

OS AA01

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



Companies House



\*L618XICY\*

L13 31/10/2017 #79  
COMPANIES HOUSE

A05 10/10/2017 #100  
COMPANIES HOUSE

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

☒ What this form is NOT for  
You cannot use this form  
an alteration of manner of  
with accounting requirements

TUESDAY  
TUES

Part 1 Corporate company name

Corporate name of  
overseas company ①

AA Bond Co Limited

UK establishment  
number

B R 0 1 6 5 2 3

→ Filling in this form

Please complete in typescript or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

① 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 ②

Companies (Jersey) Law 1991

② 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.

③ Please insert the name of the  
appropriate accounting organisation  
or body.

Name of organisation  
or body ③

United Kingdom Accounting Standards

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'.

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

Name of organisation or body ●

United Kingdom Accounting Standards

**A5**

### Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐

No.

☒

Yes.

## Part 3

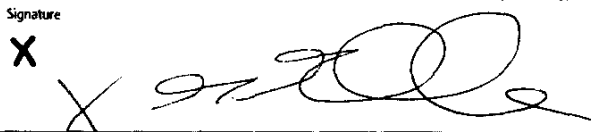
### Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X



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	Company Secretariat
Company name	AA plc
Address	Fanum House
Basing View	
Basingstoke	
Post town	
County/Region	
Postcode	R G 2 1 4 E A
Country	United Kingdom
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](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto: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](http://www.companieshouse.gov.uk)

AA

**AA BOND CO LIMITED**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2017**

WEDNESDAY



\*R6B0GHB5\*

RCS	19/07/2017	#93
COMPANIES HOUSE		
A19	19/07/2017	#430
COMPANIES HOUSE		

**Registered FC number: FC031455**

**Registered Company number 112992**

**AA BOND CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2017**

**DIRECTORS' REPORT**

The directors present their report and audited financial statements of AA Bond 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 Intermediate Co Limited.

The principal activity of the Company is that of a financing company. Class A1, A2 A3, A4 and B2 notes issued in previous years and class A5 notes issued in the current year (see note 9) are listed on the Irish Stock Exchange.

The Company incurred interest of £123.2m (2016: £148.2m) in the year to 31 January 2017, amortisation of issue fees of £10.4m (2016: £19.2m) and an early repayment fee of £nil (2016: £58.6m). This was offset by interest receivable from a fellow subsidiary undertaking of £133.7m (2016: £225.7m). 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 (2016: £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 principal risks have been grouped into the following categories:

*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.

*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's ability to repay its debt.

*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.

AA

**AA BOND CO LIMITED**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2017**

COMPANIES ACT 1993

**Registered FC number: FC031455**

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**AA BOND CO LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2017**

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

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

R W Berry	(Resigned 31 January 2017)
M A Clarke	
M F Millar	(Appointed 14 September 2016)
G Pritchard	(Appointed 30 April 2016)
R J H Scott	(Resigned 30 April 2016)
H P Whitaker	(Appointed 31 January 2017)

**COMPANY SECRETARY**

Morant Ozannes Secretaries (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.

**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.

## **AA BOND CO LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2017**

### **DIRECTORS' REPORT (continued)**

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.

### **RE-APPOINTMENT OF AUDITOR**

Ernst & Young LLP have expressed their willingness to continue in office.

BY ORDER OF THE BOARD



G PRITCHARD  
DIRECTOR

29 June 2017

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

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

We have audited the financial statements of AA Bond Co Limited for the year ended 31 January 2017 which comprise the *Income statement, statement of financial position, statement of changes in equity and the related notes 1 to 11*. 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.

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.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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. 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 Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- ▶ have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### Matters on which we are required to report by exception

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

- ▶ proper accounting records have not been kept, 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 accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Kathryn Barrow  
For and on behalf of Ernst & Young LLP  
London

30 June 2017

# AA BOND CO LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 JANUARY

	Notes	2017 £'000	2016 £'000
<b>OPERATING COSTS</b>			
Administrative expenses		(101)	(143)
<b>OPERATING PROFIT</b>		<u>(101)</u>	<u>(143)</u>
Finance income	4	133,677	226,134
Finance costs	5	(133,571)	(225,986)
<b>PROFIT BEFORE TAX</b>		<u>5</u>	<u>5</u>
Tax expense	6	(1)	(1)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>4</u></u>	<u><u>4</u></u>

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 FOR THE YEAR ENDED 31 JANUARY

	Notes	2017 £'000	2016 £'000
<b>NON-CURRENT ASSETS</b>			
Other receivables	7	2,451,927	2,440,507
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	439,458	379,887
<b>TOTAL ASSETS</b>		<u>2,891,385</u>	<u>2,820,394</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	(439,440)	(379,873)
Current tax payable		(2)	(2)
		<u>(439,442)</u>	<u>(379,875)</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	9	<u>(2,451,927)</u>	<u>(2,440,507)</u>
<b>TOTAL LIABILITIES</b>		<u>(2,891,369)</u>	<u>(2,820,382)</u>
<b>NET ASSETS</b>		<u>16</u>	<u>12</u>
<b>EQUITY</b>			
Called up share capital	10	-	-
Retained earnings		16	12
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>		<u>16</u>	<u>12</u>

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



G PRITCHARD  
DIRECTOR

29 June 2017

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

# AA BOND CO LIMITED

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 February 2015	-	8	8
Profit for the year	-	4	4
<b>At 31 January 2016</b>	-	<b>12</b>	<b>12</b>
Profit for the year	-	4	4
<b>At 31 January 2017</b>	-	<b>16</b>	<b>16</b>

# **AA BOND CO LIMITED**

## **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 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),
- IFRS 7 'Financial Instruments 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).
- 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.

