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THE AUTOMOBILE ASSOCIATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2017



Registered number: 00073356

THE AUTOMOBILE ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 JANUARY 2017

STRATEGIC REPORT

The directors present their strategic report, directors' report and audited financial statements of The Automobile Association Limited ("the Company") for the year ended 31 January 2017.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

The principal activity of the Company is the management of onerous property transactions.

DIVIDENDS

The directors paid a dividend of £nil during the year (2016: £nil).

RISK MANAGEMENT FRAMEWORK

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

The principal risks have been grouped into the following categories:

Financial Risk

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

Brand Risk

The Company recognises that the AA brand is a key differentiator and source of competitive advantage, and brand damage from low quality products or services could have an adverse impact on the Company's ability to repay its debt.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk in relation to the intercompany balance due from a fellow subsidiary undertaking. The AA plc group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

THE AUTOMOBILE ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 JANUARY 2017

DIRECTORS' REPORT

DIRECTORS

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

R J H Scott	(Resigned 30 April 2016)
M F Millar	
B Burkett	(Appointed 7 July 2017)
G Pritchard	(Appointed 30 April 2016)

COMPANY SECRETARY

M F Millar	
R J H Scott	(Resigned 30 April 2016)
Mourant Ozannes Secretaries (Jersey) Limited	

DIRECTOR'S 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

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the company are required by law to give a true and fair view of the state of affairs of the company at the period end and of the profit or loss of the company for the period then ended.

In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; 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 accounting records which 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 prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. 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.

THE AUTOMOBILE ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 JANUARY 2017

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company's business activities and its exposure to financial risk are described in the business review and risk management framework sections on page 1.

The Company will continue to run down its onerous property contracts and the directors believe that the Company has adequate financial resources to achieve this. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

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.

BY ORDER OF THE BOARD



B BURKETT
DIRECTOR

24th November 2017

Registered Office:
22 Grenville Street
ST HELIER
JE4 8PX
Jersey

THE AUTOMOBILE ASSOCIATION LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2017

	Notes	2017 £m	2016 £m
OTHER OPERATING INCOME	3	-	0.2
OPERATING COSTS			
Administrative expenses	3	(1.3)	-
OPERATING PROFIT		(1.3)	0.2
Trading EBITDA		-	-
Exceptional items	3	(1.3)	0.2
OPERATING (LOSS)/ PROFIT		(1.3)	0.2
Finance costs	4	(0.1)	(0.1)
(LOSS)/ PROFIT BEFORE TAX		(1.4)	0.1
Tax income/ (expense)	5	0.1	(0.1)
(LOSS)/ PROFIT FOR THE FINANCIAL YEAR		(1.3)	-

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.

THE AUTOMOBILE ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 JANUARY

	Notes	2017 £m	2016 £m
NON-CURRENT ASSETS			
Deferred tax	6	<u>0.9</u>	<u>1.0</u>
		<u>0.9</u>	<u>1.0</u>
CURRENT ASSETS			
Trade and other receivables	7	<u>1,364.5</u>	<u>1,367.3</u>
TOTAL ASSETS		<u>1,365.4</u>	<u>1,368.3</u>
CURRENT LIABILITIES			
Trade and other payables	8	-	(2.2)
Provisions	9	<u>(4.4)</u>	<u>(4.6)</u>
		<u>(4.4)</u>	<u>(6.8)</u>
NON-CURRENT LIABILITIES			
Provisions	9	<u>(4.6)</u>	<u>(3.8)</u>
TOTAL LIABILITIES		<u>(9.0)</u>	<u>(10.6)</u>
NET ASSETS		<u>1,356.4</u>	<u>1,357.7</u>
EQUITY			
Called up share capital	10	0.1	0.1
Retained earnings		1,283.4	1,284.7
Capital contribution reserve		72.9	72.9
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		<u>1,356.4</u>	<u>1,357.7</u>

These financial statements were approved by the board of directors and signed for and on their behalf by:



B BURKETT
DIRECTOR

24th November 2017

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

THE AUTOMOBILE ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY

	Share capital	Retained earnings	Capital contribution reserve	Total
	£m	£m	£m	£m
At 1 February 2015	0.1	1,284.7	72.9	1,357.7
Profit for the year	-	-	-	-
At 31 January 2016	0.1	1,284.7	72.9	1,357.7
(Loss) for the year	-	(1.3)	-	(1.3)
At 31 January 2017	0.1	1,283.4	72.9	1,356.4

The accompanying notes are an integral part of these financial statements

THE AUTOMOBILE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENT

1 Presentation of financial statements

The Automobile Association Limited is incorporated and domiciled in Jersey.

The financial statements are prepared under the historical cost convention.

