# AA MEDIA LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2019

**Registered number: 06112600**

## STRATEGIC REPORT

The directors present the Annual Report and financial statements of AA Media Limited ("the Company") for the year ended 31 January 2019.

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

The Company was a wholly owned subsidiary of AA Corporation Limited at 31 January 2019.

The principal activity of the Company during the year continued to be publishing atlases, hotel and travel guides and producing AA branded signage. Except for discontinuing certain lines of business such as the production of AA branded signage (see note 20), there are currently no plans to alter the principal activities of the Company going forward.

As shown in the Company's Income statement, the Company's revenue reduced by £128k during the current year, whilst profit before taxation decreased by £580k over the same period.

The Statement of Financial Position shows the Company's financial position at the year end. The Company has net assets of £14,560k (2018: net assets of £14,126k).

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 £790k to £1,319k during the current year.

### RISK MANAGEMENT FRAMEWORK

The Company is part of the AA plc group which has developed an embedded enterprise risk management process that facilitates the identification, assessment, escalation and mitigation of the Company's risk exposure across every aspect and activity of the business. This framework enables the business to manage risk using predefined assessment criteria to ensure residual risk levels are in line with the Board's agreed risk appetite.

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

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

*Brand Risk*

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

**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 AA plc group brand and continuing efforts to improve efficiency and reduce costs.

*Unable to protect ourselves from a significant data breach, cyber security incident or failure of IT infrastructure*

Critical information is not available where and when it is needed. The integrity of critical information is corrupted or the confidentiality of commercially sensitive, private or customer information is compromised by inappropriate disclosure. A serious data breach occurs.

ON BEHALF OF THE BOARD

M.W. Strickland

M STRICKLAND
DIRECTOR
6 NOVEMBER 2019

Registered Office:
Grove House
Lutyens Close
Chineham Court
Basingstoke
Hampshire
RG24 8AG

**FOR THE YEAR ENDED 31 JANUARY 2019**

## DIRECTORS' REPORT

### DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

| | |
|---|---|
| M A Clarke | (Resigned 29 April 2019) |
| M W Strickland | (Appointed 17 April 2018, Resigned 29 March 2019, Appointed 24 May 2019) |
| O Davies | (Appointed 29 March 2019) |
| C Morrison | (Appointed 29 March 2019) |
| S D Williams | (Appointed 29 March 2019) |

### COMPANY SECRETARY

| | |
|---|---|
| C M Free | (Appointed 17 April 2018, Resigned 30 January 2019) |
| N Hoosen | (Appointed 30 January 2019, Resigned 29 March 2019) |
| M Millar | (Resigned 17 April 2018) |

### DIRECTORS' INDEMNITY

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

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

## DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## GOING CONCERN

The Company's business activities 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 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.

## DIVIDENDS

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

## AUDITORS

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

ON BEHALF OF THE BOARD

M.W. Strickland

M STRICKLAND
DIRECTOR
6 NOVEMBER 2019

Registered Office:
Grove House
Lutyens Close
Chineham Court
Basingstoke
Hampshire
RG24 8AG

# *Independent auditors' report to the members of AA Media Limited*

## Report on the audit of the financial statements

### Opinion

In our opinion, AA Media Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 January 2019; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

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

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

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

# Independent auditors' report to the members of AA Media Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the financial statements and the audit

*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

ADunwoody

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

## INCOME STATEMENT

## FOR THE YEAR ENDED 31 JANUARY

| | Notes | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **REVENUE** | 3 | **17,360** | 17,488 |
| **COST OF SALES** | | **(8,164)** | (7,915) |
| **GROSS PROFIT** | | **9,196** | 9,573 |
| **OPERATING COSTS** | | | |
| Administrative expenses | | **(8,582)** | (8,271) |
| **OPERATING PROFIT** | 4 | **614** | 1,302 |
| Finance costs | 9 | **(15)** | (123) |
| **PROFIT BEFORE TAX** | | **599** | 1,179 |
| Income tax expense | 10 | **(165)** | (239) |
| **PROFIT FOR THE FINANCIAL YEAR** | | **434** | 940 |

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.

## STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY

| | Notes | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 13 | 327 | 251 |
| Property, plant and equipment | 14 | 141 | 469 |
| Deferred tax asset | 11 | 99 | 252 |
| | | 567 | 972 |
| **CURRENT ASSETS** | | | |
| Inventories | 12 | 1,517 | 3,154 |
| Trade and other receivables | 15 | 16,428 | 15,687 |
| Cash and cash equivalents | | 16 | 53 |
| | | 17,961 | 18,894 |
| Assets classified as held for sale | 20 | 607 | - |
| **TOTAL ASSETS** | | 19,135 | 19,866 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | (3,870) | (4,980) |
| Finance lease obligations | 17 | - | (173) |
| Corporation tax payable | | (425) | (525) |
| | | (4,295) | (5,678) |
| **NON-CURRENT LIABILITIES** | | | |
| Finance lease obligations | 17 | - | (62) |
| | | - | (62) |
| Liabilities classified as held for sale | 20 | (280) | - |
| **TOTAL LIABILITIES** | | (4,575) | (5,740) |
| **NET ASSETS** | | 14,560 | 14,126 |
| **EQUITY** | | | |
| Called up share capital | 18 | 7,000 | 7,000 |
| Retained earnings | | 7,560 | 7,126 |
| **TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS** | | 14,560 | 14,126 |

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

M.W. Strickland

M STRICKLAND
DIRECTOR
6 NOVEMBER 2019

AA Media Limited
Registered number: 06112600

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

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDING 31 JANUARY

| | Called Up Share capital £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|
| At 1 February 2017 | 7,000 | 6,186 | 13,186 |
| Profit for the year and total comprehensive income | - | 940 | 940 |
| **At 31 January 2018** | **7,000** | **7,126** | **14,126** |
| Profit for the year and total comprehensive income | - | 434 | 434 |
| **At 31 January 2019** | **7,000** | **7,560** | **14,560** |

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRESENTATION OF FINANCIAL STATEMENTS

AA Media Limited is a private company limited by shares and is incorporated and domiciled in England and Wales.

The financial statements are prepared on a going concern basis.

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

### 2 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101). The financial statements are prepared under the historical cost convention. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2019.

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).

#### 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.

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

*Capitalisation of software and development costs and useful life of intangible 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, (see note 13).

*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, (see note 12).

**2.2 Critical accounting estimates and judgements (continued)**

*Bad debt provision*

The Company has a bad debt provision which reflects the expected recoverability of trade debtors. Management exercise judgement in the assessment of the provision by applying a percentage, determined by management, to certain debts where recoverability is uncertain.

**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 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. The cost of Property, plant and equipment less its expected residual value is depreciated by equal instalments over its useful economic lives. These lives are as follows:

| | |
|---|---|
| Equipment and vehicles | 3 - 20 years |

The carrying value of Property, plant and equipment 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 of finished goods and work-in-progress 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 on a point in time basis at the point of delivery of goods or on the provision of service, or over time where the performance obligation is satisfied over time. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

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

**2.3 Significant accounting policies (continued)**

**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 Statement of financial position 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) 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 customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. They are recognised at fair value and are subsequently held at amortised cost. The Company applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables.

*Trade and other payables*

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

**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 costs**

Finance costs comprise interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method and net foreign exchange losses that are recognised in the Income statement.

**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 statement of financial position date. Gains and losses arising on the translation of assets and liabilities are taken to the Income statement.

**2.3 Significant accounting policies (continued)**

**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 statement of financial position 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 statement of financial position 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 statement of financial position 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.

