

A A THE DRIVING SCHOOL AGENCY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2023



Registered number: 02733119

A A THE DRIVING SCHOOL AGENCY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2023

The directors present their Annual Report and financial statements of A A The Driving School Agency Limited ("the Company") for the year ended 31 January 2023.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND KEY PERFORMANCE INDICATORS

The Company is a wholly owned subsidiary of Automobile Association Developments Limited.

The principal activity of the Company is to act as an agent to collect and transfer sums of money for driving school pupils' cash receipts to another company within the AA Limited group, "the Group", subject to agency agreements. The Company does not trade externally.

Despite a challenging macroeconomic environment, the Company remains in a resilient position to continue to perform its primary activity and management have assessed that this will continue to be the case. For decision making and internal performance management, management's key performance metric is net assets. Net assets remained at £2 (2022: £2). There are currently no plans to alter the principal activity of the Company going forward.

The directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006. For details of how this is accomplished across the AA Limited group ("the Group"), refer to pages 46-47 of AA Limited's Annual Report, with whom the Company shares common directorship and management structure.

RISK MANAGEMENT FRAMEWORK

Overall Responsibility

The Company is part of the AA Limited group ("Group"), the ultimate parent of which was Basing Consortium Co Limited during FY23. Decisions, policies and procedures that may affect stakeholders were implemented at The AA Limited group level during the year and the Board oversees the application of these to the Company. The Board recognises that the Company's stakeholders include those that interact with the Company directly, in addition to those with indirect relationships in the context of the wider AA Limited group. Further information about the corporate governance arrangements for the AA is set out in the Director's Report on pages 46-51 of the AA Limited Annual Report and Accounts 2023.

The principal risks faced by the AA over the last year are summarised below. We monitor and assess these risks very closely to ensure they are managed appropriately and effectively. Principal risks and opportunities are defined as the risks and opportunities that are likely to have a material impact on the AA's business strategy.

Risk Governance

The AA operates a three lines of defence model to ensure that its risks and opportunities are identified, assessed, monitored and managed in line with its stated risk appetite.

The three lines of defence model can be summarised as follows:

- First line of defence: the business units that run the business, they are accountable for the day-to-day management of the AA, which includes identifying and managing their risks.
- Second line of defence: the AA's Group Risk and Compliance function, they are accountable for providing oversight, challenge and advice to the first line.
- Third line of defence: the AA's Internal Audit function, they are accountable for providing assurance to the business by performing independent reviews of the first and second lines of defence.

The AA's risk management framework aims to ensure that:

- risks are made visible
- risks are discussed and understood
- risks are owned and managed
- appropriate action is taken
- risks are used for opportunities
- we learn from our risk-taking

AA THE DRIVING SCHOOL AGENCY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2023 (continued)

RISK MANAGEMENT FRAMEWORK (continued)

The risk management framework is comprised of the five pillars set out below.

Risk culture and governance	The processes and structures to demonstrate to the AA Limited Board that effective risk management, oversight and assurance is being undertaken for all key risks faced by the AA.
Strategy and objectives	The process to ensure that risk is considered as part of strategy and objectives, including the direction it sets for taking, avoiding and considering opportunity from risk.
Risk identification and prioritisation	A set of key risk categories to identify where the AA has, or is likely to have, material risk exposures and the activities we perform to prioritise our actions.
Risk management and controls	A set of processes to review and assess the risk and control environment. Risks are assessed on an inherent (no controls), residual (with controls) and target basis to help senior management understand and manage their risk exposures.
Risk reporting and communication	The information and reporting in place to support senior management in discharging their risk management accountabilities effectively and to help them make informed, risk-based decisions.

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

Financial Risk

The risk that the Group has insufficient liquid funds required for the business to operate, is unable to refinance its maturing debt, or unable to do this at affordable cost. The ability to finance is critical to the ongoing existence and operation of the Group. Credit rating, stakeholder management, financial market conditions and interest rates are all important factors. In particular, financing costs have increased as a result of rising interest rates as the economy sees higher levels of inflation.

Despite a challenging macroeconomic environment, the AA Limited Group has completed a successful refinancing of its A6 Notes, issuing £250m of A10 Notes in FY23, as well as a partial refinancing of its £550m A7 Notes in FY24. In August 2023 £61m of A2 Notes were also repurchased and cancelled using £60m cash. The Group continues to seek to refinance bonds well ahead of their maturity dates. The Group is highly cash generative and has good levels of available cash as well as a Working Capital Facility of £56m, of which £46m is available for cash drawings allowing it to withstand such macroeconomic challenges.

