

AA CORPORATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016

Registered number: 03797747

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AA CORPORATION LIMITED

FOR THE YEAR ENDED 31 JANUARY 2016

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 2016.

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. The Company has invested in strengthening AA plc group's position as a key player in its chosen markets.

As shown in the Company's income statement, the Company's turnover increased by 7% to £83.2m during the current year due to a higher recharge of costs. Profit before taxation of the Company for the year was £245.2m (2015: £78.3m) following the receipt of a £247.6m dividend from subsidiary undertakings. After taxation, a profit of £243.2m (2015: £76.8m) has been transferred to reserves.

The statement of financial position shows the Company's financial position at year end. Net assets increased to £1,978.7m (2015: £1,831.5m).

DIVIDENDS

The Company has paid a dividend of £71.0m in the year (2015: £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 Group's risk exposure across every aspect and activity of the business, including those of the Company. 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

Financial risks 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.

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.

Brand Risk

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

AA CORPORATION LIMITED

FOR THE YEAR ENDED 31 JANUARY 2016

STRATEGIC REPORT (continued)

RISK MANAGEMENT FRAMEWORK (continued)

Risk of Technological Change

An essential programme of renewal and enhancement of our IT estate is necessary to address the risks to our brand and our competitive capability and to provide data and system security particularly against unauthorised access. Our management team is driving the overall programme supported by enhanced risk management processes.

This IT transformation project will enable us to improve our overall contact with customers materially, consolidating disparate customer data and information systems, enhancing our digital offerings and improving further our roadside response.

POST BALANCE SHEET EVENTS

Subsequent to the year end, the wholly owned trading subsidiaries in Ireland met the definition of assets held for sale as a result of plans being put in place to dispose of these subsidiaries which represent £0.7m of the total investment in group undertakings. The Company is currently in discussion with potential buyers and the proceeds from a sale would be used to pay a dividend to the parent company, AA Senior Co Limited and then used to repay debt.

BY ORDER OF THE BOARD



M CLARKE
DIRECTOR

29 JUNE 2016

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

AA CORPORATION LIMITED

FOR THE YEAR ENDED 31 JANUARY 2016

DIRECTORS' REPORT

DIRECTORS

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

M A Clarke	(appointed 1 July 2015)
R D Mackenzie	(appointed 1 July 2015)
M F Millar	(appointed 1 July 2015)
C E Norman	
G Pritchard	(appointed 30 April 2016)
R J H Scott	(resigned 30 April 2016)

COMPANY SECRETARY

M F Millar

DIRECTORS' INDEMNITY

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against 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 Strategic Report, Directors' 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 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 2016

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.

RE-APPOINTMENT OF AUDITOR

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

DISCLOSURE OF INFORMATION TO AUDITOR

Each current 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



M CLARKE
DIRECTOR

29 JUNE 2016

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

AA CORPORATION LIMITED

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

We have audited the financial statements of AA Corporation Limited for the year ended 31 January 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

29 June 2016

AA CORPORATION LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Note	2016 £m	2015 £m
REVENUE		83.2	77.7
OPERATING COSTS			
Administrative expenses		(84.4)	(84.4)
OPERATING LOSS		(1.2)	(6.7)
Trading EBITDA		46.6	41.1
Impairment of investment		(1.2)	(6.7)
Amortisation and depreciation	12,13	(15.9)	(12.7)
Exceptional items	4	(30.7)	(28.4)
OPERATING LOSS	3	(1.2)	(6.7)
Finance income	8	-	5.1
Finance costs	9	(1.2)	(0.1)
Income from shares in group undertakings	5	247.6	80.0
PROFIT BEFORE TAX		245.2	78.3
Tax expense	10	(2.0)	(1.5)
PROFIT FOR THE FINANCIAL YEAR		243.2	76.8

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 CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 JANUARY

	Notes	2016 £m	2015 £m
NON-CURRENT ASSETS			
Intangible assets	12	64.7	36.1
Property, plant and equipment	13	10.2	5.9
Deferred tax asset	11	1.0	0.5
Investments in group undertakings	14	1,577.2	1,578.4
		<u>1,653.1</u>	<u>1,620.9</u>
CURRENT ASSETS			
Trade and other receivables	15	1,431.0	1,143.8
TOTAL ASSETS		<u>3,084.1</u>	<u>2,764.7</u>
CURRENT LIABILITIES			
Provisions for liabilities	16	(0.1)	-
Trade and other payables	17	(1,104.0)	(933.2)
Current tax payable		(1.3)	-
TOTAL LIABILITIES		<u>(1,105.4)</u>	<u>(933.2)</u>
NET ASSETS		<u>1,978.7</u>	<u>1,831.5</u>
EQUITY			
Called up share capital	18	770.0	770.0
Retained earnings		1,208.7	1,061.5
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		<u>1,978.7</u>	<u>1,831.5</u>