## AA BOND CO 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.

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.

#### 3 AUDITOR REMUNERATION

Auditor remuneration in respect of the audit of the Company's financial statements for the period ended 31 January 2017 amounted to £20,000 (2016: £20,000). The Company's auditor provided no services to the Company other than the annual audit during the period under review.

# AA BOND CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4 FINANCE INCOME

	2017 £'000	2016 £'000
Bank interest receivable	-	465
Interest receivable from fellow subsidiary undertakings	133,677	225,669
	<u>133,677</u>	<u>226,134</u>

Interest receivable from fellow subsidiaries relates to interest received from proceeds of the Class B2 notes which were held in an escrow account from April 2016 until July 2016 and then used to repay the Class B notes, early repayment penalty and interest on the Class B notes.

### 5 FINANCE COSTS

	2017 £'000	2016 £'000
Interest on borrowings	123,203	148,236
Penalty on early repayment of debt	-	58,581
Amortisation of issue fees	10,368	19,169
	<u>133,571</u>	<u>225,986</u>

### 6 TAX EXPENSE

The major components of the income tax expense are:

	2017 £'000	2016 £'000
<b>Current tax:</b>		
- Current tax on income in the year	1	1
<b>Total tax expense</b>	<u>1</u>	<u>1</u>

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

	2017 £'000	2016 £'000
Profit before tax	<u>5</u>	<u>5</u>
Tax at rate of 20.00% (2016: 20.16%)	<u>1</u>	<u>1</u>
<b>Income tax expense reported in the income statement</b>	<u>1</u>	<u>1</u>

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.

# AA BOND CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7 TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
<b>Amounts receivable within one year</b>		
Amounts owed by group undertakings	<u>439,458</u>	<u>379,887</u>
	<b>439,458</b>	<b>379,887</b>

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

	2017 £'000	2016 £'000
<b>Amounts receivable after one year</b>		
Amounts owed by group undertakings	<u>2,451,927</u>	<u>2,440,507</u>
	<b>2,451,927</b>	<b>2,440,507</b>

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 loans 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 9.

### 8 TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Amounts owed to group undertakings	433,398	379,411
Accruals and deferred income	<u>6,042</u>	<u>462</u>
	<b>439,440</b>	<b>379,873</b>

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

### 9 BORROWINGS

	Expected maturity date	Interest rate	Principal £'000	Issue costs £'000	Amortised issue costs £'000	Total at 31 January 2017 £'000	Total at 31 January 2016 £'000
Class A1 notes	31 July 2018	4.72%	175,000	(3,012)	2,715	174,703	473,561
Class A2 notes	31 July 2025	6.27%	500,000	(819)	292	499,473	499,411
Class A3 notes	31 July 2020	4.25%	500,000	(2,728)	1,303	498,575	498,167
Class A4 notes	31 July 2019	3.78%	55,000	(2,191)	1,978	54,787	248,552
Class A5 notes	31 January 2022	2.88%	700,000	(37,222)	1,105	663,883	-
Class B2 notes	31 July 2022	5.50%	569,762	(15,990)	6,734	560,506	720,816
			<b>2,499,762</b>	<b>(61,962)</b>	<b>14,127</b>	<b>2,451,927</b>	<b>2,440,507</b>

# AA BOND CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9 BORROWINGS (continued)

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

	Class A1	Class A2	Class A3	Class A4	Class A5	Class B2	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 February 2016	475,000	500,000	500,000	250,000	-	735,000	2,460,000
Issue/repayment date:							
6 December 2016	(300,000)	-	-	(195,000)	700,000	(165,238)	39,762
<b>Total</b>	<b>175,000</b>	<b>500,000</b>	<b>500,000</b>	<b>55,000</b>	<b>700,000</b>	<b>569,762</b>	<b>2,499,762</b>

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 notes which can be settled without a penalty within three months of the expected maturity date.

On 6 December 2016, the Company issued £700m of Class A5 notes at an interest rate of 2.88%. Holders of £300m of A1 notes and £195m of A4 notes exchanged their A notes for the new A5 notes. From the remaining proceeds, the Company tendered £165m of Class B2 notes. The refinancing was completed at a premium of £30m and with issue costs of £8m. In line with the Company's accounting policy, £37m of costs associated with the A1 and A4 notes were capitalised. This consisted of £28m of the premium, £7m of new issue fees and £2m of unamortised issue costs relating to the A1 and A4 notes that were exchanged. Costs associated with the B2 notes have been written off. This consisted of £2m of the premium, £1m of new issue costs and £3m of unamortised issue costs relating to the B2 notes that were tendered.

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.

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.

# AA BOND CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 CALLED UP SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
2 ordinary shares of £1	<u>2</u>	<u>2</u>

As at 31 January 2017, the company had distributable reserves of £15,776 (2016: £11,776)

### 11 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.theaapl.com/investors](http://www.theaapl.com/investors).