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IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached final prospectus relating to AA plc (the "Company") dated 23 June 2014 accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document are confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person.

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This electronic transmission, the attached document and the proposed offer to certain institutional and professional investors (the "Offer") when made are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("Qualified Investors"). This electronic transmission and the attached document must not be acted on or relied on by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to Qualified Investors, and will be engaged in only with such persons.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company, Cenkos Securities plc ("Cenkos Securities") and Greenhill & Co. International LLP ("Greenhill") that (i) you are acquiring such securities in "offshore transactions", as defined in, and in reliance on, Regulation S under the US Securities Act; (ii) you are a Qualified Investor and/or a Qualified Investor acting on behalf of, Qualified Investors, to the extent you are acting on behalf of persons or entities in the European Economic Area or the United Kingdom; and (iii) you are an institutional investor that is eligible to receive this document and you consent to delivery by electronic transmission.

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (the "**FSMA**"), who specialises in advising on the acquisition of shares and other securities.

This document comprises a prospectus (the "**Prospectus**") relating to AA plc (the "**Company**") and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000 (as amended). A copy of this Prospectus has been filed with, and approved by, the FCA and has been made available to the public as required by section 3.2 of the Prospectus Rules.

Application will be made to the UK Listing Authority for all of the issued and to be issued shares of the Company (the "**Shares**") to be admitted to the standard listing segment of the Official List and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together "**Admission**"). The Shares that will be in issue immediately prior to Admission (the "**Existing Shares**") are not admitted to listing or trading on any other stock exchange and no application has been or is being made for the Shares to be admitted to any such exchange. Admission is expected to become effective, and unconditional dealings in the Shares are expected to commence on the London Stock Exchange, at 8.00 a.m. (London time) on 26 June 2014. It is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 23 June 2014. The earliest date for settlement of such dealings will be 26 June 2014. All dealings in Shares prior to the commencement of unconditional dealings will be on a "when issued basis", will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.

The Company and its Directors (whose names and functions appear in Part 13: Directors, Proposed Directors, Senior Managers and Corporate Governance of this Prospectus), accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Prospective investors should read the whole of this Prospectus and, in particular, Part 2: Risk Factors for a discussion of certain risks and other factors that should be considered in connection with an investment in the Shares.

AA plc

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered no.05149111)

Sole Co-ordinator and Bookrunner

Cenkos Securities

Financial Adviser

Greenhill & Co. International LLP

Offer of 554,000,001 Shares at an Offer Price of 250p per Ordinary Share and Admission to the standard listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange

Expected Share Capital immediately following Admission

Number of Issued Shares	Nominal value of Issued Shares
554,000,001	0.1p

The Company is offering 84,720,001 New Shares and the Selling Shareholder is offering 469,280,000 Existing Shares under the Offer. The Company will not receive any of the proceeds of the sale of the Existing Shares, all of which will be paid to the Selling Shareholder.

The Shares to be issued pursuant to the Offer will, following Admission, rank *pari passu* in all respects with the other issued Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the issued Shares after Admission.

Cenkos Securities plc ("**Cenkos Securities**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as Sole Co-ordinator and Bookrunner to the Company in connection with the Admission and the Offer and will not be acting for any other person (whether or not a recipient of this Prospectus) or otherwise be responsible to any other person for providing the protections afforded to customers of Cenkos Securities or for advising any other person in respect of the Admission and/or the Offer. Greenhill & Co. International LLP ("**Greenhill**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser exclusively to the Company and no one else in relation to the structuring of the arrangements leading to the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to any matter associated with the Offer or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Offer or Admission or this Prospectus or any other matters addressed in this Prospectus. Neither Cenkos Securities nor Greenhill has authorised the contents of any part of this Prospectus or independently verified the information contained in this Prospectus. Neither Cenkos Securities nor Greenhill accepts liability for the accuracy of any information or opinions contained in this Prospectus nor for the omission of any material information from this Prospectus for which the Company and the Directors are solely responsible. Neither Cenkos Securities nor Greenhill makes any representation or warranty, express or implied, for or in respect of the contents of this Prospectus, including its accuracy, completeness or verification, nor accepts any responsibility for any other statement made or purported to be made by it, or on its behalf, in connection with the Offer and/or the Admission. Cenkos Securities and Greenhill accordingly disclaim all and any liability, whether arising in tort, contract or otherwise, which any of them might otherwise be found to have in respect of this Prospectus or any such statement.

Date: 23 June 2014.

Reliance on this Prospectus

In making any investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks associated. Investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Selling Shareholder, Cenkos Securities or Greenhill.

Without prejudice to any legal or regulatory obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or purchase of shares made pursuant to it shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this Prospectus.

The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

NOTICE TO OVERSEAS SHAREHOLDERS

Overseas Shareholders

The distribution of this document and the offer of the Shares in certain jurisdictions may be restricted by law. No action has been taken or will be taken by the Company, Acromas Bid Co Limited (the "**Selling Shareholder**") or Cenkos Securities or Greenhill to permit a public offering of the Shares or to permit the possession, issue or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Offer and the distribution of this document are subject to the restrictions set out in paragraphs 9 and 10 of Part 17: Details of the Offer. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any of the Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdictions.

In addition, the Shares are subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risk of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Further information with regard to the restrictions on the distribution of this document and the offering, sale and transfer and resale of the Shares is set out at paragraphs 9 and 10 of Part 17: Details of the Offer.

United Kingdom

In the United Kingdom, this document is only addressed to and directed to Qualified Investors who are: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FP Order**"); (ii) high net worth companies and other persons falling within Article 49(2)(a) to (d) of the FP Order; or (iii) other persons who fall within an exemption in the FP Order and to whom this document can lawfully be communicated. The persons specified in (i), (ii) and (iii) above are collectively referred to as "**Relevant Persons**". The Shares are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Shares in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this document or any of its contents.

United States

The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under the laws or regulations of any state or other jurisdiction of the United States and may

not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the applicable securities laws of any such state or other jurisdiction. The Shares are being offered and sold only outside the United States pursuant to the requirements of Regulation S under the Securities Act ("**Regulation S**").