## 3 REVENUE

Revenue is recognised on a point in time basis at the point of delivery of goods or on the provision of service, or over time where the service is provided over more than 1 day. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

The revenue recognition accounting policy was reviewed as part of the transition from IAS 18 to IFRS 15 and the Company determined that no change was needed.

## 4 OPERATING PROFIT

Operating profit is stated after charging:

| | **2019**<br>**£'000** | 2018<br>£'000 |
|---|---|---|
| Amortisation of owned intangible assets | **9** | 36 |
| Depreciation of owned tangible fixed assets | **91** | 138 |
| Depreciation of leased tangible fixed assets | **136** | 136 |
| Operating lease rentals: | | |
| - Land and Buildings | **204** | 98 |

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2019 amounted to £36,000 (2018: £47,000). The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year.

## 5 ADJUSTED PERFORMANCE MEASURES

These financial statements report results and performance both on a statutory and non-GAAP (non-statutory) basis. The Company's adjusted performance measure of Trading EBITDA is a non-GAAP (non-statutory) financial measure and is included in these financial statements as it is a key financial measure used by management to evaluate performance of business segments. The measure enables management to more easily and consistently track the underlying operational performance of the Company and its business segments.

Trading EBITDA is profit after tax on a continuing basis including assets held for sale as reported, adjusted for depreciation, amortisation and exceptional operating items.

## 5 ADJUSTED PERFORMANCE MEASURES (continued)

**Reconciliation of Trading EBITDA to operating profit**

Trading EBITDA is calculated as operating profit before adjustments as shown in the table below:

| | Note | for the year ended 31 January 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **Trading EBITDA** | | **1,319** | 2,109 |
| Amortisation and depreciation | 13,14 | **(236)** | (310) |
| Exceptional operating items | 6 | **(469)** | (497) |
| **Operating profit** | | **614** | 1,302 |

Trading EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. It also excludes amortisation and depreciation.

These specific adjustments are made between the GAAP measure of operating profit and the non-GAAP measure of Trading EBITDA because Trading EBITDA is a performance measure required and clearly defined under the terms of the AA plc group's debt documents and is used for calculating debt covenants. Given the significance of the AA plc group debt, Trading EBITDA is therefore a key measure for management, enabling them to more easily and consistently track the underlying operational performance of the AA plc group and its business segments.

## 6 EXCEPTIONAL ITEMS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Exceptional costs | **469** | 497 |

Exceptional costs in the current year were due to £155,000 recharge of group exceptional costs, £306,000 business and IT rationalisation and transformation costs and £8,000 conduct and regulatory costs. Exceptional costs in the year ended 31 January 2018 were due to £110,000 recharge of group exceptional costs, £144,000 restructuring costs and £243,000 for costs relating to a data security incident.

## 7 EMPLOYEE COSTS

Employee costs during the year were as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Wages and salaries | **4,506** | 4,276 |
| Social security costs | **450** | 453 |
| Other pension costs | **573** | 530 |
| | **5,529** | 5,259 |

Employee costs relate to those recharged from Automobile Association Developments Limited. The average number of employees directly employed during the year was nil (2018: nil).

## 8 DIRECTORS' REMUNERATION

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Aggregate remuneration in respect of qualifying services | **1,255** | 1,113 |
| Money Purchase scheme contributions | **63** | 56 |
| Compensation for loss of office | **-** | 156 |
| | **1,318** | 1,325 |
| The amounts paid in respect of the highest paid director were as follows: | | |
| Remuneration | **930** | 504 |
| Contributions to money purchase schemes | **56** | 56 |
| | **986** | 560 |

All directors of the Company at 31 January 2019 are also directors of the ultimate parent undertaking (AA plc) and/or fellow subsidiaries. These directors are remunerated by another company that is part of the AA plc group. As the directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the ultimate parent undertaking and fellow subsidiary companies, their full remuneration has been reflected in the disclosure above.

Retirement benefits are accruing for 2 (2018: 1) directors under a money purchase scheme.

