

**AA PENSION FUNDING GP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

**Registered number: SC460990**



**AA PENSION FUNDING GP LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

**STRATEGIC REPORT**

The directors present their Annual Report and financial statements of AA Pension Funding GP Limited ("the Company") for the year to 31 January 2019.

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

The Company is a wholly owned subsidiary of Automobile Association Developments Limited. The Company is part of an asset backed funding arrangement which provides a long-term deficit reduction plan for the pension deficit in Automobile Association Developments Limited. The principal activity of the Company is to act as General Partner of AA Pension Funding LP in partnership with Automobile Association Developments Limited, as part of the asset backed funding arrangement. The Company receives a partnership return from AA Pension Funding LP.

The Statement of financial position on page 7 shows the Company's financial position at the year end. For decision making and internal performance management, management's key performance metric is net liabilities. Net liabilities were £3,696 as at 31 January 2019 (2018: £4,668).

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.

**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:

*Unable to maintain outstanding service and market share*

The AA's brand and its continued success, and, in particular, the loyalty of its customers, relies on delivering outstanding service that is superior to the rest of the market. Inadequate investment in technology, systems, people and processes would place this objective at increasing risk.

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

The AA plc group 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.

ON BEHALF OF THE BOARD



M NEVILLE  
DIRECTOR

30 October 2019

Registered Office:  
50 Lothian Road  
Festival Square  
Edinburgh  
Scotland  
EH3 9WJ

**AA PENSION FUNDING GP LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

**DIRECTORS' REPORT**

**DIRECTORS**

The directors who were in office during the year and up to the date of signing the accounts, unless stated otherwise, were as follows:

G Pritchard	(Resigned 1 August 2019)
M F Millar	(Resigned 17 April 2018)
M W Strickland	
M Neville	(Appointed 1 August 2019)

**COMPANY SECRETARY**

M F Millar	(Resigned 17 April 2018)
C M Free	(Appointed 17 April 2018) (Resigned 30 January 2019)
N Hoosen	(Appointed 30 January 2019)

**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 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 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 of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

**AA PENSION FUNDING GP LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

**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 risk are described in the Strategic Report 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.

Despite the Company being in a net liability position, Automobile Association Developments Limited, a parent undertaking, has stated that it will provide continuing financial assistance to the Company for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

**DIVIDENDS**

The directors do not recommend the payment of a dividend for the year (2018: £nil).

**AUDITORS**

Pursuant to the AA plc Group audit tender process in 2017, Ernst & Young LLP resigned as the Company's auditor following completion of their statutory and regulatory audits for the financial year ended 31 January 2018. PricewaterhouseCoopers LLP were appointed as auditors of the Company for the financial year ending 31 January 2019.

ON BEHALF OF THE BOARD



**M NEVILLE**  
**DIRECTOR**

30 October 2019

Registered Office:  
50 Lothian Road  
Festival Square  
Edinburgh  
Scotland  
EH3 9WJ

# ***Independent auditors' report to the members of AA Pension Funding GP Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, AA Pension Funding GP Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 January 2019; the Income Statement, 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.

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### **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.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

# ***Independent auditors' report to the members of AA Pension Funding GP Limited (continued)***

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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.

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## **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 set out on page 2, 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.

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.

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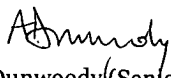
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

  
Alison Dunwoody (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
30 October 2019

**AA PENSION FUNDING GP LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 JANUARY**

	Note	2019 £	2018 £
<b>OPERATING COSTS</b>			
Administrative expenses		-	-
<b>OPERATING RESULT</b>	<b>3</b>	<b>-</b>	<b>-</b>
 Finance income	 <b>5</b>	 <b>1,200</b>	 <b>1,200</b>
<b>PROFIT BEFORE TAXATION</b>		<b>1,200</b>	<b>1,200</b>
 Income tax expense	 <b>6</b>	 <b>(228)</b>	 <b>(230)</b>
 <b>PROFIT FOR THE FINANCIAL YEAR</b>		 <b>972</b>	 <b>970</b>

All income and expenditure arises from continuing operations.