A A THE DRIVING SCHOOL AGENCY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2023 (continued)

RISK MANAGEMENT FRAMEWORK (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 Limited group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

ON BEHALF OF THE BOARD

Dean Keeling

D C KEELING

DIRECTOR

12 OCTOBER 2023

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

Registered number: 0273311

A A THE DRIVING SCHOOL AGENCY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2023

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were as follows:

D C Keeling

C Benitz (appointed 1 December 2022)

S Rees (resigned 31 March 2022)

COMPANY SECRETARY

J E Cox

DIRECTORS' INDEMNITY

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against all losses and liabilities incurred in the discharge of their duties, to the extent permitted by law. This is a qualifying third-party indemnity provision and was in force throughout the financial year and at the date of approval of the Annual Report and Financial Statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (*United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law*).

Under Company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Annual Report and Financial Statements, the directors are required to:

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

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

A A THE DRIVING SCHOOL AGENCY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2023 (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.

DIVIDENDS

The Company has not paid a dividend in the year (2022: £nil) and the directors do not propose the payment of a final dividend (2022: £nil).

GOING CONCERN

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities, review of the business, future developments and key performance indicators" and "Risk management framework" sections on pages 1 to 3.

The Company has adequate financial resources due to the Company's own net current asset position. A A The Driving School Agency Limited is a wholly owned subsidiary of the AA Limited group ("Group"), hence the going concern status of the Company is linked to the wider Group which provides the cash required to meet the scheduled debt interest payments and principal repayments. The Company Directors have reviewed projected cash flows of the Group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited Directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future.

The Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its A7 Notes which had a maturity date of 31 July 2024. As at the date of approval of these financial statements, the full £550m of A7 Notes have already been refinanced and £61m of A2 Notes have been repurchased and cancelled using £60m cash (see Note 10).

The Company Directors have reviewed the projected cash flows of the AA Limited group for a period of at least one year from the date of approval of these financial statements. The Company Directors have concluded, with the AA Limited Directors, that they have confidence that the Company and the AA Limited group will have sufficient funds to continue trading during this period and the foreseeable future and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 50-51 of the AA Limited group's Annual Report. For the AA Limited group's longer-term viability, it remains a key assumption of its Directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. This is important to the Company, which has intercompany receivables from and payables to members of the AA Intermediate Co Limited group, where settlement is dependent on the wider Group's ability to refinance.

After making appropriate enquiries, the Company's Directors have, at the time of approving these financial statements, a reasonable expectation that the AA Limited group and the Company have adequate resources to continue in operational existence for the foreseeable future and, as a consequence, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

A A THE DRIVING SCHOOL AGENCY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2023 (continued)

EXEMPTION FROM AUDIT

The Directors of AA Limited consider that the subsidiaries of the Group are entitled to exemption from the requirement to have an audit under the provision of section 479A of the Companies Act 2006 ("the Act") and the members have not required the Company to obtain an audit for the financial year in question, in accordance with section 476 of the Act.

AA Limited has guaranteed the liabilities of A A The Driving School Agency Limited in order that it qualifies for the exemption from audit under section 479A of the Companies Act 2006, in respect of the year ended 31 January 2023.

ON BEHALF OF THE BOARD

Dean Keeling

D C KEELING

DIRECTOR

12 OCTOBER 2023

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

Registered number: 02733119

A A THE DRIVING SCHOOL AGENCY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2023

	Note	2023 £	2022 £
CURRENT ASSETS			
Trade and other receivables	5	8,129,476	5,248,788
TOTAL ASSETS		<u>8,129,476</u>	<u>5,248,788</u>
CURRENT LIABILITIES			
Trade and other payables	6	(8,129,474)	(5,248,786)
TOTAL LIABILITIES		<u>(8,129,474)</u>	<u>(5,248,786)</u>
NET ASSETS		<u>2</u>	<u>2</u>
EQUITY			
Called up share capital	7	<u>2</u>	<u>2</u>
TOTAL EQUITY		<u>2</u>	<u>2</u>

The Company has made neither profit nor loss, nor any other recognised gain or loss in either the current or prior year and as such no separate statement of comprehensive income has been prepared.