Notice in connection with Member States of the European Economic Area

This document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC, which includes any relevant implementing measure in each Member State of the European Economic Area which has implemented the Prospectus Directive, as amended (the "**Prospectus Directive**"), from the requirement to produce a prospectus for offers to the public of transferable securities. Accordingly any person making or intending to make any offer within the European Economic Area of Shares which are the subject of the Offer contemplated in this document should only do so in circumstances in which no obligation arises for the Company, Cenkos Securities or Greenhill to produce a prospectus for such offer. Neither the Company, Cenkos Securities or Greenhill have authorised, nor do they authorise, the making of any offer of Shares through any financial intermediary, other than offers made by Cenkos Securities which constitute the final placement of Shares contemplated in this document.

Australia, Canada, South Africa and Japan

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Shares in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Canada, the Republic of South Africa or Japan. In particular, the Shares have not been and will not be registered or qualified for distribution under the applicable securities laws of Australia, Canada, the Republic of South Africa or Japan. The Shares may not be offered for sale or subscription or sold or subscribed directly or indirectly in Australia, Canada, the Republic of South Africa or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada, the Republic of South Africa or Japan.

THE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY OTHER FEDERAL OR STATE SECURITIES AUTHORITY OR COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFER OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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PART 1
SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A- E (A.1—E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A—Introduction and warnings		
Element		
A.1	**Introduction**	This summary should be read as an introduction to this Prospectus. Any decision to invest in the Shares should be based on the consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation hereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Shares.
A.2	**Subsequent resale of securities or final placement of securities through financial intermediaries**	Not applicable.
Section B—Issuer		
Element		
B.1	**Legal and commercial name**	AA plc
B.2	**Domicile, legal form, legislation and country of incorporation**	The Company is a public limited company, incorporated in the UK with its registered office situated in England and Wales. The Company operates under the Companies Act 2006.
B.3	**Current operations and principal activities and markets**	We are the largest roadside assistance provider in the UK based on market share, with approximately four million Personal Members and nine million B2B customers, representing over 40% of the roadside assistance market, and significantly larger than the next largest roadside assistance provider, the RAC. With our 3,000 branded "yellow" patrol vehicles, the AA brand is highly visible on the road and responds to an average of approximately 10,000 breakdowns each day. As one of the most widely recognised and trusted brands in the UK, we have successfully leveraged our brand to become a leading provider of insurance broking services

		and driving services. We offer a variety of products and services that split into three distinct areas including: roadside assistance, insurance services (including Home Services and AA Ventures) and driving services. In addition, the AA has a standalone business in Ireland, which broadly replicates the operations and activities of the UK. The AA offers Motor, Home, Travel and other specialist insurance policies to both roadside assistance Personal Members and non-Members, using a diverse panel of third party underwriters for both its Motor and Home insurance offerings, which includes many of the UK's major insurance underwriters. In 2010, the AA launched Home Services which provides cover for emergencies such as defective plumbing, blocked drains and power loss as well as boiler breakdown and annual boiler service through a range of insured products. Driving services consists of the AA's driving schools, AA DriveTech and its media business. The AA together with BSM (which the AA acquired in 2011) is the largest driving school in the UK, with a combined share of pupils estimated at approximately 16.8% of the UK market. In the year ended 31 January 2014, the AA and BSM provided driving lessons to approximately 140,000 pupils via approximately 2,900 franchised instructors.
B.4a	**Recent trends**	Since 30 April 2014, the AA Group has continued to trade in line with management expectations.
B.5	**Description of issuer's group**	At the date of this Prospectus, the Company forms part of the Acromas Group and operates as a wholly owned subsidiary of the Selling Shareholder. The shareholders of the ultimate parent company of the Selling Shareholder are funds controlled by Charterhouse (36%), funds controlled by CVC (20%), funds controlled by the Permira Funds (20%), current and former employees of the Group and of the Saga Group (20%) and others (4%).
B.6	**Shareholders**	As at the date of this Prospectus, the Company is owned and controlled by the Selling Shareholder, which holds 100 per cent. of the issued ordinary share capital of the Company. On Admission, it is expected that the Selling Shareholder will hold approximately 4.2 per cent. of the Company's issued ordinary share capital which comprises the Conditional Offer Shares which are to be sold pursuant to the Conditional Placing Commitment.

B.7	**Selected historical key financial information**	The Group's consolidated selected financial information set out below has been extracted without material adjustment from the consolidated financial information of the Group set out in Part 14: Historical Financial Information.

Consolidated Income Statement	For the year ended 31 January			For the three months ended 30 April	
	2014	**2013**	**2012**	**2014**	**2013**
	(audited)			*(unaudited)*	
	(in millions of pounds)				
Revenue	973.9	968.0	973.9	239.3	238.2
Cost of sales	(343.6)	(349.4)	(385.2)	(84.0)	(85.3)
Gross profit	**630.3**	**618.6**	**588.7**	155.3	152.9
Other operating income	0.3	1.4	2.4	0.1	—
Administrative and marketing expenses	(259.4)	(300.1)	(283.0)	(65.4)	(68.6)
Operating profit before share of profits of associates	**371.2**	**319.9**	**308.1**	**90.0**	**84.3**
Share of profits of associates, net of tax	0.4	0.7	0.4	—	—
Operating profit	**371.6**	**320.6**	**308.5**	**90.0**	**84.3**
Trading EBITDA	422.8	394.6	368.1	103.0	98.9
Items not allocated to a segment	5.2	(4.3)	(5.0)	(0.8)	(3.3)
Amortisation of intangible assets	(12.1)	(9.8)	(7.3)	(3.4)	(2.8)
Depreciation	(27.5)	(28.1)	(29.4)	(7.0)	(6.8)
Acquisition earn-out costs	(2.2)	(1.8)	(1.2)	—	(0.5)
Exceptional items	(14.6)	(30.0)	(16.7)	(1.8)	(1.2)
Operating profit	**371.6**	**320.6**	**308.5**	**90.0**	**84.3**
Profit on disposal of joint venture	0.4	3.1	0.6	—	—
Finance costs	(179.5)	(49.0)	(44.6)	(60.9)	(13.0)
Finance income	0.3	0.3	0.3	0.1	—
Profit before tax	**192.8**	**275.0**	**264.8**	**29.2**	**71.3**
Tax expense	(39.4)	(67.6)	(66.8)	(5.7)	(16.9)
Profit for the year	**153.4**	**207.4**	**198.0**	**23.5**	**54.5**