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 PENSION FUNDING GP LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

	Note	2019 £	2018 £
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	<u>6,012</u>	<u>5,131</u>
<b>TOTAL ASSETS</b>		<u>6,012</u>	<u>5,131</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	(9,480)	(9,799)
Current tax payable		<u>(228)</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>(9,708)</u>	<u>(9,799)</u>
<b>NET LIABILITIES</b>		<u>(3,696)</u>	<u>(4,668)</u>
<b>EQUITY</b>			
Called up share capital	9	1	1
Accumulated losses		<u>(3,697)</u>	<u>(4,669)</u>
<b>TOTAL EQUITY</b>		<u>(3,696)</u>	<u>(4,668)</u>

Signed for and on behalf of the board by



M NEVILLE  
DIRECTOR

30 October 2019

Company number: SC460990

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



# AA PENSION FUNDING GP LIMITED

## STATEMENT OF CHANGES IN EQUITY

	Called up share capital £	Accumulated losses £	Total £
At 1 February 2017	1	(5,639)	(5,638)
Profit for the year	-	970	970
<b>At 31 January 2018</b>	<b>1</b>	<b>(4,669)</b>	<b>(4,668)</b>
Profit for the year	-	972	972
<b>At 31 January 2019</b>	<b>1</b>	<b>(3,697)</b>	<b>(3,696)</b>

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

**AA PENSION FUNDING GP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1 Presentation of financial statements**

AA Pension Funding GP Limited is a private limited company and is incorporated and domiciled in Scotland.

Despite the Company being in a net liability position, Automobile Association Developments Limited, the parent undertaking has stated that it will provide continuing financial assistance to the Company for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

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

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

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',
- IFRS 7 'Financial Instruments Disclosures',
- IAS 8 paragraphs 30 and 31 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective),
- IFRS 13 paragraphs 91 – 99 'Fair Value measurement',
- 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**

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 January 2019 and have not had a material impact on the Company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2019 that have had a material impact on the Company.

**2.2 Critical accounting estimates and judgements**

The principal activity of the Company is to act as General Partner of AA Pension Funding LP in partnership with Automobile Association Developments Limited as part of the asset backed funding arrangement. The Company receives a fixed partnership return from AA Pension Funding LP but has no further trade. Therefore, minimal estimates and judgements are required by management with respect to these financial statements.

# AA PENSION FUNDING GP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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.

#### b) Financial assets and liabilities

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

The financial assets and liabilities accounting policy was reviewed as part of the adoption of IFRS 9 and the Company determined that no material adjustment was needed.

### 3 OPERATING RESULT

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2019 amounted to £5,000 (2018: £5,000). The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year. The audit fees for the current year have been borne by another group company. Legal fees in respect of the asset backed funding arrangement totalled £365 (2018: £300) and have been borne by a trading parent company in both the current and prior year.

### 4 DIRECTORS' REMUNERATION

	2019 £	2018 £
Aggregate remuneration in respect of qualifying services	554,455	675,009
Money purchase scheme contributions	8,748	-
	<u>563,203</u>	<u>675,009</u>
The amounts paid in respect of the highest paid director were as follows:		
Remuneration	323,566	277,822
Accrued defined benefit pension	8,748	8,392
	<u>332,314</u>	<u>286,214</u>

All directors of the Company are also directors of the ultimate parent undertaking (AA plc) and/or fellow subsidiaries. These directors are remunerated by another company that is part of the AA plc 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 (2018: 2) director under a defined benefit scheme and 1 (2018: nil) under a money purchase scheme.

The Company had no employees throughout the year (2018: nil).

# AA PENSION FUNDING GP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5 FINANCE INCOME

	2019 £	2018 £
Partnership return	1,200	1,200
	<u>1,200</u>	<u>1,200</u>

Under the partnership agreement between AA Pension Funding GP Limited, Automobile Association Developments Limited and AA Pension Trustees Limited, the Company is entitled to a monthly partnership return.

### 6 INCOME TAX EXPENSE

The tax expense is made up as follows:

	2019 £	2018 £
<b>Current tax:</b>		
- Group relief payable	-	230
- Current income tax charge	228	-
Total tax charge	<u>228</u>	<u>230</u>

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

	2019 £	2018 £
Profit before taxation	<u>1,200</u>	<u>1,200</u>
Tax at rate of 19.00% (2018: 19.16%)	<u>228</u>	<u>230</u>
<b>Income tax expense reported in the Income statement</b>	<u>228</u>	<u>230</u>

### 7 TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
<b>Amounts receivable within one year</b>		
Other taxes and social security costs	12	12
Amounts owed by group undertakings	<u>6,000</u>	<u>5,119</u>
	<u>6,012</u>	<u>5,131</u>

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

### 8 TRADE AND OTHER PAYABLES

	2019 £	2018 £
<b>Amounts payable within one year</b>		
Amounts owed to group undertakings	<u>9,480</u>	<u>9,799</u>
	<u>9,480</u>	<u>9,799</u>

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

# AA PENSION FUNDING GP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9 CALLED UP SHARE CAPITAL

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
1 (2018:1) ordinary share of £1 each	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</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.

As at 31 January 2019, the company had no distributable reserves (2018: £nil).

### 10 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of Automobile Association Developments 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 AA plc financial statements are available from the website [www.theaapl.com/investors](http://www.theaapl.com/investors).