

**AA CORPORATION LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2018**

**Registered number: 03797747**



**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2018**  
**STRATEGIC REPORT**

The directors present their strategic report, directors' report and audited financial statements of AA Corporation Limited ("the Company") for the year ended 31 January 2018.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The Company is a wholly owned subsidiary of AA Senior Co Limited.

The principal activity of the Company is the management of support activities on behalf of the AA plc group. These costs are subsequently recharged back to the AA plc group subsidiaries.

As shown in the Company's income statement, the Company's turnover decreased by 2.4% to £72.4m during the current year due to a lower recharge of costs. Trading EBITDA was £32.5m (2017: £33.6m), a decrease of 3.3%. Profit before taxation of the Company for the year was £320.7m (2017: £248.5m) following the receipt of a £314.8m (2017: £158.7m) dividend from subsidiary undertakings and £6.1m (2017: £0.8m) forgiveness of an intercompany creditor. Profit after tax of £320.8m (2017: £253.7m) has been transferred to reserves.

The statement of financial position shows the Company's financial position at year end. Net assets increased to £1,643.0m (2017: £1,537.1m).

**DIVIDENDS**

The Company has paid a dividend of £214.8m in the year (2017: £202.7m).

**RISK MANAGEMENT FRAMEWORK**

The AA plc group 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 its business. This framework enables the Company to manage risk using predefined assessment criteria to ensure residual risk levels are in line with the AA plc Board's agreed risk appetite.

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 by the Risk, Compliance and Internal Audit functions to ensure they are working effectively.

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

Unable to maintain outstanding service and market share - The AA's brand and its continued success, and, in particular, the loyalty of its customers, relies on delivering outstanding service that is superior to the rest of the market. Inadequate investment in technology, systems, people and processes would place this objective at increasing 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.

IT transformation is not completed successfully - An essential programme of renewal and enhancement of the IT estates is in progress to address the risks to the brand and competitive capability. The IT transformation is extensive and involves a continuing complex programme of work. Given the scale and complexity, the programme involves inherent risks to the timely delivery of this implementation.

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.

**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2018**  
**STRATEGIC REPORT (continued)**

**RISK MANAGEMENT FRAMEWORK (continued)**

Unable to manage our debt - The Company 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.

Unable to meet our pension liabilities - The Company has two defined benefit pension schemes, currently in deficit, whose assets and obligations are subject to future variation from investment returns, longevity and other similar factors.

BY ORDER OF THE BOARD



G Prichard  
DIRECTOR

29 June 2018

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

**AA CORPORATION LIMITED**  
**FOR THE YEAR ENDED 31 JANUARY 2018**  
**DIRECTORS' REPORT**

**DIRECTORS**

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

M A Clarke	
G Pritchard	
S J Breakwell	(appointed 22 November 2017)
M W Strickland	(appointed 7 August 2017)
M F Millar	(resigned 17 April 2018)
C E Norman	(resigned 24 August 2017)
R D Mackenzie	(dismissed 1 August 2017)

**COMPANY SECRETARY**

M F Millar	(resigned 17 April 2018)
C M Hammond	(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 losses and liabilities incurred in the discharge of their duties, to the extent of the assets of the Company and as permitted by law.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "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 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 CORPORATION LIMITED**

**FOR THE YEAR ENDED 31 JANUARY 2018**

**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 and 2.

The Company is reliant on other group companies to pay for recharged costs. The directors believe that the Company has considerable 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. As a consequence, 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.

BY ORDER OF THE BOARD



G Prichard  
DIRECTOR

29 June 2018

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

## **AA CORPORATION LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AA CORPORATION LIMITED**

#### **Opinion**

We have audited the financial statements of AA Corporation 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 23, 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.