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



M CLARKE
DIRECTOR

29 JUNE 2016

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

AA CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Retained earnings £m	Total £m
At 1 February 2014	770.0	984.7	1,754.7
Profit for the year	-	76.8	76.8
At 31 January 2015	770.0	1,061.5	1,831.5
Profit for the year	-	243.2	243.2
Dividends paid	-	(71.0)	(71.0)
Forgiveness of intercompany balance	-	(25.0)	(25.0)
At 31 January 2016	770.0	1,208.7	1,978.7

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 Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. As a consequence of adopting FRS 101, the Company has made one restatement to the comparatives with regards to recognition and measurement and has required amendments to presentation and disclosures in the accounts. The Company has early adopted SI 2015/980.

The Company has restated the comparatives by reversing the previous currency translation reserve to retained earnings. This has resulted in the elimination of the £7.6m credit balance in the currency translation reserve presented in the prior year accounts and a credit of £7.6m being added to retained earnings in the 2015 comparatives. Consequently, the deferred tax asset has been adjusted by £1.6m with a corresponding debit to the profit and loss account.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2016.

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 1 paragraphs 6 and 21,
- IAS 7 'Statement of cash flows',
- IFRS 7 'Financial Instruments Disclosures',
- 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 and exceptional items.

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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 and tangible assets

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

2.3 Significant accounting policies

a) Property, plant 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 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 profit and loss account when it is receivable.

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies (continued)

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 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 balance sheet. The interest elements of rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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 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. See note 5 for further information on the nature of exceptional items.

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Significant accounting policies (continued)

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.

3 OPERATING PROFIT

Operating profit is stated after charging:

	2016 £m	2015 £m
Amortisation of owned intangible assets	13.4	9.9
Depreciation of owned tangible fixed assets	2.5	2.8
Operating lease rentals:		
- Motor vehicles	0.1	0.3
Impairment of investment in subsidiary	1.2	6.7

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2016 amounted to £60,000 (2015: £60,000). The Company's auditor provided no services to the Company other than the annual audit during either the current or prior year.

4 EXCEPTIONAL ITEMS

	2016 £m	2015 £m
Exceptional items	30.7	28.4
	<u>30.7</u>	<u>28.4</u>

The Company incurred £17.3m (2015: £10.0m) of exceptional costs relating to the reorganisation of the business, £10.0m loss on disposal of its Glass business and £3.4m relating to AA plc group financing transactions. In the prior year there were £18.4m of exceptional costs mainly consisting of staff costs resulting from the IPO of AA plc.

5 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2016 £m	2015 £m
Dividends from subsidiary undertakings	247.6	80.0
	<u>247.6</u>	<u>80.0</u>

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 STAFF COSTS

Staff costs during the year were as follows:

	2016 £m	2015 £m
Wages and salaries	31.3	19.5
Social security costs	3.2	3.4
Retirement benefit costs	2.5	2.8
	<u>37.0</u>	<u>25.7</u>

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 (2015: nil).

7 DIRECTORS' REMUNERATION

	2016 £m	2015 £m
Aggregate remuneration in respect of qualifying services		
Remuneration	1.9	0.8
Contributions to money purchase schemes	0.1	-
Compensation for loss of office	-	0.9
	<u>2.0</u>	<u>1.7</u>

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

Remuneration	<u>1.7</u>	<u>1.0</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 have been reflected in the disclosure above.

Retirement benefits are accruing for 3 (2015: 2) directors under a defined benefit scheme and nil (2015: nil) under a money purchase scheme.