Consolidated Statement of Financial Position	As at 31 January			As at 30 April	
	2014	2013	2012	2014	2013
	(audited)			*(unaudited)*	
	(in millions of pounds)				
Non-current assets					
Goodwill and other intangible assets	1,245.7	1,237.3	1,230.9	1,247.7	1,237.5
Property, plant and equipment	77.3	86.5	98.2	73.2	82.0
Investments in associates	3.5	3.4	2.9	3.5	3.4
Deferred tax assets	36.4	48.0	47.0	38.9	67.9
Other receivables	6.4	9.6	24.7	9.9	9.6
	1,369.3	**1,384.8**	**1,403.7**	**1,373.2**	**1,400.4**
Current assets					
Inventories	4.9	5.3	5.3	5.2	5.0
Trade and other receivables	162.9	315.9	314.8	166.2	181.2
Amounts owed by fellow subsidiary undertakings	—	1,250.8	979.9	—	1,329.8
Cash and cash equivalents	203.2	31.9	29.1	272.2	41.3
	371.0	**1,603.9**	**1,329.1**	**443.6**	**1,557.3**
Total assets	**1,740.3**	**2,988.7**	**2,732.8**	**1,816.8**	**2,957.7**
Current liabilities					
Trade and other payables	(461.9)	(578.2)	(534.3)	(504.0)	(477.6)
Amounts owed to parent undertaking	—	(1,760.9)	(1,760.9)	—	(1,760.9)
Current tax payable	—	(7.0)	(20.9)	(0.2)	(0.3)
Provisions	(11.9)	(23.1)	(10.6)	(11.2)	(14.8)
	(473.8)	**(2,369.2)**	**(2,326.7)**	**(515.4)**	**(2,253.6)**
Non-current liabilities					
Borrowings and loans	(3,351.4)	(265.5)	(227.8)	3,357.6	275.6
Finance lease obligations	(7.9)	(13.6)	(17.1)	(7.8)	(10.7)
Defined benefit pension scheme liabilities	(265.5)	(165.7)	(138.2)	(292.7)	(254.3)
Provisions	(15.7)	(26.7)	(28.2)	(14.9)	(26.3)
Insurance technical provisions	(4.2)	(3.2)	(39.8)	(4.2)	(3.0)
	(3,644.7)	**(474.7)**	**(451.1)**	**(3,677.2)**	**(569.9)**
Total liabilities	**(4,118.5)**	**(2,843.9)**	**(2,777.8)**	**(4,192.6)**	**(2,823.5)**
Net (liabilities)/assets	**(2,378.2)**	**144.8**	**(45.0)**	**(2,375.8)**	**134.2**
Equity					
Share capital	0.2	0.2	0.2	0.2	0.2
Share premium	0.8	0.8	0.8	0.8	0.8
Foreign currency translation reserve	(1.1)	(1.0)	(0.1)	(1.2)	(1.0)
Cashflow hedge reserve	(6.2)	—	—	(5.6)	—
Retained earnings	(2,371.9)	144.8	(45.9)	(2,370.0)	134.2
Total equity attributable to equity holders of the parent	**(2,378.2)**	**144.8**	**(45.0)**	(2,375.8)	134.2

Consolidated Statement of Cash Flows	For the year ended 31 January			For the three months ended 30 April	
	2014	2013	2012	2014	2013
	(audited)			*(unaudited)*	
	(in millions of pounds)				
Net cash flows from operating activities before tax	395.6	352.7	331.3	91.4	105.6
Tax paid	(8.2)	(56.1)	(60.8)	—	(7.0)
Net cash flows from operating activities	387.4	296.6	270.5	91.4	98.6
Net cash flows used in investing activities	(24.5)	(10.9)	(28.3)	(7.5)	(5.5)
Net cash flows from financing activities	(193.1)	(287.6)	(271.5)	(14.9)	(85.7)
Net increase in cash and cash equivalents	169.8	(1.9)	(29.3)	69.0	7.4
Cash and cash equivalents at 31 January	203.2	34.0	35.4	272.2	41.3

		In the year ended 31 January 2014, the Group generated Trading revenue of £973.9 million and Trading EBITDA of £422.8 million. The Group's revenue consists of income generated primarily from four core segments: roadside assistance, insurance services, driving services and Ireland. In the year ended 31 January 2014, the increase in revenue was primarily driven by growth in the roadside assistance segment which witnessed an increase in revenue of £18.3 million or 2.7% from £679.3 million in the year ended 31 January 2013 to £697.6 million in the year ended 31 January 2014. This increase was primarily driven as a result of stable retention rates and increased average income per Personal Member. Finance costs increased from £49.0 million in the year ended 31 January 2013 to £179.5 million in the year ended 31 January 2014 primarily as a result of an investment grade secured corporate financing commonly referred to as a "whole business securitisation" that occurred, together with a high yield financing, in July 2013 and which raised over £3.0 billion for the Group. Pursuant to a refinancing of certain senior borrowings under the WBS on 2 May 2014, the WBS currently principally comprises the New Senior Term Facility and the New Working Capital Facility and certain Class A Notes (including £250 million in principal amount of Class A4 Notes issued in connection with the refinancing). In February 2014, the Group renewed its contracts with the Lloyds Banking Group in relation to the provision of roadside assistance for another five-year term commencing 1 April 2014. In the year ended 31 January 2014, roadside assistance contracts with Lloyds Banking Group made up approximately 9.1% of Group revenue, making it the Group's largest customer. Save as described above, there has been no significant change in the financial position or results of operations of the Group during the period covered by the historical key financial information, or subsequent to 30 April 2014, the date to which the last published consolidated financial information of the Group was prepared.
B.8	**Pro forma financial information**	The unaudited pro forma statement of net liabilities set out below has been prepared to illustrate the effect on the Group's net liabilities of the Offer, the redemption of existing financing and proceeds of new financing, as if they had taken place on 30 April 2014. This unaudited pro forma statement of net liabilities has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma statement of net liabilities is compiled on the basis set out below from the IFRS consolidated statement of the financial position of the Group as at 30 April 2014. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