For the year ended 31 January 2023, A A The Driving School Agency Limited is entitled to exemption from audit under sections 479A and 476 of the Companies Act 2006 (as by Private Limited Company (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008).

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

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

Dean Keeling

D C KEELING
DIRECTOR
12 OCTOBER 2023

Registered number: 02733119

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

A A THE DRIVING SCHOOL AGENCY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2023

	Called up share capital £	Retained earnings £	Total Equity £
At 1 February 2021	2	-	2
Profit for the year	-	-	-
At 31 January 2022	2	-	2
Profit for the year	-	-	-
At 31 January 2023	2	-	2

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

A A THE DRIVING SCHOOL AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRESENTATION OF FINANCIAL STATEMENTS

A A The Driving School Agency Limited is a private company limited by shares and is incorporated and domiciled in England and Wales UK.

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

Going Concern

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activities, review of the business, future developments and key performance indicators" and "Risk management framework" sections on pages 1 to 3.

The Company has adequate financial resources due to the Company's own net current asset position. AA The Driving School Agency Limited is a wholly owned subsidiary of the AA Limited group ("Group"), hence the going concern status of the Company is linked to the wider Group which provides the cash required to meet the scheduled debt interest payments and principal repayments. The Company Directors have reviewed projected cash flows of the Group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited Directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future.

The Group continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its A7 Notes which had a maturity date of 31 July 2024. As at the date of approval of these financial statements, the full £550m of A7 Notes have already been refinanced and £61m of A2 Notes have been repurchased and cancelled using £60m cash (see Note 10).

The Company Directors have reviewed the projected cash flows of the AA Limited group for a period of at least one year from the date of approval of these financial statements. The Company Directors have concluded, with the AA Limited Directors, that they have confidence that the Company and the AA Limited group will have sufficient funds to continue trading during this period and the foreseeable future and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 50-51 of the AA Limited group's Annual Report. For the AA Limited group's longer-term viability, it remains a key assumption of its Directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. This is important to the Company, which has intercompany receivables from and payables to members of the AA Intermediate Co Limited group, where settlement is dependent on the wider Group's ability to refinance.

After making appropriate enquiries, the Company's Directors have, at the time of approving these financial statements, a reasonable expectation that the AA Limited group and the Company have adequate resources to continue in operational existence for the foreseeable future and, as a consequence, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"). The financial statements are under the historical cost convention and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

A A THE DRIVING SCHOOL AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- IAS 1 paragraphs 10(d) and 10(f),
- IAS 1 paragraph 16 (statement of compliance with all IFRS),
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements),
- IAS 1 paragraph 111 (cash flow statement information),
- IAS 1 paragraphs 134-136 (capital management disclosures),
- IAS 7 'Statement of cash flows',
- IAS 8 paragraphs 30 and 31, (accounting policies, changes in accounting estimates and errors),
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation).
- IFRS 7 'Financial Instruments Disclosures'.
- IFRS 13 'Fair value measurement'.

New standards, amendments and IFRIC interpretations

The Company did not identify any new accounting standards coming into effect in the current year with a material impact on the financial statements. A number of new accounting standards, amendments and interpretations have been issued and will be effective for years beginning after 1 February 2022, however the Company has not identified any with an expected material impact on the financial statements.

2.2 Significant Accounting policies

Financial assets and financial liabilities

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

Trade and other receivables

Trade and other receivables are amounts due from another group company for goods or services performed in the ordinary course of business. They are generally due for settlement on demand and are therefore all classified as current. Trade and other receivables are recognised at fair value and are subsequently held at amortised cost.

Trade payables

Trade payables are not interest bearing and are recognised at fair value and are subsequently held at amortised cost.

2.3 Critical accounting estimates and judgements

Estimates are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Intercompany receivables

The assessment of credit loss allowances for intercompany receivables requires judgement to assess the collectability of intercompany balances. There is also estimation uncertainty in respect to the expected credit loss rates applied to such balances, which may differ to the actual outcome.

A A THE DRIVING SCHOOL AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 AUDITORS' REMUNERATION

Audit fees of £nil (2022: £18,277) were paid on the Company's behalf by another AA group company with no recharge due to the application of the audit exemption for the first time.