8 FINANCE INCOME

	2016 £m	2015 £m
Exchange differences	<u>-</u>	<u>5.1</u>

9 FINANCE COSTS

	2016 £m	2015 £m
Exchange differences	<u>1.2</u>	<u>0.1</u>

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 TAX EXPENSE

The major components of the income tax expense are:

	2016 £m	2015 £m
Current tax:		
- Current tax on income in the year	2.8	1.4
- Adjustments in respect of prior periods	(0.3)	-
Deferred tax:		
- Origination and reversal of temporary differences	(1.0)	0.1
- Adjustments in respect of prior periods	0.3	-
- Effect of tax rate change on opening balance	0.2	-
Total tax expense	2.0	1.5

The current tax charge 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:

	2016 £m	2015 £m
Profit before tax	245.2	78.3
Tax at rate of 20.16% (2015: 21.32%)	49.4	16.7
Effects of:		
Expenses not deductible for tax purposes	4.0	0.5
Non taxable dividend income	(49.9)	(17.1)
Impact of FRS 101 conversion adjustment	(1.5)	-
Investment Impairment	-	1.4
Total tax charge	2.0	1.5

11 DEFERRED TAXATION

Deferred tax by type of temporary difference:

	Statement of financial position		Income statement	
	2016 £m	2015 £m	2016 £m	2015 £m
Decelerated capital allowances	1.0	1.7	0.7	(0.8)
Other short term temporary differences	-	0.3	0.3	(0.1)
Other	-	(1.5)	(1.5)	1.0
Deferred tax asset	1.0	0.5	(0.5)	0.1
				£m
Deferred tax asset as at 1 February 2015				0.5
Tax expense recognised in the income statement				0.5
Deferred tax asset as at 31 January 2016				1.0

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 DEFERRED TAXATION (continued)

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 18% on 1 April 2020. These rates have been enacted at the balance sheet date and used to calculate the deferred tax asset. On 16 March 2016 the Chancellor presented the 2016 budget in which he announced a reduction in the future corporation tax rate to 17% instead of 18% on 1 April 2020. The impact of this new rate is not expected to be material to the deferred tax balance in the accounts and has not been enacted at the balance sheet date.

12 INTANGIBLE ASSETS

	Software £m
Cost	
At 1 February 2015	66.6
Additions	42.0
At 31 January 2016	108.6
Depreciation	
At 1 February 2015	30.5
Charge for year	13.4
At 31 January 2016	43.9
Net book value	
At 31 January 2016	64.7
At 31 January 2015	36.1

Within software is £36.1m (2015: £8.7m) which relates to assets under construction that are not amortised. Software additions comprise £6.8m (2015: £10.3m) in relation to internally developed assets and £35.2m (2015: £10.9m) in respect of separately acquired assets.

13 PROPERTY, PLANT AND EQUIPMENT

	Equipment and vehicles £m
Cost	
At 1 February 2015	26.0
Additions	6.8
At 31 January 2016	32.8
Depreciation	
At 1 February 2015	20.1
Charge for year	2.5
At 31 January 2016	22.6
Net book value	
At 31 January 2016	10.2
At 31 January 2015	5.9

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 INVESTMENTS IN GROUP UNDERTAKINGS

Shares in subsidiary undertakings	£m
Cost	
At 1 February 2015	1,585.1
Forgiveness of intercompany receivable	4.9
Disposal	(11.6)
At 31 January 2016	1,578.4
Impairment	
At 1 February 2015	(6.7)
Forgiveness of intercompany receivable	6.7
Impairment of investment	(1.2)
At 31 January 2016	(1.2)
Net book value at 31 January 2015 and 2016	1,577.2

Associates

ARC Europe S.A. (20% held)	Belgium	Roadside services
A.C.T.A. Assistance S.A. (22% held)	France	Roadside services

Following a review of the recoverable amount of investments as at the year end, the Company impaired its investment in Peak Performance Management Limited by £1.2m. The net book value of the investment was therefore reduced from £1.7m to £0.5m being the recoverable amount of the investment. The impairment charge has been recognised in the income statement.

15 TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Amounts receivable within one year		
Amounts owed by group undertakings	1,425.9	1,135.3
Other debtors	-	1.6
Prepayments and accrued income	5.1	6.9
	1,431.0	1,143.8

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

16 PROVISIONS FOR LIABILITIES

	Restructuring provisions £m
At 1 February 2015	-
Charge for the year	0.1
At 31 January 2016	0.1

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Amounts payable within one year		
Amounts owed to group undertakings	1,087.2	921.4
Other taxation and social security	0.2	0.3
Other payables	9.3	0.7
Accruals and deferred income	7.3	10.8
	<u>1,104.0</u>	<u>933.2</u>

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

18 CALLED UP SHARE CAPITAL

	2016 £m	2015 £m
Allotted, called up and fully paid		
1,100,010,982 ordinary shares of 70p each	<u>770.0</u>	<u>770.0</u>

The Company has 2,857,142,858 authorised ordinary shares of £0.70 each.