Unaudited Pro Forma Statement of Net Liabilities as at 30 April 2014

	As at 30 April 2014 (note 1)	IPO net proceeds (note 2)	Refinancing (notes 3, 4, 5 and 6)	Unaudited Proforma Total
		(in millions of pounds)		
Non-current assets				
Goodwill and other intangible assets	1,247.7			1,247.7
Property, plant and equipment	73.2			73.2
Investments in associates	3.5			3.5
Deferred tax assets	38.9			38.9
Other receivables	9.9			9.9
	1,373.2			1,373.2
Current assets				
Inventories	5.2			5.2
Trade and other receivables	166.2			166.2
Cash and cash equivalents	272.2	184.7	(5.9)	451.0
	443.6	**184.7**	**(5.9)**	622.4
Total assets	1,816.8	**184.7**	**(5.9)**	1,995.6
Current liabilities				
Trade and other payables	(504.0)			(504.0)
Amounts owed to parent undertaking	—			—
Current tax payable	(0.2)		3.8	3.6
Provisions	(11.2)			(11.2)
	(515.4)		**3.8**	(511.6)
Non-current liabilities				
Senior Term Facility	(913.0)		250.0	(663.0)
Interest Rate Hedges	(11.9)			(11.9)
Class A Notes	(1,475.0)		(250.0)	(1,725.0)
Class B Notes	(655.0)			(655.0)
PIK Notes	(350.0)			(350.0)
Unamortised Issue Costs	47.3		(12.0)	35.3
Finance lease obligations	(7.8)			(7.8)
Defined benefit pension scheme liabilities	(292.7)			(292.7)
Provisions	(14.9)			(14.9)
Insurance technical provisions	(4.2)			(4.2)
	(3,677.2)		**(12.0)**	(3,689.2)
Total liabilities	(4,192.6)		**(8.2)**	(4,200.8)
Net liabilities	(2,375.8)	**184.7**	**(14.1)**	(2,205.2)

Notes:

(1) The financial information has been extracted without material adjustment from the Statement of Financial Position for AA Limited as at 30 April 2014, as set out in Part 15: Historical Financial Information

(2) The Offer will raise net proceeds to the Company of approximately £184.7 million after the deduction of estimated cash fees and expenses in connection with the offer of £17.1 million.

(3) Adjustments have been made to reflect the recently completed refinancing of the Initial Senior Term Facility, where a new £663 million facility was entered into, with the remainder of the Initial Senior Term Facility being repaid with the proceeds of a further issuance of Class A Notes (see note 4 for details). The refinancing resulted in the unamortised issue costs relating to the Initial Senior Term Facility of £17.9 million being written off and the £5.9 million of estimated issue costs relating to the New Senior Term Facility and Class A Notes issue being included within the unamortised issue costs.

		(4) The Group has issued £250 million of Class A4 Fixed Rate Notes with a coupon of 3.781% and an expected maturity date of 31 July 2019 and a final maturity date of 31 July 2043. The first coupon is due on this instrument in July 2014. (5) The Group also entered into an interest rate swap to reduce the existing hedging of the floating rate debt to reflect the reduced New Senior Term Facility exposure. This swap has a notional amount of £250 million, a termination date of 31 July 2018 and a fixed rate of 1.6352%. The impact of these swaps is to fix the rate of LIBOR at 1.9797% until 31 July 2018. (6) The tax benefit relating to the write off of unamortised issue costs has been recognised at the UK corporation tax rate for the year ending 31 January 2015. The tax deduction relating to the issue costs of the new facilities will be recognised over the term of the relevant borrowings. Other than the adjustments detailed above, no other adjustments have been made for events occurring after 30 April 2014.
B.9	**Profit forecast/ estimate**	Not applicable.
B.10	**Qualifications in the audit report**	Not applicable.
B.11	**Insufficient Working Capital**	Not applicable.
Section C—Securities		
Element		
C.1	**Description of the Offer**	The Offer comprises an offer of 554,000,001 Shares at an Offer Price of 250p per Ordinary Share. The Company is offering 84,720,001 New Shares and the Selling Shareholder is offering an aggregate of 469,280,000 Existing Shares under the Offer. The Company will not receive any of the proceeds of the sale of the Existing Shares, all of which will be paid to the Selling Shareholder. The Shares to be sold under the Offer will represent up to 95.8 per cent. of the issued share capital of the Company immediately following Admission. Certain funds managed by CRMC have agreed to acquire up to a further 23,268,000 Existing Shares from the Selling Shareholder at the Offer Price conditional, inter alia, upon the receipt of certain regulatory approvals. It is expected that, subject to such regulatory approvals being received, and upon the satisfaction of certain other conditions, the sale and purchase of such Existing Shares will be completed following Admission and, in any event, by no later than 31 December 2014 following which, the Selling Shareholder will have sold 100 per cent. of its Shares. Pursuant to the Offer, Shares will be offered only outside the United States to certain institutional investors and other investors in the UK and elsewhere in reliance on Regulation S. When admitted to trading, the Shares will be registered with ISIN number GB00BMSKPJ95 and SEDOL number BMSKPJ9.
C.2	**Currency of issue**	British pounds sterling.

C.3	**Issued share capital**	As at the date of this Prospectus, the issued share capital of the Company is £469,280.00, comprising 469,280,000 Ordinary Shares of 0.1p each, all of which is fully paid. On Admission, there will be 554,000,001 Shares of 0.1p each in issue. All Shares in issue on Admission will be fully paid.
C.4	**Rights attaching to the Shares**	The Shares to be issued pursuant to the Offer will, following Admission, rank *pari passu* in all respects with other issued Shares and will carry the right to receive dividends and distributions declared, made or paid on or in respect of the issued Shares after Admission.
C.5	**Restrictions on transfer**	Not applicable. The Shares will, immediately following Admission, be freely transferable under the Articles of Association.
C.6	**Admission to trading**	Application has been made for all the Shares in the Company to be admitted to trading on the London Stock Exchange's main market for listed securities.
C.7	**Dividend policy**	The Company has entered into a series of financing arrangements and documents related to the investment grade, high yield and PIK toggle financing arrangements, each of which contain restrictions on the Company's ability to pay dividends from its subsidiaries that have participated in these financings. The Company initially intends to retain earnings to fund the development of its business and to reduce leverage by repaying its outstanding debt and, therefore, it does not anticipate paying any material cash dividends in the near future. In the medium term, and subject to the restrictions set out by the terms of the Company's indebtedness, the Directors intend to adopt a progressive dividend policy.
Section D—Risks		
Element		
D.1	**Key information on key risks that are specific to the Issuer or its industry**	Our brand name, the "Automobile Association" or the "AA" enjoys a high degree of familiarity and awareness in the UK and failing to maintain favourable brand recognition could materially and adversely affect our business, prospects, financial condition and results of operations. We rely heavily on our operational processes and in-house IT and communication systems to conduct our business and any inability to maintain and improve these systems and infrastructure, or any service disruption, reliability or quality issues could harm our reputation, result in the loss of Personal Members and B2B customers and have a material adverse effect on our business, prospects, financial condition and results of operations. We have a number of important B2B partner accounts, mainly in our roadside assistance segment. The loss of one of these B2B customers to a competitor, failure to find a replacement contract at acceptable terms upon termination or the renewal of those contracts on less advantageous terms could have a material adverse effect on our business, prospects, financial condition, results of operations and reputation.