## 9 FINANCE COSTS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Exchange differences | **-** | 2 |
| Interest expense | **-** | 85 |
| Finance charges payable under finance leases | **15** | 36 |
| | **15** | **123** |

## 10 INCOME TAX EXPENSE

The major components of the income tax expense are:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Current tax:** | | |
| - Adjustments in respect of prior periods | **(4)** | (17) |
| - Group relief payable | **-** | - |
| - Corporation tax payable | **64** | 365 |
| | **60** | 348 |
| **Deferred tax:** | | |
| - Origination and reversal of temporary differences | **120** | (123) |
| - Adjustments in respect of prior periods | **(2)** | - |
| - Effect of tax rate change on opening balance | **(13)** | 14 |
| | **105** | (109) |
| **Total tax expense** | **165** | 239 |

## 10 INCOME TAX EXPENSE (continued)

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Profit before tax | **599** | 1,179 |
| Tax at rate of 19.00% (2018: 19.16%) | **114** | 226 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **70** | 16 |
| Tax rate differences | **(13)** | 14 |
| Adjustments to tax charge in respect of previous years | **(6)** | (17) |
| **Income tax expense reported in the Income statement** | **165** | 239 |

## 11 DEFERRED TAX ASSET

Deferred tax by type of temporary difference:

| | Statement of financial position | | Income statement | |
|---|---|---|---|---|
| | **2019 £'000** | 2018 £'000 | **2019 £'000** | 2018 £'000 |
| Fixed asset temporary differences | **90** | 114 | **24** | (121) |
| Other short term temporary differences | **57** | 138 | **81** | 12 |
| **Deferred tax asset** | **147** | 252 | **105** | (109) |

| | £'000 |
|---|---|
| Deferred tax asset as at 1 February 2018 | 252 |
| Tax expense recognised in the Income statement | (105) |
| **Deferred tax asset as at 31 January 2019** | 147 |

The deferred tax asset includes £48,000 (2018: £nil) presented in the Statement of financial position as assets held for sale (see note 20).

At the balance sheet date the UK corporation tax rate was set to reduce from 19% to 17% on 1 April 2020. This rate has been substantively enacted at the balance sheet date and used to calculate the deferred tax asset.

## 12 INVENTORIES

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Work in progress | **472** | 1,004 |
| Finished goods and goods for resale | **1,045** | 2,150 |
| | **1,517** | 3,154 |

## 13 INTANGIBLE ASSETS

| | Software £'000 |
|---|---|
| **Cost** | |
| At 1 February 2018 | 890 |
| Additions | 143 |
| Disposals | (507) |
| **At 31 January 2019** | 526 |
| **Amortisation** | |
| At 1 February 2018 | 639 |
| Charge for year | 9 |
| Disposals | (507) |
| **At 31 January 2019** | 141 |
| **Net book value** | |
| **At 31 January 2019** | **385** |
| At 31 January 2018 | 251 |

The net book amount of software includes £58,000 (2018: £nil) presented in the Statement of financial position as assets held for sale (see note 20).

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Equipment and vehicles £'000 |
|---|---|
| **Cost** | |
| At 1 February 2018 | 1,695 |
| Additions | 87 |
| Disposals | (556) |
| **At 31 January 2019** | **1,226** |
| **Depreciation** | |
| At 1 February 2018 | 1,226 |
| Charge for year | 227 |
| Disposals | (554) |
| **At 31 January 2019** | **899** |
| **Net book value** | |
| **At 31 January 2019** | **327** |
| At 31 January 2018 | 469 |

The net book amount of equipment and vehicles includes £132,000 (2018: £267,000) held under finance lease agreements. The accumulated depreciation on these assets is £411,000 (2018: £275,000).

The net book amount of equipment and vehicles includes £186,000 (2018: £nil) presented in the Statement of financial position as assets held for sale (see note 20).

