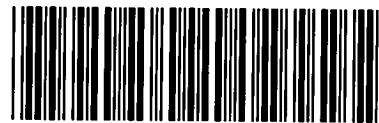


AA MEDIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2017

Registered number: 6112600

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AA MEDIA LIMITED

FOR THE YEAR ENDED 31 JANUARY 2017

STRATEGIC REPORT

The directors present the Annual report and Financial Statements of AA Media Limited ("the Company") for the year ended 31 January 2017.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company is a wholly owned subsidiary of AA Corporation Limited.

The principal activity of the Company during the year continued to be publishing atlases, hotel and travel guides and producing AA branded signage.

As shown in the Company's income statement, the Company's revenue decreased by £11k during the current year, whilst profit before taxation increased by £128k over the same period. There has been a restatement of £196k to the prior year revenue, please see note 19.

The Statement of Financial Position shows the Company's financial position at the year end. The Company has net assets of £13,186k (2016: net assets of £11,261k).

For decision making and internal performance management, management's key performance metric is Earnings before interest, tax, depreciation and amortisation and exceptional items (trading EBITDA). Trading EBITDA reduced by £506k to £3,255k during the current year.

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:

Brand Risk

The Company recognises that the AA brand is a key differentiator and source of competitive advantage, and brand damage from low quality products or services could have an adverse impact on the Company. The Company has in place policies and procedures to protect the brand at all times.

Financial Risk

Financial risks are managed centrally by the group treasury team taking into account the Company's position as part of the group with due consideration being given to the impact of transactions with other group entities.

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

Credit Risk

Credit risk is the risk that one party to a financial transaction will cause financial loss for the other party by failing to discharge an obligation. The Company's policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

AA MEDIA LIMITED

FOR THE YEAR ENDED 31 JANUARY 2017

STRATEGIC REPORT (continued)

RISK MANAGEMENT FRAMEWORK (continued)

Competitive Risk

The Company continues to operate in highly competitive markets. This could lead to increased price competition with the effect of reduced margins or reduced market share. These risks are managed through promotion of the group brand and continuing efforts to improve efficiency and reduce costs.

The Company 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 both by the Compliance and Internal Audit functions to ensure they are working effectively.

The following definitions apply throughout the report:

¹ Trading Revenue is revenue excluding discontinued operations, business disposed of and exceptional revenue items.

² Trading EBITDA is profit after tax as reported adjusted for amortisation, depreciation, taxation, exceptional items, finance income and finance costs and better reflects the Company's underlying performance.

BY ORDER OF THE BOARD



K E R LLOYD-JUKES
DIRECTOR

22 August 2017

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

AA MEDIA LIMITED

FOR THE YEAR ENDED 31 JANUARY 2017

DIRECTORS' REPORT

DIRECTORS

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

M A Clarke
K E R Lloyd-Jukes
M F Millar
R J H Scott (resigned 30 April 2016)

COMPANY SECRETARY

M F Millar

DIRECTORS' INDEMNITY

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against all losses and liabilities incurred in the discharge of their duties, to the extent permitted by law.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable laws and United Kingdom Accounting Standards (United Kingdom Generally accepted Accounting Policies) including FRS101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AA MEDIA LIMITED

FOR THE YEAR ENDED 31 JANUARY 2017

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the Strategic Report on pages 1-2.

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 and the Company's own net asset position. The directors believe that the Company is well placed to manage its business risks successfully using the risk management framework described in the Strategic Report and that the residual risks being taken by the Company are commensurate with its financial resources.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

RE-APPOINTMENT OF AUDITOR

In accordance with section 487(2) of the Companies Act 2006, the Auditor Ernst and Young LLP is deemed reappointed.