The financial statements are prepared on a going concern basis. A summary of the accounting policies, which have been applied on a consistent basis are set out below.

The financial statements are prepared in Sterling and are rounded to the nearest £100,000 or as appropriate.

2 Accounting policies

2.1 Basis of preparation

The Company has prepared these accounts under FRS 101.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2017.

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

- IAS 1 paragraphs 10(d) and 10(f),
- IAS 1 paragraph 16 (statement of compliance with all IFRS),
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements),
- IAS 1 paragraph 111 (cash flow statement information),
- IAS 1 paragraphs 134-136 (capital management disclosures),
- IFRS 7 'Financial Instruments 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).
- IFRS 13 'Fair Value Measurement'

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 basis for discounting the onerous property provisions.

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.

Onerous property provisions

Management exercise judgement in assessing the level of rental income to be received for each property and therefore how much income to be net from the onerous property provision. In addition, judgement is used in arriving at a suitable discount rate for the future cash flows.

THE AUTOMOBILE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS(continued)

2.3 Significant accounting policies

a) 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.

In relation to unoccupied properties, where a decision has been made prior to the period end to vacate the property, provision is made for future rent and similar costs net of rent income expected to be received up to the estimated date of final disposal.

b) 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.

c) Trade receivables and trade payables

Trade receivables and trade payables are not interest bearing and are recognised initially at fair value.

d) Finance costs

Finance costs comprise the unwinding of the discount rate on provisions.

3	EXCEPTIONAL ITEMS	2017 £m	2016 £m
	Onerous lease provision	1.3	-
	Release of unutilised onerous lease provision	-	(0.2)
		<u>1.3</u>	<u>(0.2)</u>

THE AUTOMOBILE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENT

4 FINANCE COSTS

	2017 £m	2016 £m
Unwinding of discount rate on provisions	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

5 TAX EXPENSE

The tax charge is made up as follows:

	2017 £m	2016 £m
Current tax:		
- Group relief (receivable)/ payable	(0.2)	0.3
Total current tax (credit)/ charge	<u>(0.2)</u>	<u>0.3</u>
Deferred tax:		
- Origination and reversal of temporary differences	0.1	(0.2)
Total tax (credit)/ charge on ordinary activities	<u>(0.1)</u>	<u>0.1</u>

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

	2017 £m	2016 £m
(Loss) / profit before tax	<u>(1.4)</u>	<u>0.1</u>
Tax at rate of 20% (2016: 20.16%)	(0.3)	-
Rate change differences	0.1	0.1
Expenses not deductible for tax	0.1	-
Income tax expense reported in the Income statement	<u>(0.1)</u>	<u>0.1</u>

6 DEFERRED TAXATION

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2017 £m	2016 £m	2017 £m	2016 £m
Other short term temporary differences	<u>0.9</u>	<u>1.0</u>	<u>0.1</u>	<u>(0.2)</u>
Deferred tax asset	<u>0.9</u>	<u>1.0</u>	<u>0.1</u>	<u>(0.2)</u>

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

THE AUTOMOBILE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENT

7 TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Amounts receivable within one year		
Amounts owed by group undertakings	1,364.0	1,366.8
Other receivables	0.5	0.5
	<u>1,364.5</u>	<u>1,367.3</u>

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

8 TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Amounts owed to group undertakings	-	2.2
	<u>-</u>	<u>2.2</u>

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

9 PROVISIONS FOR LIABILITIES

	Vacant property provisions £m
At 1 February 2015	9.6
Utilised during the year	(1.1)
Released unutilised during the year	(0.2)
Unwinding of discount rate	0.1
At 31 January 2016	<u>8.4</u>
Utilised during the year	(0.8)
Created during the year	1.3
Unwinding of discount rate	0.1
At 31 January 2017	<u>9.0</u>
Current	4.4
Non-current	4.6
At 31 January 2017	<u>9.0</u>
Current	4.6
Non-current	3.8
At 31 January 2016	<u>8.4</u>

The property provision relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub-letting income. A significant element of this provision relates to service centre sites, which upon termination of operations were not transferred to a third party. The provision has been calculated on a pre-tax discounted basis.

THE AUTOMOBILE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENT

10 CALLED UP SHARE CAPITAL

	2017	2016
Allotted, called up and fully paid	£m	£m
50,000 ordinary shares of £1 each	<u>0.1</u>	<u>0.1</u>

The Company has 50,000 authorised shares of £1 each.

11 GUARANTEES AND COMMITMENTS

Cross company guarantees

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

12 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 and a wholly owned indirect subsidiary of AA Intermediate Co Limited. AA plc is the ultimate controlling party and 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 AA plc financial statements are available from the Company Secretary at the relevant registered office address.