#### **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.

## AA CORPORATION LIMITED

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

#### 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, 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*

Kathryn Barrow (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
29 June 2018

**AA CORPORATION LIMITED**

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 JANUARY**

	Note	2018 £m	2017 £m
<b>REVENUE</b>		<b>72.4</b>	<b>74.2</b>
<b>OPERATING COSTS</b>			
Administrative expenses		<b>(71.9)</b>	<b>(78.1)</b>
Profit on disposal of subsidiary	4	-	99.1
<b>OPERATING PROFIT</b>	3	<b>0.5</b>	<b>95.2</b>
Trading EBITDA		<b>32.5</b>	<b>33.6</b>
Pension service charge adjustment	3	<b>0.2</b>	<b>1.0</b>
Amortisation and depreciation	12, 13	<b>(26.7)</b>	<b>(28.5)</b>
<b>OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>		<b>6.0</b>	<b>6.1</b>
Exceptional operating items	5	<b>(5.5)</b>	<b>89.1</b>
<b>OPERATING PROFIT</b>	3	<b>0.5</b>	<b>95.2</b>
Finance costs	8	<b>(0.7)</b>	<b>(6.2)</b>
Income from shares in group undertakings	9	<b>320.9</b>	<b>159.5</b>
<b>PROFIT BEFORE TAX</b>		<b>320.7</b>	<b>248.5</b>
Tax credit	10	<b>0.1</b>	<b>5.2</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>320.8</b>	<b>253.7</b>

All income and expenditure arises from continuing operations.

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



**AA CORPORATION LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 JANUARY**

	Note	2018 £m	2017 £m
<b>PROFIT FOR THE YEAR</b>		<b>320.8</b>	<b>253.7</b>
<b>Other comprehensive income on items that will not be reclassified to profit and loss in subsequent years</b>			
Remeasurement on losses on defined benefit schemes	19	3.6	8.9
Tax effect	11	(0.6)	(1.5)
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>3.0</b>	<b>7.4</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>323.8</b>	<b>261.1</b>

The accompanying notes are an integral part of this consolidated statement of comprehensive income.

**AA CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY**

	Notes	2018 £m	2017 £m
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	106.1	84.5
Property, plant and equipment	13	5.5	9.0
Deferred tax asset	11	2.1	2.8
Investments in group undertakings	14	<u>1,602.3</u>	<u>1,576.0</u>
		<b>1,716.0</b>	<b>1,672.3</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	15	<u>1,064.5</u>	<u>993.0</u>
		<b>1,064.5</b>	<b>993.0</b>
<b>TOTAL ASSETS</b>		<u><b>2,780.5</b></u>	<u><b>2,665.3</b></u>
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities	16	(0.7)	(2.8)
Trade and other payables	17	<u>(1,119.4)</u>	<u>(1,114.7)</u>
		<b>(1,120.1)</b>	<b>(1,117.5)</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred consideration	14	(11.1)	-
Defined benefit pension	19	<u>(6.3)</u>	<u>(10.7)</u>
		<b>(17.4)</b>	<b>(10.7)</b>
<b>TOTAL LIABILITIES</b>		<u><b>(1,137.5)</b></u>	<u><b>(1,128.2)</b></u>
<b>NET ASSETS</b>		<u><b>1,643.0</b></u>	<u><b>1,537.1</b></u>
<b>EQUITY</b>			
Called up share capital	18	770.0	770.0
Retained earnings		<u>873.0</u>	<u>767.1</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>		<u><b>1,643.0</b></u>	<u><b>1,537.1</b></u>

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



G Prichard  
DIRECTOR

29 JUNE 2018

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

# AA CORPORATION LIMITED

## STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Retained earnings £m	Total £m
At 31 January 2016		770.0	1,208.7	1,978.7
Profit for the year		-	253.7	253.7
Dividends paid		-	(202.7)	(202.7)
Forgiveness of intercompany balance		-	(500.0)	(500.0)
Other comprehensive income		-	7.4	7.4
<b>At 31 January 2017</b>		<b>770.0</b>	<b>767.1</b>	<b>1,537.1</b>
Profit for the year		-	320.8	320.8
Dividends paid		-	(214.8)	(214.8)
Forgiveness of intercompany balances	15	-	(3.1)	(3.1)
Other comprehensive income		-	3.0	3.0
<b>At 31 January 2018</b>		<b>770.0</b>	<b>873.0</b>	<b>1,643.0</b>

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

# **AA CORPORATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 Presentation of financial statements**

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The financial statements are prepared under the historical cost convention. The financial statements are prepared in Sterling and are rounded to the nearest £100,000.

### **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).

Trading EBITDA represents the underlying costs of the support activities provided by the Company excluding depreciation, amortisation, taxation, pension service charge adjustment and exceptional operating items. Items not allocated to a segment relate to the difference between the cash contributions to the pension scheme for ongoing service and the calculated annual service cost.