		We may face increased competition and price pressure in the markets in which we operate which may result in downward pressure on our pricing. To the extent that we do not match or remain within a competitive margin of our competitors' pricing, or if we otherwise seeks to implement price increases, we may lose market share and experience a decline in revenue which could materially adversely affect our business, prospects, financial condition and results of operations. We compete with global, national and local insurance companies, including direct writers of insurance coverage, as well as non-insurance financial services companies, such as banks, many of which offer alternative products or more competitive pricing for segments of the insurance market in which we operate. If we fail to meet their pricing, we may lose market share and experience a decline in revenue. In addition, if competitors attract current or potential policyholders from us in areas in which we compete or wish to compete, our operating performance may be materially and adversely affected. As vehicles get older, the likelihood of breaking down generally increases. Therefore, a decrease in the average age of vehicles in the UK, together with an improvement in the technological and qualitative aspects of some motor vehicle components can reduce the likelihood of motor vehicles breaking down, which can lead to a decrease in demand for our roadside assistance services by both our Personal Members and B2B customers. Any such decline in demand could have a material adverse effect on our business, prospects, financial condition and results of operations. As part of our efforts to attract new customers and achieve a high degree of cross-penetration between our business segments, we may offer discounts to certain customers in respect of our products. We regularly offer lower introductory prices to attract new Personal Members and subsequently receive requests from existing Personal Members to lower their membership fees accordingly. A significant change in the number of existing Personal Members requesting price reductions or a significant number of Personal Members declining to renew their memberships upon the expiration of their introductory offer rates could materially adversely impact our financial condition and results of operations. We are materially affected by regulation of the industries in which we operate including through prudential and consumer protection measures imposed by a number of insurance and financial services regulators, including the PRA as the primary regulatory authority of the insurance sector and the FCA of the insurance intermediation sector. We may be subject to regulatory and governmental inquiries and investigations or adverse changes to regulations that require us to adapt our business processes or products. Adverse findings in regulatory inquiries or investigations or adverse changes to the regulations applicable to us could materially and adversely affect our business, prospects, financial condition and results of operations.

		Following the Offer, we will continue to be highly leveraged and have significant debt service obligations. The degree to which we will continue to be leveraged, as well as any further increase in our borrowings, may make it more difficult for us to satisfy our obligations with respect to our indebtedness, restrict our ability to make strategic acquisitions or require us sell or dispose of assets used in our business or place us at a competitive disadvantage compared with our competitors that have less debt. Any of these consequences could materially and adversely affect our business, financial condition and results of operations.
D.3	**Risks relating to the Shares**	We are applying for a Standard Listing and accordingly, we will not be required to comply with the protections for investors applicable to a Premium Listing under the Listing Rules. Prior to the Offer, there has been no public trading market for the Shares. There can be no assurance that an active trading market for the Shares will develop, or if developed, can be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of Shares could be adversely affected. The value of an investment in the Shares may decrease or increase abruptly, and such volatility may bear little or no relation to the Group's performance. The price of the Shares may fall in response to market appraisal of the Group's strategy or if the Group's results of operations and/or prospects are below the expectations of market analysts or shareholders. In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities, and may, in the future, experience similar fluctuations which may be unrelated to the Group's operating performance and prospects but nevertheless affect the price of the Shares.
Section E—Offer		
Element		
E.1	**Net proceeds / expenses**	After deducting commissions and other estimated fees and expenses incurred in connection with the Offer of approximately £17.1 million, the Company expects to receive net proceeds of £184.7 million. The Company will not receive any of the proceeds in respect of Existing Shares sold by the Selling Shareholder pursuant to the Offer or the Conditional Placing Commitment.
E.2a	**Reasons for the Offer / use of proceeds**	The Proposed Executive Directors approached the Selling Shareholder with a view to discussing a potential transaction in respect of the Company in November 2013. Since that approach, the Proposed Executive Directors have met with selected institutional investors to present their proposed strategy for the AA, subject to their joining the Board. This has resulted in placing commitments being received from institutional investors to acquire Shares under the terms of conditional placing letters. These commitments value the Existing Shares at £1,150 million (prior to any further issuance of Shares under the Offer and net of placing

		commissions of a maximum amount of approximately £23 million). The commitments are subject to certain conditions, including Admission. Accordingly, the Offer is being made at a pre-agreed value for the Company. In addition to seeking offers for the Existing Shares held by the Selling Shareholder, the Company will issue New Shares. The gross proceeds the Company expects to receive from the issue of New Shares pursuant to the Offer are £201.8 million. After paying commissions and other estimated fees and expenses incurred in connection with the Offer, the Company intends to use the net proceeds to reduce the overall net leverage of the Group and for general corporate purposes. The resulting market capitalisation of the Company at the Offer Price upon Admission will be £1,385 million.
E.3	**Terms and conditions of the Offer**	Pursuant to the Offer, Shares will be offered only outside the United States to certain institutional investors and other investors in the UK and elsewhere in reliance on Regulation S. Admission is expected to become effective, and unconditional dealings in the Shares are expected to commence on the London Stock Exchange, at 8.00 a.m. (London time) on 26 June 2014. It is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 23 June 2014. The earliest date for settlement of such dealings will be 26 June 2014. All dealings in Shares prior to the commencement of unconditional dealings will be on a "when issued basis", will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. These dates and times may be changed without further notice. The Offer is subject to the satisfaction of certain conditions contained in the Placing Agreement between the Company, the Directors, the Selling Shareholder and Cenkos Securities including Admission occurring and becoming effective by 8.00 a.m. (London time) on 26 June 2014 (or such later date as may be determined in accordance with such agreement), and to the Placing Agreement not having been terminated. None of the Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed, sold or delivered, and this Prospectus and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration other than where such consents, approvals, permissions have already been obtained in connection with Admission.
E.4	**Material interests**	Other than disclosed in B.6, there are no other interests including conflicting interests that are material to the Offer.
E.5	**Lock-up arrangements**	Pursuant to the terms of the Placing Agreement, the Company has undertaken for a period of 180 days after the date of Admission, the Directors have undertaken for a period of 365 days after the date of Admission and the Selling Shareholder has undertaken for a period of 180 days after the date of Admission, without the prior consent of Cenkos Securities (such consent not to be unreasonably

		withheld or delayed), not to issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, any Share or any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive Shares, except for (i) customary exceptions as provided in the Placing Agreement; and (ii) the ability to issue or sell shares upon admission to the premium segment of the Official List.
E.6	**Dilution**	Shareholdings immediately prior to Admission will be diluted by 18 per cent. as a result of New Shares issued pursuant to the Offer.
E.7	**Estimated expenses charged to investors**	Not applicable. No expenses will be charged by the Company or the Selling Shareholder to any investor who subscribes for or purchases Shares pursuant to the Offer.