DISCLOSURE OF INFORMATION TO AUDITOR

Each director has made enquiries of their fellow director and the Company's auditor and taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

BY ORDER OF THE BOARD



K E R LLOYD-JUKES
DIRECTOR

22 August 2017

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AA MEDIA LIMITED

We have audited the financial statements of AA Media Limited for the year ended 31 January 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities as set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

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

23 August 2017

AA MEDIA LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Notes	2017 £'000	Restated 2016 ¹ £'000
REVENUE	3	16,806	16,817
COST OF SALES		(8,135)	(8,667)
GROSS PROFIT		8,671	8,150
OPERATING COSTS			
Administrative expenses		(6,220)	(5,689)
OPERATING PROFIT	4	2,451	2,461
Trading EBITDA		3,255	3,761
Amortisation and depreciation	13,14	(419)	(387)
Exceptional items	5	(385)	(913)
OPERATING PROFIT		2,451	2,461
Finance income	8	17	-
Finance costs	9	(41)	(162)
PROFIT BEFORE TAX		2,427	2,299
Tax expense	10	(502)	(483)
PROFIT FOR THE FINANCIAL YEAR		1,925	1,816

¹ See note 19

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 MEDIA LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 JANUARY

	Notes	2017 £'000	Restated 2016 ¹ £'000
NON-CURRENT ASSETS			
Intangible assets	13	38	314
Property, plant and equipment	14	617	625
Deferred tax asset	11	143	141
		<u>798</u>	<u>1,080</u>
CURRENT ASSETS			
Inventories	12	2,364	2,101
Trade and other receivables	15	17,157	14,637
Cash and cash equivalents		-	41
		<u>19,521</u>	<u>16,779</u>
TOTAL ASSETS		<u>20,319</u>	<u>17,859</u>
CURRENT LIABILITIES			
Trade and other payables	16	(6,725)	(6,357)
Corporation tax payable		(178)	-
		<u>(6,903)</u>	<u>(6,357)</u>
NON-CURRENT LIABILITIES			
Finance lease obligations	17	(230)	(241)
		<u>(230)</u>	<u>(241)</u>
TOTAL LIABILITIES		<u>(7,133)</u>	<u>(6,598)</u>
NET ASSETS		<u>13,186</u>	<u>11,261</u>
EQUITY			
Called up share capital	18	7,000	7,000
Retained earnings		6,186	4,261
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		<u>13,186</u>	<u>11,261</u>

¹ See note 19

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



K E R LLOYD-JUKES
DIRECTOR

22/8/ 2017

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

AA MEDIA LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Restated retained earnings ¹ £'000	Total £'000
At 1 February 2015	7,000	2,445	9,445
Profit for the year	-	1,816	1,816
At 31 January 2016	7,000	4,261	11,261
Profit for the year	-	1,925	1,925
At 31 January 2017	7,000	6,186	13,186

¹ See note 19

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

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of financial statements

AA Media Limited is incorporated and domiciled in England and Wales.

The financial statements are prepared on a going concern basis.

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

The financial statements are prepared in Sterling and are rounded to the nearest £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),
- IAS 7 'Statement of cash flows',
- IAS 8 paragraphs 30 and 31,
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation).

2.2 Critical accounting estimates and judgements

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

Management have exercised judgement in applying the Company's accounting policies and in making critical estimates. The underlying assumptions on which these judgements are based, are reviewed on an on-going basis and include the valuation of inventories and inventory provisions.

The principle estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Capitalisation of intangible and tangible assets

Management exercise judgement in the capitalisation of software development costs. This is carried out through assessment of expenditure against capitalisation criteria and exercising judgement in determining the useful economic life of assets within the parameters of the Company accounting policies.

Inventory Valuation

Management exercise judgement in the assessment of the net realisable value of inventory. A review is carried out periodically to compare the cost of the inventory to expected resale value and a provision is made where cost exceeds the net realisable value.

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies

a) Software and development costs

Software development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied. The asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over its useful life of three to five years.

b) Property, plant, vehicles and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on property, plant and equipment at rates calculated to write off the costs, less estimated residual value based on prices prevailing at date of acquisition of each asset evenly over its expected useful life as follows:

Fixtures, fittings and equipment	3 – 20 years
----------------------------------	--------------

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c) Inventories

Inventory is valued at the lower of cost or net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. A provision is made to reduce the value of inventory where net realisable value is lower than cost.

d) Revenue

Revenue represents amounts receivable for goods and services provided, excluding value added tax and trade discounts. Revenue is recognised at point of delivery of goods or on provision of service.

All revenue originates in the UK. Revenue by destination is not materially different from revenue by origin.

e) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the assets' useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position. The interest elements of rental obligations are charged in the income statement over the periods of the leases and hire purchase contracts.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

f) Trade receivables and trade payables

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

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies (continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity less than three months.

h) Exceptional items

Exceptional items are events or transactions that fall within the operating activities of the Company and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

i) Finance income and costs

Finance costs comprise interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions (including the net defined benefit obligations) and net foreign exchange losses that are recognised in the income .