4 DIRECTORS' REMUNERATION

	2023	2022
	£	£

Aggregate remuneration in respect of qualifying services:

Remuneration	675,142	1,070,742
Money purchase scheme contributions	220	7,800
Share based payments	38,130	494,871
Compensation for loss of office	14,281	457,233
	<u>727,773</u>	<u>2,030,646</u>

	2023	2022
	£	£

The amounts paid in respect of the highest paid director were as follows:

Remuneration	614,982	638,561
Share based payments	38,130	415,863
Compensation for loss of office	-	457,233
	<u>653,112</u>	<u>1,511,657</u>

One of the directors of the Company is also a director of the ultimate parent undertaking (Basing Consortium Co Limited) and/or fellow subsidiaries. The directors are remunerated by another company that is part of the Basing Consortium Co Limited group. As the directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the ultimate parent undertaking and fellow subsidiary companies, their full remuneration has been reflected in the disclosure above.

During the year ended 31 January 2023, nil directors (2022: 2) received and exercised nil shares (2022: 1,413,918) in respect of qualifying services under a long-term incentive scheme.

Retirement benefits are accruing for nil (2022: nil) directors under a defined benefit scheme and 1 directors (2022: 1) under a money purchase scheme. The Company had no employees throughout the year (2022: nil).

5 TRADE AND OTHER RECEIVABLES

	2023	2022
	£	£
Amounts owed by group undertakings	<u>8,129,476</u>	<u>5,248,788</u>

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

A A THE DRIVING SCHOOL AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 TRADE AND OTHER PAYABLES

	2023	2022
	£	£
Trade payables	8,129,474	5,248,786

Trade payables represent funds payable to driving instructors which have been received from Driving School pupils for lessons to be taken in the future less funds withdrawn by driving instructors for lessons taught.

7 CALLED UP SHARE CAPITAL

	2023	2022
	£	£
Allotted, called up and fully paid		
2 (2022: 2) ordinary shares of £1 each	2	2

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

During the year the Company did not pay a dividend (2022: £nil).

8 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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

The parent of the smallest group to consolidate these financial statements is AA Intermediate Co Limited and the parent of the largest group to consolidate these financial statements is AA Limited, both of whose registered office is Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA.

The ultimate controlling party and parent undertaking is Basing ConsortiumCo Limited, whose registered office is 3rd Floor, 44 Esplanade, St Helier, JE4 9WG, Jersey.

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

9 AUDIT EXEMPTION UNDER SECTION 479A OF THE COMPANIES ACT 2006

The Directors of AA Limited consider that the subsidiaries of the Group are entitled to exemption from the requirement to have an audit under the provision of section 479A of the Companies Act 2006 ("the Act") and the members have not required the Company to obtain an audit for the financial year in question, in accordance with section 476 of the Act.

AA Limited has guaranteed the liabilities of A A The Driving School Agency Limited in order that it qualifies for the exemption from audit under section 479A of the Companies Act 2006, in respect of the year ended 31 January 2023.

A A THE DRIVING SCHOOL AGENCY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 EVENTS AFTER THE REPORTING PERIOD

A11 Loan Note Issue

On 6 February 2023 the AA Limited group issued £400m of Class A11 Notes at an interest rate of 8.45%. The proceeds of the issuance of the Class A11 Notes were used to redeem £308m of Class A7 Notes for a cash payment of £302m on 7 February 2023 tendered by existing note holders as part of a liability management exercise. The remaining surplus cash proceeds of £98m were transferred to a mandatory prepayment account to be held for redemption of Class A7 Notes. A further £10m of Class A7 Notes were purchased from existing bond holders on 3 March 2023 and redeemed. A further £103m of Class A7 Notes were voluntarily repaid on 16 May 2023 and redeemed using the £98m surplus and £5m of additional cash.

A10 Loan Note Issue

On 23 June 2023 the AA Limited group issued an additional £135m of Class A10 Notes at an interest rate of 7.38%. This rate is below the prevailing yield at the time of issue of 9.50% and so the Notes were issued below par. The proceeds of the issue were therefore £122m. The proceeds were used in combination with existing cash held to redeem the outstanding £129m of Class A7 Notes.

A2 Loan Note Repurchase

On 17 August 2023 the AA Limited group repurchased and cancelled £61m of A2 Notes for cash consideration of £60m. The remaining A2 principal balance after this redemption is £439m.