PART 2
RISK FACTORS

Any investment in the Shares is speculative and subject to a high degree of risk. Prior to investing in the Shares, prospective investors should carefully consider risk factors associated with any investment in the Shares, the Group's business and the industry in which it operates together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Prospective investors should note that the risks relating to the Group, its industry and the Shares summarised in the section entitled "Summary" are the risks that the Company and the Directors believe to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section entitled Summary Information but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Company, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and/or financial position and, if any such risk should occur, the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

Various statements in this Prospectus, including the following risk factors, may constitute forward-looking statements, as further described in the section of this Prospectus entitled "Important Information".

Risks Relating to Our Business and Industry

Maintaining favourable brand recognition is essential to our success, and failure to do so could materially and adversely affect our business, prospects, financial condition and results of operations.

Our brand name, the "Automobile Association" or the "AA," enjoys a high degree of familiarity and awareness in the UK. We depend on the integrity of our brand and our reputation for quality of service for our business and we believe favourable recognition of our brand is important to maintaining a key position in an industry where trust and confidence with customers are paramount. See Part 7: Information on the Group—Our Strengths—The AA is one of the most highly regarded and trusted consumer brands in the UK. Nevertheless, factors affecting brand recognition are often outside our control, and our efforts to maintain or enhance favourable brand recognition, such as making significant investments in marketing and advertising campaigns, may not have their desired effects. We are also exposed to possible brand damage from poor performance in terms of customer service, either at the roadside or in dealing with customer emergencies in the home. We are exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory or other investigations or actions, the reputations and actions of our B2B and other business partners, press speculation and negative publicity, among others, whether or not founded, could damage our brand and our reputation. By virtue of the fact that we have such a highly visible and widely recognised brand, we are particularly exposed to mistakes or misconduct, or allegations thereof, by our technicians and other employees, contractors or agents. Furthermore, any decline in perceived favourable recognition of our roadside assistance segment could have an adverse impact on the reputation of our other segments, and vice versa. A decline in favourable recognition of our brand could also impact our ability to attract or retain Personal Members or B2B customers, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our operations are highly dependent on the proper functioning of information technology ("IT") and communication systems, and the failure or unavailability of such systems or our inability to keep pace with new technology developments could harm our reputation, result in the loss of Personal Members and B2B customers and have a material adverse effect on our business, prospects, financial condition and results of operations.

We rely heavily on our operational processes and in-house IT and communication systems to conduct our business, including for purposes of maintaining accurate customer service and records, managing our fleet of service vehicles and locating Personal Members and B2B customers experiencing automobile breakdowns or home emergencies. Our processes and systems may not operate as expected, or may not fulfil their intended

purpose. For example, we recently experienced a fault with our electronic billing system, which resulted in a temporary delay in billing. While this fault was resolved in a timely manner, the recurrence of a similar fault or instances in which our processes and systems do not operate as expected or fulfil their intended purpose, may result in our operations being inefficient, ineffective or inaccurate and, in turn, adversely affect the overall operational and financial performance of our business. Any IT or related systems inefficiencies could also result in an inability to provide our services in a timely manner, which in turn could cause material damage to our brand and reputation and adversely affect our ability to compete with our competitors. Our call centre operations could be disrupted due to loss of physical infrastructure, insufficient staff or other reasons. If our Personal Members or B2B customers experience a lack of quality service or reliability, our reputation could be damaged significantly and Personal Members and B2B customers may be reluctant to employ our services, which could result in the loss of existing Personal Members and B2B customers and a decline in revenue. As a result, any inability on our part to maintain and improve our IT and communication systems and infrastructure, or any service disruption, reliability or quality issues and their consequences could have a material adverse effect on our business, prospects, financial condition and results of operations.

We have put in place business continuity procedures, including security measures to protect against IT and related systems failure or disruption. However, these procedures may not be adequate or effective to ensure that we are able to carry on our business in the ordinary course if our IT systems fail or are disrupted. For example, if sufficient control and security measures are not in place, unauthorised persons could access, change and corrupt data on our servers. Furthermore, insurance coverage may prove inadequate to compensate for losses from a major business interruption.

In addition, to achieve our strategic objectives and remain competitive, we must continue to develop, upgrade and enhance our IT and communications systems and adapt our services, products and infrastructure in order to meet evolving market trends and consumer demands and keep pace with new IT developments, while at the same time maintaining the reliability and integrity of our operations, products and services. We may be required to commit substantial financial, operational and technical resources to the development of new software or other technology, the acquisition of equipment and software or upgrades to our existing systems and infrastructure. We may not be able to anticipate such developments or have the resources to acquire, design, develop, implement or utilise, in a cost-effective manner, IT and communications systems that provide the capabilities necessary for us to compete effectively. Furthermore, any delays or difficulties in implementing new or enhanced systems may keep us from achieving the desired results in a timely manner, to the extent anticipated, or at all, and we may also be unable to devote adequate financial resources to develop or acquire new technologies and systems in the future. Any failure to adapt to technological developments could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business relies on key contractual relationships with certain B2B customers, and the loss of any such B2B customers could have a material adverse effect on our business, prospects, financial condition and results of operations.

We have a number of important B2B partner accounts, mainly in our roadside assistance segment. Our 10 largest B2B partners accounted for 13.4% of our total revenue in the year ended 31 January 2014, of which the single largest partner is Lloyds Banking Group. The future loss of one of our B2B contracts to a competitor, failure to find a replacement contract at acceptable terms upon termination, or the renewal of those contracts on less advantageous terms, could materially adversely affect our business, prospects, financial condition and results of operations. Furthermore, our B2B partners may also face financial or commercial difficulties, the consequences of which could also materially adversely affect our business and reputation.