Finance income comprises interest receivable on funds invested and net foreign exchange gains.

j) Foreign currencies

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency at rates of exchange ruling at the balance sheet date. Gains and losses arising on the translation of assets and liabilities are taken to the income statement.

The results of overseas operations are translated into sterling at average rates of exchange for the period. Exchange differences arising on the retranslation of the opening net assets of overseas operations are taken to the income statement.

k) Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 REVENUE

Revenue represents amounts receivable for goods and services provided, excluding value added tax and trade discounts. Revenue is recognised at point of delivery of goods or on provision of service.

All revenue arises from one class of business within the United Kingdom. Revenue by destination is not materially different from revenue by origin.

4 OPERATING PROFIT

Operating profit is stated after charging:

	2017 £'000	2016 £'000
Amortisation of owned intangible assets	154	194
Depreciation of owned tangible fixed assets	135	111
Depreciation of leased tangible fixed assets	130	82
Operating lease rentals:		
- Motor vehicles	41	53

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2017 amounted to £40,000 (2016: £40,000). The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year.

Trading EBITDA is profit after tax as reported adjusted for amortisation, depreciation, taxation, exceptional items, finance income and finance costs and better reflects the Company's underlying performance.

5 EXCEPTIONAL ITEMS

	2017 £'000	2016 £'000
Exceptional costs	385	913

Exceptional costs in the current year were due to £177,000 recharge of group exceptional costs, £98,000 restructuring costs and £110,000 for loss on disposal of fixed assets. Exceptional costs in the year ended 31 January 2016 were due to £504,000 recharge of group exceptional costs and £409,000 restructuring costs.

6 STAFF COSTS

Staff costs during the year were as follows:

	2017 £'000	2016 £'000
Wages and salaries	3,483	4,216
Social security costs	370	354
Other pension costs	400	444
	4,253	5,014

Staff costs relate to those recharged from Automobile Association Developments Limited. The company had no employees throughout the year (2016: nil).

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 DIRECTORS' EMOLUMENTS

	2017 £'000	2016 £'000
Aggregate remuneration in respect of qualifying services	1,463	1,403
Money Purchase scheme contributions	56	33
Compensation for loss of office	123	-
	<u>1,642</u>	<u>1,436</u>

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

Remuneration	850	805
Contributions to money purchase schemes	56	33
	<u>906</u>	<u>838</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 have been reflected in the disclosure above.

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

8 FINANCE INCOME

	2017 £'000	2016 £'000
Exchange differences	17	-
	<u>17</u>	<u>-</u>

9 FINANCE COSTS

	2017 £'000	2016 £'000
Exchange differences	-	1
Finance charges payable under finance leases	41	161
	<u>41</u>	<u>162</u>

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 TAX EXPENSE

The major components of the income tax expense are:

	2017 £'000	2016 £'000
Current tax:		
- Adjustments in respect of prior periods	(26)	17
- Group relief payable	352	489
- Corporation tax payable	178	-
	<u>504</u>	<u>506</u>
Deferred tax:		
- Origination and reversal of temporary differences	(22)	(8)
- Adjustments in respect of prior periods	12	(27)
- Effect of tax rate change on opening balance	8	12
	<u>(2)</u>	<u>(23)</u>
Total tax expense	<u>502</u>	<u>483</u>

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

	2017 £'000	Restated 2016 ¹ £'000
Profit before tax	<u>2,427</u>	<u>2,299</u>
Tax at rate of 20.00% (2016: 20.16%)	485	464
Effects of:		
Expenses not deductible for tax purposes	20	13
Tax rate differences	11	16
Adjustments to tax charge in respect of previous years	(14)	(10)
Income tax expense reported in the income statement	<u>502</u>	<u>483</u>

¹ See note 19

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 DEFERRED TAXATION

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Other short term temporary differences	17	40	23	(21)
Fixed asset temporary differences	126	101	(25)	(2)
Deferred tax asset	143	141	(2)	(23)
				£'000
Deferred tax asset as at 1 February 2016		141		
Tax credit recognised in the income statement		2		
Deferred tax asset as at 31 January 2017		143		

At the balance sheet date the UK corporation tax rate was set to reduce from 20% to 19% on 1 April 2017 and then to 17% (2016: 18%) on 1 April 2020. These rates have been enacted at the balance sheet date and used to calculate the deferred tax asset.