#### **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 ongoing basis and include the basis for capitalising intangible and tangible assets.

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 period are discussed below.

##### *Capitalisation 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.

##### *Retirement benefit obligation*

The Company's retirement benefit obligation, which is actuarially assessed each period, is based on key assumptions including return on plan assets, discount rates, inflation, future salary and pension costs. These assumptions may be different to the actual outcome.

## **AA CORPORATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **2.3 Significant accounting policies**

##### **a) Property, plant, vehicles and equipment**

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 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, vehicles and equipment	3 – 20 years
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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.

##### **b) 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
- Its intention to complete and its ability to use 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.

##### **c) Investments in group undertakings**

Investments in group undertakings are valued individually at the lower of cost less any provision for impairment or net realisable value. Income from investments is recognised in the Income Statement when it is receivable.

##### **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. Revenue originates in the UK and consists of the recharge of costs to other AA plc group companies. Revenue by destination is not materially different from turnover 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.

## **AA CORPORATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **2.3 Significant accounting policies (continued)**

##### **f) Provisions**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provision is made on a discounted basis where the time value of money is expected to be material.

Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties.

##### **g) 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.

##### **h) Exceptional items**

Exceptional items are events or transactions that fall within the 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) 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.

## AA CORPORATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2.3 Significant accounting policies (continued)

##### j) Retirement benefit obligation

The Group's position in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The Group determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, with maturity dates approximating the terms of the Group's obligations, and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets (excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in administrative and marketing expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

#### 3 OPERATING PROFIT

Operating profit is stated after charging:

	2018 £m	2017 £m
Amortisation of owned intangible assets	21.7	24.7
Depreciation of owned tangible fixed assets	5.0	3.8
Impairment of investment in subsidiary	-	0.5

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2018 amounted to £94,000 (2017: £60,000). The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year.

The pension service charge adjustment £0.2m (2017: £1.0m) relates to the difference between cash contributions to the pension scheme for ongoing service and the calculated annual service costs.

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4 PROFIT ON DISPOSAL OF SUBSIDIARY

On 11 August 2016, the Company completed the sale of AA Ireland Limited and its subsidiary undertakings. As part of the transaction, the AA Ireland pension scheme, which is closed to future accrual, was transferred to the Company and will remain the responsibility of the Company (see note 20).

	£m
Proceeds	124.2
Fees	(4.1)
Net proceeds	120.1
Transfer of pension scheme to the Company	(20.3)
Investment in subsidiary at cost	(0.7)
<b>Profit on disposal of subsidiary</b>	<b>99.1</b>

### 5 EXCEPTIONAL OPERATING ITEMS

	2018 £m	2017 £m
Impairment of investment	-	(0.5)
Profit on disposal of subsidiary	-	99.1
Other exceptional operating items	(5.5)	(9.5)
	<b>(5.5)</b>	<b>89.1</b>

In the current year, the Company incurred £3.6m of exceptional operating item relating to the reorganisation of the business, £2.2m IT transformation and £0.3m income on clear-down of disposed business in the prior year.

In the prior year, the Company incurred £8.7m of exceptional costs relating to the reorganisation of the business, £0.4m loss on disposal of fixed assets, £0.4m relating to AA plc group financing transactions, £99.1m profit on the sale of AA Ireland Limited and its subsidiary undertakings, £0.5m impairment on investment in a subsidiary undertaking Peak Performance Management Limited.

### 6 STAFF COSTS

Staff costs during the year were as follows:

	2018 £m	2017 £m
Wages and salaries	22.6	23.1
Social security costs	2.4	2.8
Retirement benefit costs	1.8	2.0
	<b>26.8</b>	<b>27.9</b>

Staff costs relate to those recharged from Automobile Association Developments Limited, a group company. The average number of employees directly employed during the year was nil (2017: nil).



# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7 DIRECTORS' REMUNERATION

	2018 £m	2017 £m
Aggregate remuneration in respect of qualifying services		
Remuneration	1.8	2.7
Compensation for loss of office	-	0.1
	<u>1.8</u>	<u>2.8</u>

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

Remuneration	<u>0.5</u>	<u>1.3</u>
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The 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 has been reflected in the disclosure above.