Increased competition may result in downward pressure on our pricing which may materially adversely affect our business, prospects, financial condition and results of operations.

Although there has been limited pricing pressure in recent years among our primary competitors in the roadside assistance market, we may face increased competition and price pressure in the markets in which we operate, which may result in downward pressure on our pricing and a loss of market share, which could, in turn, materially adversely affect our business, prospects, financial condition and results of operations.

We believe that price is an important competitive factor for all our business segments. Our competitors may seek to compete aggressively on the basis of pricing in order to protect or gain market share. Furthermore, the internet has increased pricing transparency and price pressure within our markets by enabling customers to more easily obtain and compare prices being offered by companies operating in these markets. This transparency may further increase the prevalence and intensity of price competition in our industry and potentially lead to consumer

pressure or regulatory intervention in the insurance services market. To the extent that we match any reduction in pricing by our competitors, our business, prospects, financial condition and results of operations could be materially adversely affected. In addition, to the extent that we do not match or remain within a competitive margin of our competitors' pricing, or if we otherwise seek to implement price increases, we may lose market share and experience a decline in revenue, which could materially adversely affect our business, prospects, financial condition and results of operations.

Our insurance broking business faces significant competition from competitors who may be larger and have access to greater financial or other resources, including global, national and local insurance companies.

We compete with global, national and local insurance companies, including direct writers of insurance coverage, as well as non-insurance financial services companies, such as banks, many of which offer alternative products or more competitive pricing for segments of the insurance market in which we operate. While we maintain a diversified panel of insurance underwriters, many of our competitors are larger than us and have greater financial, technical and operating resources, as well as the ability to underwrite their own policies. The general insurance industry is highly competitive on the basis of price, service and coverage and many distribution channels within the insurance industry have been undergoing significant changes. If our competitors price their premiums at a lower level than us and we meet their pricing, this may have a material adverse effect on the commissions we receive in connection with our broking activities. If we fail to meet their pricing, we may lose market share and experience a decline in revenue. In addition, if competitors attract current or potential policyholders from us in areas in which we compete or wish to compete, our operating performance may be materially and adversely affected.

In addition, insurance panel members could increase their prices, fail to maintain their competitive positions or withdraw from our panel, which may impact our ability to compete with the rest of the market and negatively impact our sales volumes and profitability or we could be forced to re-broke policies if one of our underwriters were to fail, which could negatively impact our profitability. Additionally, if our underwriting partners fail to resolve insurance claims in a timely or satisfactory manner, we may be exposed to litigation with respect to any such claims. While we regularly monitor the creditworthiness of our underwriting panel members to limit the potential risk of failure and any adverse impact on our customers, the failure of any one or more of our panel members could harm our reputation, sales and profitability. Any of the events above could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are exposed to further changes in the competitive landscape within the insurance industry, including increased competition from other distribution channels (particularly price comparison websites), the long-term implications of which are not yet fully understood.

Competition for general insurance products has intensified in recent years through the development of alternative distribution channels, such as price comparison websites ("**PCWs**"), including Moneysupermarket.com, Gocompare.com, Confused.com and Comparethemarket.com. PCWs are intermediaries that present multiple insurance quotes to a given buyer, allowing the buyer to make a comparison between insurance offerings based on a single set of information provided to the PCW. The long-term implications of the growth in PCWs cannot be predicted. There is potential for PCWs to increase their market penetration, including in other insurance products, such as home insurance. A movement of customers to PCWs and away from our marketing channels could result in greater pricing pressure, as well as a reduction in our share of the insurance brokerage market or reduce the effectiveness of our marketing efforts. In addition, we could experience greater competition in our insurance services segment if PCWs seek to act as insurance brokers themselves by administrating customer policies.

Consumer behaviour and attitudes, technological changes, regulatory and legislative changes and other factors also affect competition. Generally, we could lose market share, incur losses on some of or all our activities and experience lower growth if we are unable to offer competitive, attractive and innovative products and services that are also profitable, do not choose the right marketing approach, product offering or distribution strategy, fail to implement such strategies successfully or fail to anticipate, successfully adapt or adhere to such demands and changes. Competitive pressures from new technologies and distribution channels may require changes to our and our business partners' operations, including IT and communication systems and functionality, and we may not be able to effectively respond to these new developments in a timely or appropriate manner, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We depend on suppliers to provide many of our products and services and we may not be able to renew or extend existing contracts or enter into new contracts with suppliers, which could result in increased customer churn or have other effects that could materially adversely affect our business, prospects, financial condition and results of operations.

The successful implementation of our business strategy depends, in part, on our success at renewing or entering into new contracts with suppliers of products and services on favourable terms. Our ability to renew our existing contracts with suppliers of products and services, or enter into new contractual relationships, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events which may be beyond our control. In particular, we lease substantially all the vehicles that make up our operational fleet, covering roadside assistance, home emergency and driving services. During the year ended 31 January 2013, for example, our key supplier of vehicles withdrew from the leasing market, forcing us to re-enter the market and obtain new vehicle leasing contracts with higher interest rates. In the event that a supplier of products or services decides to terminate its relationship with us, our Personal Members and B2B customers may choose to obtain similar service offerings from alternative sources or providers. Our inability to maintain our existing contracts and agreements with suppliers of the various products and services which we rely upon or enter into new contracts on commercially favourable terms could lead to reduced sales, lower margins and a loss of existing Personal Members and B2B customers and difficulties in attracting new Personal Members and B2B customers, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Litigation, roadside injuries or death or regulatory inquiries or investigations could materially and adversely affect our business, prospects, financial condition and results of operations.

From time to time, we may become involved in litigation, and there is no guarantee that we will be successful in defending ourselves against such litigation. We are exposed to potential claims for personal injury and property damage resulting from the provision and use of our roadside assistance and home emergency services. For example, over the past 10 years we have had a number of claims relating to personal injury and property damage from employees, Personal Members and other third parties. We may be subject to future claims that could harm our reputation or have a material adverse effect on our business, financial condition and results of operations. We are also exposed to workers' compensation claims and other employment related claims by our employees. The defence of any of these claims may be time consuming and expensive. If the outcome of any such claims is unfavourable to us, we could suffer damage to our reputation and our business, prospects, financial condition and results of operations may be materially adversely affected. While we currently maintain motor liability coverage for bodily injury (including death) and property damage arising from or in connection with the services provided by our patrols, we do not have specific reserves for potential litigation matters and our current liability coverage may not be sufficient to cover all claims. In addition, there can be no assurance that our insurance premiums will not increase in the future, or that we will be able to renew our motor liability coverage on commercially acceptable terms. Furthermore, although our customer call centre provides roadside assistance Personal Members with safety instructions in the event of a breakdown, in the past Personal Members have been accidentally injured or killed by passing vehicles while waiting on the roadside. Accidents such as these could expose us to civil suits, significant damages claims and liabilities and harm our reputation.