12 INVENTORIES

	2017 £'000	Restated 2016 ¹ £'000
Work in progress	513	232
Finished goods and goods for resale	1,851	1,869
	2,364	2,101

¹ See note 19

13 INTANGIBLE ASSETS

	Software £'000
Cost	
At 1 February 2016	1,617
Disposals	(976)
At 1 February 2015 and 31 January 2016	641
Depreciation	
At 1 February 2016	1,303
Charge for year	154
Disposals	(854)
At 31 January 2017	603
Net book value	
At 31 January 2017	38
At 31 January 2016	314

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT, VEHICLES AND EQUIPMENT

	Equipment and vehicles £'000
Cost	
At 1 February 2016	2,464
Additions	257
Disposals	(1,152)
At 31 January 2017	1,569
Depreciation	
At 1 February 2016	1,839
Charge for year	265
Disposals	(1,152)
At 31 January 2017	952
Net book value	
At 31 January 2017	617
At 31 January 2016	625

The net book amount of equipment and vehicles includes £403,000 (2016: £380,000) held under finance lease agreements. The accumulated depreciation on these assets is £140,000 (2016: £166,000).

15 TRADE AND OTHER RECEIVABLES

	2017 £'000	Restated 2016 ¹ £'000
Amounts receivable within one year		
Trade receivables	5,298	5,109
Amounts owed by group undertakings	11,446	9,152
Other receivables	-	14
Prepayments and accrued income	413	362
	17,157	14,637

¹ See note 19

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

16 TRADE AND OTHER PAYABLES

	2017 £'000	Restated 2016 ¹ £'000
Amounts receivable within one year		
Amounts owed to group undertakings	666	545
Accruals and deferred income	3,352	3,230
Other taxation and social security	2,321	1,963
Other creditors	207	501
Obligations under finance leases and hire purchase contracts (see note 17)	179	118
	6,725	6,357

¹ See note 19

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

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 GUARANTEES AND COMMITMENTS

Finance lease obligations

The Company has finance lease contracts for various items of plant and machinery. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments are as follows:

	2017 Present value of payments £'000	Minimum payments £'000	2016 Present value of payments £'000	Minimum payments £'000
Within one year	179	208	118	149
Between one and five years	230	242	241	262
Total minimum lease payments	409	450	359	411
Less amounts representing finance charge	-	(41)	-	(52)
Present value of minimum lease payments	409	409	359	359

Commitments

At the year end, the Company had capital commitments of £nil (2016: £nil).

Cross company guarantees

The Company, together with others in the Group, is guarantor to the bank loans and bond debt of the AA Intermediate Co Limited group. At 31 January 2017, the principal outstanding on the AA Intermediate Co Limited group debt was £2,848.0m (2016: £2,914.0m).

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

18 CALLED UP SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
7,000,004 ordinary shares of £1 each	7,000	7,000

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

As at 31 January 2017, the Company had distributable reserves of £6,186 (2016: £4,261).

AA MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PRIOR YEAR ADJUSTMENT

The prior year adjustment reflects correction of an error in respect of the VAT on funds transferred from AA Media's third-party warehouse which were collected on behalf of AA Media. The funds collected were inclusive of VAT but due to a process issue this was not declared as VAT and was mis-reported in the financial statements as a mix of revenue, debtor and inventories.

The prior year restatement comprised a decrease of £196,000 in revenue, an increase of £242,000 in WIP, an increase of £446,000 in the trade receivable, and increase in the VAT trade payable of £1,232,000 and a decrease of £348,000 in the opening retained earnings. The combined tax effect of these restatements was to decrease the prior year current tax expense by £39,000 and to increase trade receivables by £39,000.

Additionally, during the 2017 financial year the Company performed a review of the classification of cost of sales and administration expenses. As a result of this review a reallocation was made in the 2016 financial year to correct the identified presentation error of £937k overstatement of cost of sales and corresponding understatement of administrative expenses and align to the 2017 financial year. This had no impact on EBITDA or profit before tax.

20 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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