m which represents 0.5% of Total Assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Financial instrument measurement, recognition and disclosure (£2,478m (2017: £2,452m) Refer to the accounting policy (note 2.3(c)) In July 2017, the Company issued £250m class A6 notes at an interest rate of 2.75% maturing in July 2023. The proceeds were used to repay £175m of A1 notes and £55m of A4 notes. As described in note 10 to the financial statements, the new class A6 notes contain prepayment options, which potentially represent embedded derivatives requiring separation from the host contract and measurement at fair value under IAS39 *'Financial instrument Recognition and measurement'*. The judgement involved in identifying and valuing embedded derivatives within the loan instruments leads to a risk of error in the recognition, measurement and disclosure of financial instruments in the financial statements.	• Assessed the design, implementation and operating effectiveness of key controls over the valuation and disclosure of financial instruments; • Inspected the terms of the class A6 notes agreement and, using our financial instrument valuation specialists, performed our own assessment of the prepayment option; • Considered the assumptions made by management in respect of the issue costs and the early repayment penalties related to the class A1 and A4 notes repayment; • Assessed the amortisation of the issue costs and calculation of the effective interest rate for the new class A6 notes; and • Ensured compliance with the disclosure requirements in the financial statements.	Based on our audit procedures we are satisfied that the prepayment option of the new class A6 notes is closely related to the host contract, hence no requirement of separation under IAS39. We are also satisfied that the issue costs and the early repayment penalties have been appropriately accounted for in line with the Company accounting policy.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £12.4 million (2017: £14.5 million), which is 0.5% (2017: 0.5%) of Total Assets. We believe that total assets basis for determining materiality is the most relevant given the nature of the business.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AA BOND CO LIMITED (continued)

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 50%) of our planning materiality, namely £11.1m (2017: £7.2m). We have set performance materiality at this percentage due to no adjustments identified in prior year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £742k (2017: £720k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 3, including the Directors' Report set out on pages 1 to 3, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.
We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper 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 Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AA BOND CO LIMITED (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Ernst & Young LLP

Kathryn Barrow
for and on behalf of Ernst & Young LLP
London
8 June 2018

AA BOND CO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Notes	2018 £'000	2017 £'000
OPERATING COSTS			
Administrative expenses		**(232)**	(101)
OPERATING LOSS		**(232)**	(101)
Trading EBITDA		**(178)**	(101)
Operating loss before exceptional items		**(178)**	(101)
Exceptional operating items	**4**	**(54)**	-
OPERATING LOSS		**(232)**	(101)
Finance income	**5**	**133,499**	133,677
Finance costs	**6**	**(133,262)**	(133,571)
PROFIT BEFORE TAX		**5**	5
Tax expense	**7**	**(1)**	(1)
PROFIT FOR THE FINANCIAL YEAR		**4**	4

All income and expenditure arises from continuing operations.

There are no gains and losses other than those passing through the income statement, therefore no separate statement of comprehensive income is presented.

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

AA BOND CO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Notes	2018 £'000	2017 £'000
NON-CURRENT ASSETS			
Other receivables	**8**	**2,478,356**	2,451,927
CURRENT ASSETS			
Trade and other receivables	**8**	**491,495**	439,458
TOTAL ASSETS		**2,969,851**	2,891,385
CURRENT LIABILITIES			
Trade and other payables	**9**	**(491,472)**	(439,440)
Current tax payable		**(3)**	(2)
		(491,475)	(439,442)
NON-CURRENT LIABILITIES			
Borrowings	**10**	**(2,478,356)**	(2,451,927)
TOTAL LIABILITIES		**(2,969,831)**	(2,891,369)
NET ASSETS		**20**	16
EQUITY			
Called up share capital	**11**	**-**	-
Retained earnings		**20**	16
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		**20**	16

These financial statements were approved by the board of directors and signed for and on their behalf by

G PRITCHARD
DIRECTOR

8 June 2018

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 February 2016	-	12	12
Profit for the year	-	4	4
At 31 January 2017	**-**	**16**	**16**
Profit for the year	-	4	4
At 31 January 2018	**-**	**20**	**20**

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

AA Bond Co Limited is incorporated and domiciled in Jersey.