Retirement benefits are accruing for 2 (2017: 3) directors under a defined benefit scheme and 2 (2017: nil) under a money purchase scheme.

### 8 FINANCE COSTS

	2018 £m	2017 £m
Interest	0.3	0.2
Exchange differences	0.4	6.0
	<u>0.7</u>	<u>6.2</u>

### 9 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2018 £m	2017 £m
Forgiveness of intercompany creditor (see note 17)	6.1	0.8
Dividends from subsidiary undertakings	<u>314.8</u>	<u>158.7</u>
	<u>320.9</u>	<u>159.5</u>

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 TAX EXPENSE

The major components of the income tax expense/(credit) are:

	2018 £m	2017 £m
<b>Current tax:</b>		
- Current tax on income in the year	(0.2)	(0.6)
- Adjustments in respect of prior periods	-	(1.3)
	<u>(0.2)</u>	<u>(1.9)</u>
<b>Deferred tax:</b>		
- Origination and reversal of temporary differences	0.1	(4.5)
- Adjustments in respect of prior periods	-	1.1
- Effect of tax rate change on opening balance	-	0.1
	<u>0.1</u>	<u>(3.3)</u>
<b>Total tax credit</b>	<u>(0.1)</u>	<u>(5.2)</u>

The current tax credit represents payments for group losses. The difference between the total current corporation tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £m	2017 £m
Profit before tax	<u>320.7</u>	<u>248.5</u>
Tax at rate of 19.16% (2017: 20.00%)	61.4	49.7
Effects of:		
Adjustment in respect of prior year	-	(0.2)
Expenses not deductible for tax purposes	-	0.9
Non-taxable dividend income	(60.3)	(31.7)
Non-taxable forgiveness of intercompany debt	(1.2)	-
Initial recognition of deferred tax on pension transfer	-	(4.1)
Non-taxable disposal of subsidiary	-	(19.8)
<b>Total tax credit</b>	<u>(0.1)</u>	<u>(5.2)</u>

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11 DEFERRED TAXATION

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2018 £m	2017 £m	2018 £m	2017 £m
Decelerated capital allowances	1.9	2.0	0.1	(1.0)
Pension	1.1	1.8	0.1	(3.3)
Other short term temporary differences	(0.9)	(1.0)	(0.1)	1.0
<b>Deferred tax asset</b>	<b>2.1</b>	<b>2.8</b>	<b>0.1</b>	<b>(3.3)</b>
				<b>£m</b>
Deferred tax asset as at 1 February 2017				2.8
Tax expense recognised in the income statement				(0.1)
Tax expense in other comprehensive income				(0.6)
<b>Deferred tax asset as at 31 January 2018</b>				<b>2.1</b>

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The UK corporation tax rate will reduce from 19% to 17% on 1 April 2020. These rates have been substantively enacted at the balance sheet date and have therefore been included in the deferred tax calculations.

### 12 INTANGIBLE ASSETS

	Software £m
<b>Cost</b>	
At 1 February 2016	108.6
Addition	44.7
Disposals	(9.3)
At 1 February 2017	144.0
Additions	43.3
<b>At 31 January 2018</b>	<b>187.3</b>
<b>Depreciation</b>	
At 1 February 2016	43.9
Charge for the year	24.7
Disposals	(9.1)
At 1 February 2017	59.5
Charge for year	21.7
<b>At 31 January 2018</b>	<b>81.2</b>
<b>Net book value</b>	
<b>At 31 January 2018</b>	<b>106.1</b>
At 31 January 2017	84.5

Within software is £28.4m (2017: £44.2m) which relates to assets under construction that are not being amortised. Software additions comprise £9.3m (2017: £11.8m) in relation to internally developed assets and £34.1m (2017: £32.9m) in respect of separately acquired assets.

