AA MEDIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2018

Registered number: 6112600

STRATEGIC REPORT

The directors present the Annual report and Financial Statements of AA Media Limited ("the Company") for the year ended 31 January 2018.

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 increased by £682k during the current year, whilst profit before taxation decreased by £1,248k 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 £14,126k (2017: net assets of £13,186k).

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 £1,146k to £2,109k during the current year.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2017: £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 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.

Unable to manage our debt

The AA plc group is unable to repay or refinance its debt at an acceptable price. 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.

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.

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.

The following definitions apply throughout the report:
[1] 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

M.W. Strickland

M W STRICKLAND
DIRECTOR
29 October 2018

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

DIRECTORS' REPORT

DIRECTORS

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

M A Clarke	
K E R Lloyd-Jukes	(Resigned 8 December 2017)
M F Millar	(Resigned 17 April 2018)
M W Strickland	(Appointed 17 April 2018)

COMPANY SECRETARY

M F Millar	(Resigned 17 April 2018)
C M Free	(Appointed 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

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.

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.

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.

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

BY ORDER OF THE BOARD

M.W. Strickland

M W STRICKLAND
DIRECTOR
29 October 2018

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

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

Opinion

We have audited the financial statements of AA Media Limited for the year ended 31 January 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters 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; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Neeta Ramudaram (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 October **2018**

AA MEDIA LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Notes	2018 £'000	2017 £'000
REVENUE	3	**17,488**	16,806
COST OF SALES		**(7,915)**	(8,135)
GROSS PROFIT		**9,573**	8,671
OPERATING COSTS			
Administrative expenses		**(8,271)**	(6,220)
OPERATING PROFIT	4	**1,302**	2,451
Trading EBITDA		**2,109**	3,255
Amortisation and depreciation	12,13	**(310)**	(419)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**1,799**	2,836
Exceptional operating items	5	**(497)**	(385)
OPERATING PROFIT		**1,302**	2,451
Finance income		**-**	17
Finance costs	8	**(123)**	(41)
PROFIT BEFORE TAX		**1,179**	2,427
Tax expense	9	**(239)**	(502)
PROFIT FOR THE FINANCIAL YEAR		**940**	1,925

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 AS AT 31 JANUARY

	Notes	2018 £'000	2017 £'000
NON-CURRENT ASSETS			
Intangible assets	12	251	38
Property, plant and equipment	13	469	617
Deferred tax asset	10	252	143
		972	798
CURRENT ASSETS			
Inventories	11	3,154	2,364
Trade and other receivables	14	15,687	17,157
Cash and cash equivalents		53	-
		18,894	19,521
TOTAL ASSETS		19,866	20,319
CURRENT LIABILITIES			
Trade and other payables	15	(4,980)	(6,546)
Finance lease obligations	16	(173)	(179)
Corporation tax payable		(525)	(178)
		(5,678)	(6,903)
NON-CURRENT LIABILITIES			
Finance lease obligations	16	(62)	(230)
		(62)	(230)
TOTAL LIABILITIES		(5,740)	(7,133)
NET ASSETS		14,126	13,186
EQUITY			
Called up share capital	18	7,000	7,000
Retained earnings		7,126	6,186
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		14,126	13,186

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

M.W. Strickland

M W STRICKLAND
DIRECTOR

29 october 2018

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

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 February 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**
Profit for the year	-	940	940
At 31 January 2018	**7,000**	**7,126**	**14,126**

The accompanying notes are an integral part of these 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 2018.

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 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 12.

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 11.

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. See note 14.

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 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 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.

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 and net foreign exchange losses that are recognised in the income statement.

Finance income comprises 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.

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:

	2018 £'000	2017 £'000
Amortisation of owned intangible assets	**36**	154
Depreciation of owned tangible fixed assets	**138**	135
Depreciation of leased tangible fixed assets	**136**	130
Operating lease rentals:		
- Land and Buildings	**98**	152

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2018 amounted to £54,520 (2017: £46,400). 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

	2018 £'000	2017 £'000
Exceptional costs	**497**	385

Exceptional costs in the current year 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. Exceptional costs in the year ended 31 January 2017 were due to £177,000 recharge of group exceptional costs, £98,000 restructuring costs and £110,000 for loss on disposal of fixed assets.

6 STAFF COSTS

Staff costs during the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries	**4,276**	3,483
Social security costs	**453**	370
Other pension costs	**530**	400
	5,259	4,253

Staff costs relate to those recharged from Automobile Association Developments Limited. The company had no employees throughout the year (2017: nil).