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 on a going concern basis. A summary of the accounting policies, which have been applied on a consistent basis are set out below.

The financial statements are prepared in Sterling and are rounded to the nearest £1,000.

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 2018.

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),
- IFRS 7 'Financial Instruments Disclosures'
- IAS 7 'Statement of cash flows',
- IAS 8 paragraphs 30 and 31 (new accounting standards that have been issued but are not yet effective),
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation).
- IFRS 13 'Fair Value Measurement'

2.2 Critical accounting estimates and judgements

The Company is a financing company and has significant borrowings on its statement of financial position. However, these borrowings bear fixed rates of interest and repayments are made on fixed terms until the maturity date.

2.3 Significant accounting policies

a) Taxation

Tax on the profit or loss for the year comprises 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

There is no deferred tax.

b) Other receivables and other payables

Other receivables and other payables due within one year are not interest bearing and are recognised initially at fair value. A provision for impairment of other 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.

Loan receivables are included in other receivables and recognised at fair value through profit and loss.

c) Financial instruments

Financial assets and financial liabilities are recognised on 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.

Borrowings

Borrowing is initially recognised in the statement of financial position at fair value less transaction costs incurred directly in connection with the issue of the instrument. Finance costs in respect of the instruments, 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. In subsequent periods, debt is recognised at amortised cost.

d) Finance income

Interest receivable relates to interest received from a fellow subsidiary undertaking under an Issuer / Borrower Loan Agreement (IBLA) which permits the Company to recharge its expenses.

e) Finance costs

Finance costs comprise interest payable and amortisation of debt issue fees.

f) Exceptional items

Exceptional operating items are events or transactions that fall within the operating activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.
In addition, occasionally there are events or transactions that fall below operating profit that are one-off in nature and items within operating profit that relate to transactions that do not form part of the ongoing segment performance and which by virtue of their size or incidence have been separately disclosed in the financial statements.

3 AUDITOR REMUNERATION

Auditor remuneration in respect of the audit of the Company's financial statements for the period ended 31 January 2018 amounted to £27,840 (2017: £23,200). The Company's auditor provided no services to the Company other than the annual audit during the period under review.

4 EXCEPTIONAL ITEMS

	2018 £'000	2017 £'000
Exceptional operating items	54	-

Exceptional operating items in the current year of £54k were due to legal costs relating to the refinancing carried out during the year. There were no exceptional operating items in the prior year.

5 FINANCE INCOME

	2018 £'000	2017 £'000
Interest receivable from fellow subsidiary undertakings	133,499	133,677
	133,499	133,677

6 FINANCE COSTS

	2018 £'000	2017 £'000
Interest on borrowings	112,912	123,203
Penalty on early repayment of debt (see note 10)	10,119	-
Amortisation of issue fees	10,231	10,368
	133,262	133,571

During the year, the Group repaid Class A1 notes of £175m (2017: £300m) and Class A4 notes of £55m (2016: £195m). As a result, the Group incurred an early repayment penalty of £10m (2017: £nil).

7 TAX EXPENSE

The major components of the income tax expense are:

	2018 £'000	2017 £000
Current tax:		
- Current tax on income in the year	1	1
Total tax expense	1	1

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

	2018 £'000	2017 £'000
Profit before tax	5	5
Tax at rate of 19.16% (2017: 20.00%)	1	1
Income tax expense reported in the income statement	1	1

The company is incorporated in Jersey but not resident in Jersey as its business is centrally managed and controlled in the UK, and therefore tax resident in the UK.

8 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Amounts receivable within one year		
Amounts owed by group undertakings	**491,495**	439,458
	491,495	439,458

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

	2018 £'000	2017 £'000
Amounts receivable after one year		
Amounts owed by group undertakings	**2,478,356**	2,451,927
	2,478,356	2,451,927

The Company has entered into a number of Issuer / Borrower Loan Agreements (IBLAs) with AA Senior Co Limited. As a result of these agreements, the proceeds from the loan notes issued by the Company were loaned to AA Senior Co Limited. The terms of these intercompany loans reflect the terms and costs of the loan notes held by the Company. The element of the amounts owed by group undertakings which relate to the IBLAs are per the borrowings note below, see note 10.