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13 PROPERTY, PLANT AND EQUIPMENT

	Equipment and vehicles £m
<b>Cost</b>	
At 1 February 2016	32.8
Additions	2.5
Disposals	(13.5)
At 1 February 2017	21.8
Additions	1.5
<b>At 31 January 2018</b>	<b>23.3</b>
<b>Depreciation</b>	
At 1 February 2016	22.6
Charge for year	3.8
Disposals	(13.6)
At 1 February 2017	12.8
Charge for year	5.0
<b>At 31 January 2018</b>	<b>17.8</b>
<b>Net book value</b>	
<b>At 31 January 2018</b>	<b>5.5</b>
At 31 January 2017	9.0

### 14 INVESTMENTS IN GROUP UNDERTAKINGS

<b>Shares in subsidiary undertakings</b>	<b>£m</b>
<b>Cost</b>	
At 1 February 2016	1,578.4
Disposals	(0.7)
At 1 February 2017	1,577.7
Additions	26.3
<b>At 31 January 2018</b>	<b>1,604.0</b>
<b>Impairment</b>	
At 1 February 2016	(1.2)
Impairment	(0.5)
At 1 February 2017	(1.7)
Impairment	-
<b>At 31 January 2018</b>	<b>(1.7)</b>
<b>Net book value at 31 January 2018</b>	<b>1,602.3</b>
Net book value at 31 January 2017	1,576.0

On 1 October 2017, the Company assumed control of Used Car Sites Limited, a used car sales platform for a provisional consideration of £26.3m. At the point of acquisition Used Car Sites Limited had receivables of £1.8m, cash of £1.8m and payables of £2.4m. Used Car Sites Limited made a profit before tax of £nil for the year to 30 September 2017 and a profit before tax of £1m for the period 1 October 2017 to 31 January 2018.

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

On 1 March 2018, the Company completed the purchase of the entire share capital of Used Car Sites Limited. A payment of £12m was made to the former owners and £3m was paid into an escrow account and is payable to the former owners subject to certain conditions being met. These transactions cleared the balance of deferred consideration due within 1 year. This transaction left a remaining balance of £11.1m provisional deferred consideration which is due in more than one year based on the probability weighted pay-out approach. The range of potential contingent consideration is £nil-£21m. The assessment of goodwill arising on acquisition includes deferred consideration. The fair value attributed to the contingent deferred consideration is provisional as at 31 January 2018.

### 15 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
<b>Amounts receivable within one year</b>		
Trade debtors	1.3	0.2
Amounts owed by group undertakings	1,055.4	987.1
Other debtors	0.9	0.4
Prepayments and accrued income	6.9	5.3
	<u>1,064.5</u>	<u>993.0</u>

Amounts owed by group undertakings are unsecured, have no repayment terms and bear no interest. During the year, the Company forgave £3.1m (2017: £500.0m owed by AA Senior Co Limited) of its intercompany receivable balance owed by its subsidiary undertakings AA Road Services Limited and Drakefield Group Limited.

### 16 PROVISIONS FOR LIABILITIES

	Restructuring provision £m
At 31 January 2017	2.8
Charge for the year	(2.1)
<b>At 31 January 2018</b>	<u>0.7</u>

### 17 TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
<b>Amounts payable within one year</b>		
Amounts owed to group undertakings	1,088.6	1,101.4
Other taxation and social security	0.6	0.6
Deferred consideration (see note 14)	15.1	-
Other payables	7.3	4.7
Accruals and deferred income	7.8	8.0
	<u>1,119.4</u>	<u>1,114.7</u>

Amounts owed to group undertakings are unsecured, have no repayment terms and bear no interest. During the year, the Company was forgiven £6.1m of its intercompany payable balance due to a fellow subsidiary undertakings AA Assistance Limited.

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18 CALLED UP SHARE CAPITAL

	2018 £m	2017 £m
<b>Allotted, called up and fully paid</b>		
1,100,010,982 ordinary shares of 70p each	<u>770.0</u>	<u>770.0</u>

As at 31 January 2018, the Company had distributable reserves of £873.0m (2017: £767.1m).

During the year, a dividend of 19.5p per share (2017: 18.4p) was paid to the parent entity, AA Senior Co Limited.

### 19 PENSIONS

During the prior year, following the sale of AA Ireland Limited by the Company, the AA Ireland Pension Scheme (AAI) was transferred to the Company. The Company therefore now operates a defined benefit pension scheme, the AAI Pension Scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The AAI scheme is closed to new entrants and future accrual of benefits. The assets and liabilities of the AA Ireland Scheme are denominated in Euros.

The AAI scheme is governed by a corporate trustee whose board is currently composed of company-nominated directors of which some are also members of the scheme. The company-nominated directors include an independent director whom the trustee board directors have nominated as Chairman. The Trustee of the scheme is responsible for paying members' benefits and for investing scheme assets, which are legally separate from the Company.