## 15 TRADE AND OTHER RECEIVABLES

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Amounts receivable within one year** | | |
| Trade receivables | **5,036** | 3,919 |
| Amounts owed by group undertakings | **11,362** | 10,873 |
| Other receivables | **15** | 48 |
| Prepayments | **220** | 847 |
| Contract assets | **110** | - |
| | **16,743** | 15,687 |

The trade and other receivables balance of £16,743,000 includes £315,000 (2018: £nil) presented in the Statement of financial position as assets held for sale (see note 20).
Trade receivables are stated after provisions for impairment of £283,000 (2018: £760,000)
Amounts owed by group undertakings are unsecured, have no repayment terms and bear no interest.

## 16 TRADE AND OTHER PAYABLES

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Amounts payable within one year** | | |
| Accruals | **659** | 4,386 |
| Deferred income | **2,591** | - |
| Other taxation and social security | **600** | 352 |
| Other creditors | **239** | 242 |
| | **4,089** | 4,980 |

The trade and other payables balance of £4,089,000 includes £219,000 (2018: £nil) presented in the Statement of financial position as liabilities held for sale (see note 20).
Amounts owed to group undertakings are unsecured, have no repayment terms and bear no interest.

## 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:

| | 2019 Present value of payments £'000 | 2019 Minimum payments £'000 | 2018 Present value of payments £'000 | 2018 Minimum payments £'000 |
|---|---|---|---|---|
| Within one year | **46** | **49** | 173 | 183 |
| Between one and five years | **15** | **17** | 62 | 64 |
| Total minimum lease payments | **61** | **66** | 235 | 247 |
| Less amounts representing finance charge | **-** | **(5)** | - | (12) |
| Present value of minimum lease payments | **61** | **61** | 235 | 235 |

The finance lease obligation of £61,000 includes £61,000 (2018: £nil) presented in the Statement of financial position as liabilities held for sale (see note 20).

**17 GUARANTEES AND COMMITMENTS (continued)**

**Operating leases**

Future minimum rentals payable under non-cancellable operating leases as at 31 January are as follows:

| | Land and buildings | |
|---|---|---|
| | **2019** | 2018 |
| | **£'000** | £'000 |
| Within one year | **177** | 95 |
| In two to five years | **365** | 253 |
| Over 5 years | **75** | 95 |
| | **617** | 443 |

**Commitments**

At the year end, the Company had capital commitments of £nil (2018: £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 2019, the principal outstanding on the AA Intermediate Co Limited group debt was £2,769,800k (2018: £2,770,000k).

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. We do not anticipate the bank loans or bond debt being called upon in the 12 months after the signing of these financial statements.

**18 CALLED UP SHARE CAPITAL**

| Allotted, called up and fully paid | **2019 £'000** | 2018 £'000 |
|---|---|---|
| 7,000,004 (2018: 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 2019, the Company had distributable reserves of £7,560k (2018: £7,126k).

**19 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.theaaplc.com/investors.

## 20 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

At the year end, certain assets and liabilities of the Company relating to businesses trading as AA Route Planner and AA Signs were held for sale.

The assets classified as held for sale were:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Intangible assets | **58** | - |
| Property, plant and equipment | **186** | - |
| Deferred tax asset | **48** | - |
| Trade and other receivables | **315** | - |
| | **607** | - |

The liabilities classified as held for sale were:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Trade and other payables | **219** | - |
| Finance lease obligations | **61** | - |
| | **280** | - |

## 21 EVENTS AFTER THE REPORTING PERIOD

On 1 March 2019, AA Media Limited sold the trade and assets of the businesses trading as AA Route Planner and AA Signs to Automobile Association Developments Limited for cash consideration of £253k.

On 12 March 2019, AA Media Limited's share capital was reduced by £7,000k to 100 ordinary shares of £1 each by the cancellation of 6,999,904 ordinary shares.

On 29 March 2019, AA Corporation Limited sold 51% of the share capital of AA Media Limited to Enthuse Group Limited for cash consideration of £700k.