7 DIRECTORS' REMUNERATION

	2018 £'000	2017 £'000
Aggregate remuneration in respect of qualifying services	**1,113**	1,463
Money Purchase scheme contributions	**56**	56
Compensation for loss of office	**156**	123
	1,325	1,642

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

	2018 £'000	2017 £'000
Remuneration	**504**	850
Contributions to money purchase schemes	**56**	56
	560	906

All directors of the Company whilst appointed 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 1 (2017: 2) directors under a defined benefit scheme and 1 (2017: 1) under a money purchase scheme.

8 FINANCE COSTS

	2018 £'000	2017 £'000
Exchange differences	**2**	-
Interest expense	**85**	-
Finance charges payable under finance leases	**36**	41
	123	**41**

9 TAX EXPENSE

The major components of the income tax expense are:

	2018 £'000	2017 £'000
Current tax:		
- Adjustments in respect of prior periods	**(17)**	(26)
- *Group relief payable*	**-**	352
- Corporation tax payable	**365**	178
	348	504
Deferred tax:		
- Origination and reversal of temporary differences	**(123)**	(22)
- Adjustments in respect of prior periods	**-**	12
- Effect of tax rate change on opening balance	**14**	8
	(109)	(2)
Total tax expense	**239**	502

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

	2018 £'000	2017 £'000
Profit before tax	**1,179**	2,427
Tax at rate of 19.16% (2017: 20.00%)	**226**	485
Effects of:		
Expenses not deductible for tax purposes	**16**	20
Tax rate differences	**14**	11
Adjustments to tax charge in respect of previous years	**(17)**	(14)
Income tax expense reported in the income statement	**239**	502

10 DEFERRED TAXATION

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Other short term temporary differences	**138**	17	**(121)**	23
Fixed asset temporary differences	**114**	126	**12**	(25)
Deferred tax asset	**252**	143	**(109)**	(2)

	£'000
Deferred tax asset as at 1 February 2017	143
Tax credit recognised in the income statement	109
Deferred tax asset as at 31 January 2018	**252**

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

11 INVENTORIES

	2018	2017
	£'000	£'000
Work in progress	**1,004**	513
Finished goods and goods for resale	**2,150**	1,851
	3,154	2,364

12 INTANGIBLE ASSETS

	Software
	£'000
Cost	
At 1 February 2017	641
Additions	249
At 31 January 2018	890
Depreciation	
At 1 February 2017	603
Charge for year	36
At 31 January 2018	639
Net book value	
At 31 January 2018	**251**
At 31 January 2017	38

13 PROPERTY, PLANT, VEHICLES AND EQUIPMENT

	Equipment and vehicles £'000
Cost	
At 1 February 2017	1,569
Additions	126
At 31 January 2018	**1,695**
Depreciation	
At 1 February 2017	952
Charge for year	274
At 31 January 2018	**1,226**
Net book value	
At 31 January 2018	**469**
At 31 January 2017	617

The net book amount of equipment and vehicles includes £267,000 (2017: £403,000) held under finance lease agreements. The accumulated depreciation on these assets is £275,000 (2017: £140,000).

14 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Amounts receivable within one year		
Trade receivables	**3,919**	5,298
Amounts owed by group undertakings	**10,873**	11,446
Other receivables	**48**	-
Prepayments and accrued income	**847**	413
	15,687	17,157

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

As at the year end, the bad debt provision includes a specific provision for a debt of £495,000 where recoverability is uncertain. Management have therefore provided for £100% of this debt.

15 TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Amounts payable within one year		
Amounts owed to group undertakings	**-**	666
Accruals and deferred income	**4,386**	3,352
Other taxation and social security	**352**	2,321
Other creditors	**242**	207
	4,980	6,546

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

16 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:

	2018 Present value of payments £'000	2018 Minimum payments £'000	2017 Present value of payments £'000	2017 Minimum payments £'000
Within one year	**173**	**183**	179	208
Between one and five years	**62**	**64**	230	242
Total minimum lease payments	**235**	**247**	409	450
Less amounts representing finance charge	**-**	**(12)**	-	(41)
Present value of minimum lease payments	**235**	**235**	409	409

Commitments

At the year end, the Company had capital commitments of £nil (2017: £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 2018, the principal outstanding on the AA Intermediate Co Limited group debt was £2,770.0m (2017: £2,848.0m).

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

17 RELATED PARTY TRANSACTIONS

During the year, the Company entered into related party transactions with its fellow subsidiary undertakings. The balances outstanding at the end of the financial year were:

	2018 £'000	2017 £'000
Owed by:		
AA Corporation Limited	**10,872**	11,437
AA Senior Co Limited	**1**	1
AA plc	**-**	8
Owed to:		
Automobile Association Developments Limited	**-**	(666)

These amounts are unsecured, have no repayment terms and bear no interest.

18 CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2018 £'000	2017 £'000
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 2018, the Company had distributable reserves of £7,333k (2017: £6,186k).

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.