The AAI scheme is subject to full actuarial valuations every three years using assumptions agreed between the Trustee of the scheme and the Company. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient assets available to meet the future payment of benefits to scheme members.

The valuation of liabilities for funding purposes differs to the valuation for accounting purposes, mainly due to the different assumptions used and changes in market conditions between different valuation dates. For funding valuation purposes, the assumptions used to value the liabilities are agreed between the Trustee and Company with the discount rate, for example, being based on a bond yield plus a margin based on the assumed rate of return on scheme assets. For accounting valuation purposes, the assumptions used to value the liabilities are determined in accordance with IAS19 with the discount rate, for example, being based on high quality (AA rated) corporate bonds.

The valuations have been based on a full assessment of the liabilities of the scheme which have been updated where appropriate to 31 January 2018 by independent qualified actuaries.

**The amounts recognised in the balance sheet are as follows:**

	2018 £m	2017 £m
Present value of the defined benefit obligation in respect of pension plans	(49.5)	(52.7)
Fair value of plan assets	43.2	42.0
<b>Deficit</b>	<b>(6.3)</b>	<b>(10.7)</b>

The decrease in the deficit is due to the strong performance of plan assets, falling long-term inflationary expectations, changes in the demographic assumptions (reflecting the latest outlook for mortality rates and Company contributions paid into the scheme. This was partially offset by falling discount rates over the period.

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19 PENSIONS (continued)

The last triennial valuation for the AAI scheme was as at 31 December 2016, the result of which was an increase in the Going Concern deficit with the contribution level remaining the same. The Group made deficit reduction contributions of c. £2m in the year ended 31 January 2018 and will continue to make annual deficit reduction contributions, increasing with inflation, until December 2023 or until an alternative agreement is signed with the trustees. The next triennial valuation of the AAI scheme will take place as at 31 December 2019.

	Assets £m	Liabilities £m	Income statement £m	Statement of comprehensive income £m
Balance at 1 February 2017	42.0	(52.7)	-	-
Interest on defined benefit scheme assets/(liabilities)	0.8	(1.1)	(0.3)	-
Administrative expenses	(0.2)	-	(0.2)	-
Foreign exchange gain / (loss)	0.7	(1.0)	-	(0.3)
<b>Amounts recognised in the income statement</b>	<b>0.6</b>	<b>(1.1)</b>	<b>(0.5)</b>	<b>-</b>
Effect of changes in financial assumptions	-	(1.1)	-	(1.1)
Effect of changes in demographic expectations	-	1.8	-	1.8
Effect of experience adjustment	-	2.1	-	2.1
Return on plan assets excluding interest income	1.1	-	-	1.1
<b>Amounts recognised in the statement of comprehensive income</b>	<b>1.1</b>	<b>2.8</b>	<b>-</b>	<b>3.9</b>
Benefits paid from scheme assets	(2.5)	2.5	-	-
Deficit reduction employer contributions	1.3	-	-	-
<b>Movements through cash</b>	<b>(1.2)</b>	<b>2.5</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 January 2018</b>	<b>43.2</b>	<b>(49.5)</b>	<b>-</b>	<b>-</b>

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19 PENSIONS (continued)

	Assets £m	Liabilities £m	Income statement £m	Statement of comprehensive income £m
Balance transferred from AA Ireland Limited	40.7	(61.0)	-	-
Interest on defined benefit scheme assets / (liabilities)	0.5	(0.6)	(0.1)	-
<b>Amounts recognised in the income statement</b>	0.5	(0.6)	(0.1)	-
Effect of changes in financial assumptions	-	8.3	-	8.3
Return on plan assets excluding interest income	0.6	-	-	0.6
<b>Amounts recognised in the statement of comprehensive income</b>	0.6	8.3	-	8.9
Foreign exchange gain/(loss)	0.5	(0.5)	-	-
Benefits paid from scheme assets	(1.1)	1.1	-	-
Deficit reduction contributions	0.8	-	-	-
Movements through cash	(0.3)	1.1	-	-
<b>Balance at 31 January 2017</b>	<b>42.0</b>	<b>(52.7)</b>	<b>-</b>	<b>-</b>

#### Fair value of plan assets

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The table below shows the AAI scheme assets split between those that have a quoted market price and those that are unquoted.