As at 31 January 2016, the Company had distributable reserves of £1,207.8m (2015: £1,060.9m).

During the year, a dividend of 6p per share was paid to the parent entity, AA Senior Co Limited.

19 GUARANTEES AND COMMITMENTS

Operating leases

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

	Motor vehicles	
	2016 £m	2015 £m
Leases expiring:		
In two to five years	<u>(0.1)</u>	<u>(0.1)</u>
	<u>(0.1)</u>	<u>(0.1)</u>

At the year end, the Company had capital commitments of £12.5m (2015: £3.8m).

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 2016, the principal outstanding on the AA Intermediate Co Limited group debt was £2,914.0m (2015: £3,043.0m).

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.

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 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 Company Secretary at the relevant registered office address.

21 SUBSIDIARY UNDERTAKINGS

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

The principal subsidiary undertakings of the Company at 31 January 2016 are:

Name	Country
AA Financial Services Limited	United Kingdom
AA Ireland Limited ¹	Ireland
AA Media Limited ¹	United Kingdom
AA The Driving School Agency Limited	United Kingdom
Automobile Association Developments Limited ¹	United Kingdom
Automobile Association Insurance Services Limited ¹	United Kingdom
Drivetech (UK) Limited ¹	United Kingdom
Intelligent Data Systems (UK) Limited ¹	United Kingdom
AA Ireland Pension Trustees Limited ¹	Ireland
AA Brand Management Limited	United Kingdom
The Automobile Association Limited ¹	Jersey
Peak Performance Management Limited ¹	United Kingdom

¹ Directly owned by AA Corporation Limited, all other subsidiaries are indirectly held.

AA CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 SUBSIDIARY UNDERTAKINGS (continued)

The other subsidiary undertakings of the Company at 31 January 2016 are:

Name	Country
1Stop Travel Insurance Services Limited	United Kingdom
A.A. Insurance Services Limited	United Kingdom
A.A. Pensions Trustees Limited	United Kingdom
AA Assistance Limited	United Kingdom
AA J Quartz Limited	United Kingdom
AA Legal Services Limited	United Kingdom
AA Parking Solutions Limited	United Kingdom
AA Pension Funding GP Limited	United Kingdom
AA Pension Funding LP	United Kingdom
AA Road Services Limited	United Kingdom
AA Signs Limited	United Kingdom
AA Underwriting Limited	United Kingdom
Automobile Association Commercial Services Limited	United Kingdom
Automobile Association Holdings Limited	United Kingdom
Automobile Association Insurance Services Holdings Limited	United Kingdom
Automobile Association Protection and Investment Planning Limited	United Kingdom
Automobile Association Services Limited	United Kingdom
Automobile Association Travel Services Limited	United Kingdom
Automobile Association Underwriting Services Limited	United Kingdom
Breakdown Assistance Services Limited	Ireland
Drakefield Group Limited	United Kingdom
Drakefield Holdings Limited	United Kingdom
Drakefield Insurance Services Limited	United Kingdom
Drakefield Services Limited	United Kingdom
Drive Publications Limited	United Kingdom
Drivtech Advantage Agency Limited	United Kingdom
Driving Services UK Limited	United Kingdom
E Travel Insurance Services Limited	United Kingdom
Fanum Services Limited	United Kingdom
Go Insurance Services Limited	United Kingdom
Go Travel Insurance Services Limited	United Kingdom
Intelematics Europe Limited	United Kingdom
Nationwide 4 X 4 Ltd	United Kingdom
Personal Insurance Mortgages and Savings Limited	United Kingdom
Quotebanana Limited	United Kingdom
The British School of Motoring Limited	United Kingdom
AA Ireland Pension Trustees Limited	Ireland
Tourist Accommodation Management Services Limited	Ireland

22 POST BALANCE SHEET EVENTS

Subsequent to the year end, the wholly owned trading subsidiaries in Ireland met the definition of assets held for sale as a result of current plans being put in place to dispose of these subsidiaries which represent £0.7m of the total investment in group undertakings. The Company is currently in discussion with potential buyers and the proceeds from a sale would be used to pay a dividend to the parent company, AA Senior Co Limited and then used to repay debt.