9 TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Amounts owed to group undertakings	**491,379**	433,398
Accruals and deferred income	**93**	6,042
	491,472	439,440

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

10 BORROWINGS

	Expected maturity date	Interest rate	Principal £'000	Issue costs £'000	Amortised issue costs £'000	Total at 31 January 2018 £'000	Total at 31 January 2017 £'000
Class A1 notes	31 July 2018	-	-	-	-	-	174,703
Class A2 notes	31 July 2025	6.27%	500,000	(819)	354	**499,535**	499,473
Class A3 notes	31 July 2020	4.25%	500,000	(2,728)	1,710	**498,982**	498,575
Class A4 notes	31 July 2019	-	-	-	-	-	54,787
Class A5 notes	31 January 2022	2.88%	700,000	(37,222)	8,313	**671,091**	663,883
Class A6 notes	31 July 2023	2.75%	250,000	(3,788)	347	**246,559**	-
Class B2 notes	31 July 2022	5.50%	569,762	(15,990)	8,417	**562,189**	560,506
			2,519,762	**(60,547)**	**19,141**	**2,478,356**	2,451,927

10 BORROWINGS (*continued*)

A summary of the Company's refinancing transactions is shown below:

	As at 1 February 2017	Issue/ repayment date 13 July 2017	As at 31 January 2018 £m
Class A1 Notes	175,000	(175,000)	-
Class A2 notes	500,000	-	500,000
Class A3 notes	500,000	-	500,000
Class A4 notes	55,000	(55,000)	-
Class A5 notes	700,000	-	700,000
Class A6 notes	-	250,000	250,000
Class B2 notes	569,762	-	569,762
Total £m	**2,499,762**	**20,000**	**2,519,762**

In order to show the Company's net borrowing, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings. All borrowings have fixed interest rates.

All of the Class A notes are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co Limited group's assets ranks ahead of the Class B2 notes.

The Class B2 notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. AA Mid Co Limited group can only pay a dividend when certain net debt to EBITDA and cash flow criteria are met.

The Class B2 notes have an initial period to 31 July 2018 when any voluntary repayment would incur a make-whole payment and incur all remaining interest due to 31 July 2018. After this period, there is a further two year period when any voluntary repayment would be made at a fixed premium based on the date of redemption. Any voluntary early repayments of the Class A notes would incur a make-whole payment of all interest due to expected maturity date, except the Class A5 and Class A6 notes which can be settled without penalty within 3 months and 2 months respectively of the expected maturity date.

On 13 July 2017, the Company issued £250m of Class A6 notes at an interest rate of 2.75%. £4m of costs associated with the issue of the A6 notes were capitalised. This consisted of £1m of premium and £3m of new issue fees.

From the proceeds of the A6 notes, the Company repaid the remaining £175m of A1 notes incurring an interest penalty of £7m and £55m of A4 notes incurring an interest penalty of £3m. In line with the Group accounting policy, this was accounted for as an extinguishment of debt and therefore issue costs associated with the A1 and A4 notes have been written off but totalled under £1m.

In order to comply with the requirements of the Class A notes, we are required to maintain the AA intermediate co group Class A free cash flow to debt service ratio in excess of 1.35x and the senior leverage ratio below 5.5x. The Class B2 notes require us to maintain the Class B2 free cash flow to debt service ratio in excess of 1x.

10 BORROWINGS *(continued)*

The Class A and Class B2 notes therefore place restrictions on the Group's ability to upstream cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts.

The Class A notes only permit the release of cash providing the senior leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment within the AA Intermediate Co Limited group. The Class B2 notes only permit the release of cash providing the fixed charge cover ratio after payment is more than 2:1 and providing that the aggregate payments do not exceed 50% of the accumulated consolidated net income of the Intermediate Co Limited group.

11 CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	**2018** **£**	2017 £
2 ordinary shares of £1	**2**	2

As at 31 January 2018, the company had distributable reserves of £19,818 (2017: £15,776)

12 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA Intermediate Co Limited, a Company registered in England and Wales. AA plc is the ultimate controlling party and parent undertaking.

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.

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