The fair value of the AAUK plan assets and the return on those assets were as follows:

	2018		2017	
	Assets with a quoted market price £m	Assets without a quoted market price £m	Assets with a quoted market price £m	Assets without a quoted market price £m
Equities	9.8	-	13.7	-
Bonds/swaps	14.6	-	14.1	-
Hedge funds	-	18.8	-	13.9
Cash/net current assets	-	-	0.3	-
<b>Total AAUK scheme assets</b>	<b>24.4</b>	<b>18.8</b>	<b>28.1</b>	<b>13.9</b>
<b>Actual return on AAUK plan assets</b>	<b>1.9</b>		<b>1.1</b>	



# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19 PENSIONS (continued)

#### Investment strategy

To diversify sources of return and risk, the AAI scheme invests in many asset classes and strategies, including equities, bonds and property funds which primarily rely on the upward direction of the underlying markets for returns, and also hedge funds which also invest in asset classes like equities, bonds and currencies, but in such a way that relies more on the skill of the investment manager to add returns whilst hedging against downward market moves.

The trustee's investment advisors carry out detailed ongoing due diligence on funds in all asset classes from both operational and investment capability standpoints and any funds which are not expected to achieve their investment performance targets are replaced where possible.

#### Pension plan assumptions

The principal actuarial assumptions were as follows:

%	AAI	
	2018 %	2017 %
Pensioner discount rate	1.6	1.6
Non-pensioner discount rate	2.3	2.4
Pensioner CPI	1.6	1.5
Non-pensioner CPI	1.6	1.5
Pensioner increase for deferred benefits	1.6	1.5

Mortality assumptions are set using standard tables based on scheme specific experience where available and an allowance for future improvements. For 2018, the assumptions used were in line with the SAPS (S2) series mortality tables (2017 – SAPS (S2) series) with future improvements in line with the CMI\_2016 model with a 1.25% long-term rate of improvement (2017 – CMI\_2015 model with a 1.5% long-term rate of improvement). The AAI scheme mortality assumptions are set using standard tables with scheme specific adjustments.

The AA schemes' overall assumptions are that an active male retiring in normal health currently aged 60 will live on average for a further 27 years and an active female retiring in normal health currently aged 60 will live on average for a further 29 years.

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit liability by the amounts shown below:

For the year ending 31 January 2018	
	AAI £m
Increase of 0.25% in discount rate	2.4
Increase of 0.25% in Inflation rate	(0.8)
Increase of one year of life expectancy	(1.4)

An equivalent decrease in the assumptions at 31 January 2018 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

The weighted average duration of AAUK scheme liabilities at 31 January 2018 is around 21 years.

## AA CORPORATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 19 PENSIONS (continued)

##### Pension scheme risks

The AAI scheme has exposure to a number of risks because of the investments they make in following their investment strategy. Investment objectives and risk limits are implemented through the investment management agreements in place with the schemes' investment managers and monitored by the Trustees by regular reviews of the investment portfolios. In addition, under guidance from their investment advisers the Trustees monitor estimates of key risks on an ongoing basis such as those shown below. A number of measures are taken to mitigate these risks where possible.

**Credit risk** - this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This risk mainly relates to the schemes' bonds and is mitigated by carrying out due diligence and investing only in bond funds which are well diversified in terms of credit instrument, region, credit rating and issuer of the underlying bond assets. To reduce risk further, the underlying bond assets within a fund are ring fenced, and the scheme diversifies across a number of bond funds.

**Currency risk** - the scheme is subject to currency risk because some of the scheme's investments are in overseas markets. The Trustee hedges some of this currency risk by investing in investment funds which hold currency derivatives to protect against adverse fluctuations in the relative value of its portfolio positions as a result of changes in currency exchange rates.

**Market price risk** - this is the risk that the fair value or future cash flows of a financial asset such as equities will fluctuate because of changes in market prices (other than those arising from interest rate, inflation or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and investment managers.

**Financial derivatives risk** – The scheme does not directly hold any financial derivatives but instead invests in investment funds which hold the derivatives required to hedge the scheme's interest rate, inflation and currency risks. The scheme also permits some of the investment managers to use derivative instruments if these are being used to contribute to a reduction of risks or facilitate efficient portfolio management of their funds. The main risks associated with financial derivatives include: losses may exceed the initial margin; counterparty risk where the other party defaults on the contract; and liquidity risk where it may be difficult to close out a contract prior to expiry. These risks are managed by monitoring of investment managers to ensure they use reasonable levels of market exposure relative to initial margin and positions are fully collateralised on a daily basis with secure cash or gilts collateral.

## **AA CORPORATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **20 GUARANTEES AND COMMITMENTS**

At the year end, the Company had capital commitments of £17.2m (2017: £11.5m).

##### **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.

#### **21 ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY**

The Company is a wholly owned subsidiary of AA Senior Co Limited, a company registered in England and Wales.

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 AA plc financial statements are available from the website [www.theaapl.com/investors](http://www.theaapl.com/investors).

#### **22 EVENT AFTER THE REPORTING PERIOD**

On 1 March 2018, the Group completed the purchase of the entire share capital of Used Car Sites Limited (trading as AA Cars). A payment of £12m was made to the former owners and £3m was paid into an escrow account and is payable to the former owners, subject to certain conditions being met.

# AA CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23 SUBSIDIARY UNDERTAKINGS

All subsidiaries are wholly owned and incorporated and registered where stated below.

The principal subsidiary undertakings of the Company at 31 January 2018 are:

Name	Country
AA Financial Services Limited <sup>2</sup>	United Kingdom
AA Media Limited <sup>1,2</sup>	United Kingdom
AA The Driving School Agency Limited <sup>2</sup>	United Kingdom
Automobile Association Developments Limited <sup>1,2</sup>	United Kingdom
Automobile Association Insurance Services Limited <sup>1,2</sup>	United Kingdom
Driveteck (UK) Limited <sup>1,2</sup>	United Kingdom
Intelligent Data Systems (UK) Limited <sup>2</sup>	United Kingdom
AA Brand Management Limited <sup>2</sup>	United Kingdom
The Automobile Association Limited <sup>1,3</sup>	Jersey
Peak Performance Management Limited <sup>2</sup>	United Kingdom

<sup>1</sup> Directly held by AA Corporation Limited, all other subsidiaries are indirectly held.

<sup>2</sup> Company registered office: Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England.

<sup>3</sup> Company registered office: 22 Greenville Street, St Helier, Jersey, JE4 8PX.

The other subsidiary undertakings of the Company at 31 January 2018 are:

Name	Country
A.A. Pensions Trustees Limited <sup>2</sup>	United Kingdom
AA Pension Funding GP Limited <sup>3</sup>	United Kingdom
AA Pension Funding LP <sup>3</sup>	United Kingdom
AA Road Services Limited <sup>2</sup>	United Kingdom
AA Underwriting Limited <sup>2</sup>	United Kingdom
Automobile Association Holdings Limited <sup>2</sup>	United Kingdom
Automobile Association Insurance Services Holdings Limited <sup>2</sup>	United Kingdom
Automobile Association Protection and Investment Planning Limited <sup>2</sup>	United Kingdom
Automobile Association Services Limited <sup>2</sup>	United Kingdom
Automobile Association Underwriting Services Limited <sup>2</sup>	United Kingdom
Drakefield Group Limited <sup>2</sup>	United Kingdom
Drakefield Holdings Limited <sup>2</sup>	United Kingdom
Drakefield Insurance Services Limited <sup>2</sup>	United Kingdom
Nationwide 4 X 4 Ltd <sup>2</sup>	United Kingdom
Personal Insurance Mortgages and Savings Limited <sup>2</sup>	United Kingdom
AA Ireland Pension Trustees DAC <sup>4</sup>	Ireland
Breakdown Assistance Services Limited <sup>1,5</sup>	United Kingdom
Breakdown Hero Limited <sup>5</sup>	United Kingdom

<sup>1</sup> Directly held by AA Corporation Limited, all other subsidiaries are indirectly held.

<sup>2</sup> Company registered office: Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA, England.

<sup>3</sup> Company registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland.

<sup>4</sup> Company registered office: 61a South William Street, Dublin 2, Ireland.

<sup>5</sup> Company registered office: 90 Long Acre, London, WC2E 9RA.