We may also be subject to regulatory and governmental inquiries and investigations. The impact of litigation and regulatory inquiries and investigations may be difficult to assess or quantify. Even if a civil litigation claim or regulatory investigation or claim is meritless, does not prevail or is not pursued, any negative publicity arising in connection with any inquiries and litigation or regulatory investigation affecting our business could adversely affect our reputation. Litigation and regulatory investigations may also result in substantial costs and expenses and divert the attention of our management. In addition to pending matters, future litigation and regulatory investigations could lead to increased costs or interruption of our normal business operations, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We collect extensive non-public data from Personal Members, customers, business contacts and employees, and the failure to adequately maintain and protect such information, or failure to comply with applicable data protection law, could have a material adverse effect on our business, financial condition and results of operations.

We regularly collect, process, store and handle non-public data (including name, address, age, bank and credit card details and other personal data) from our Personal Members, customers, business contacts and employees as part of the operation of our business, and therefore we must comply with data protection laws in the UK and the European Union ("**EU**"). Those laws impose certain requirements on us in respect of the collection, use and

processing of such personal data. For example, under UK and EU data protection laws and regulations, when collecting personal data, certain information must be provided to the individual whose data is being collected. This information includes the identity of the data controller, the purpose for which the data is being collected and other relevant information relating to the processing. There is a risk that data collected by us may not be processed in accordance with notifications made to both data subjects and regulators. In some cases, the consent of those data subjects may also be required to protect the personal data for the purposes notified to them. Failure to comply with data protection laws could potentially lead to regulatory censure, fines, civil and criminal liability, reputational and financial costs. In addition, the laws that would be applicable to such a failure are rapidly evolving and may become more burdensome and costly to our operations. The scope of the notification made to, and consents obtained from, data subjects may limit our ability to deal freely with the personal data in our databases. It may not be possible for us to lawfully use that data for purposes other than those notified to data subjects, or for which they have provided consent.

We are also exposed to the risk that the personal data we control could be wrongfully accessed or used, whether by employees or third parties, or otherwise lost or disclosed or processed in breach of applicable data protection law, and we have experienced losses of personal data in the past. If we, or any of the third party service providers on which we rely, fail to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, we could face liability under data protection laws. This could also result in damage to our brand and reputation, as well as the loss of new or existing Personal Members or customers, any of which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Forthcoming changes to the wider EU data protection regime may also impact our operations. These changes may be implemented through a new general EU Regulation on Data Protection (the "**DPR**"), which may ultimately replace the current EU Data Protection Directive and its implementing laws in the EU and EEA member states. The DPR, if implemented in its any of its various current draft forms, will be directly applicable in each EU member state in which we operate and will increase both the number and the restrictive nature of the obligations binding on us for the collection and processing of personal data. The original draft of the DPR was published by the European Commission in January 2012. The European Parliament approved a package of amendments to the European Commission's draft in March 2014. The European Council is also considering the European Commission's draft and ultimately, if the DPR is to become law, a final form will need to be established between the European Parliament, the European Commission and the European Council. The European Commission's current plan is for finalisation of the DPR during the second half of 2014 with a view to its taking effect before the end of 2016. This timetable may not be achieved and, indeed, the DPR may never become law. If the provisions of the European Commission's draft, with or without the European Parliament's amendments, become law, we may be required to make significant changes to the way we collect, process and store personal data, which could be costly and any new data protection regime may be more onerous than the regime we are currently obliged to comply with.

We offer different prices to different types of customers, and the lack of price harmonisation within our Personal Member and across our B2B customer base may adversely affect our business, financial condition and results of operations.

As part of our efforts to attract new customers and Personal Members and to achieve a high degree of cross-penetration between our business segments, we may offer discounts to certain customers in respect of our roadside assistance, insurance, home emergency or financial service products. There is a risk that market pressure from our customers who do not subscribe to products and services across our segments (and therefore do not receive discount rates) may force us to amend our pricing plans. In addition, we regularly offer lower introductory prices to attract new Personal Members and subsequently receive requests from existing Personal Members to lower their membership fees accordingly. A significant change in the number of existing Personal Members requesting price reductions or a significant number of Personal Members declining to renew their memberships upon the expiration of their introductory offer rates could materially adversely impact our financial condition and results of operations.

In addition, our business model distinguishes between Personal Members, who subscribe for roadside assistance coverage directly through a membership agreement with us, and B2B customers, who receive roadside assistance coverage indirectly as an "add-on" or complementary service to the products they purchase from our B2B partners. If the availability of roadside assistance coverage becomes more prevalent as an add-on to premium bank accounts or other B2B products, we could potentially see a migration of our Personal Members to the lower-margin B2B customer book or to a third party provider, which would also have a material adverse effect on our business, prospects, financial condition and results of operations.

We seek to control and reduce our operating costs and we may not be successful in such efforts, which could have material adverse consequences for our business, prospects, financial condition and results of operations.

We have implemented and intend to continue to implement initiatives to reduce our operating expenses. Cost control initiatives include headcount reductions, business process re-engineering and internal reorganisation, as well as other expense controls. For example, in December 2012, we closed our Basildon and Cardiff contact centres, the operations from which we redeployed within our existing Newcastle and Cheadle contact centres. We are also currently finalising changes to patrols and their terms and working practices. While we aim to implement and maintain these cost savings and to pursue additional cost efficiencies, we may be unable to effectively control or reduce costs. Even if we are successful in these initiatives, we may face other risks associated with our plans, including declines in employee morale, the level of customer service we provide, the efficiency of our operations and the effectiveness of our internal controls. In addition, our ability to implement operating cost reductions could be hampered by the Independent Democratic Union (the "**IDU**") through industrial action. Any of these risks could have a material adverse impact on our business, prospects, financial condition and results of operations.

Severe or unexpected weather conditions could materially adversely affect our business, prospects, financial condition and results of operations.

Severe or unexpected weather conditions, including extremes in temperature, heavy rain, snowfall, hail or high winds, tend to increase the volume of calls to our roadside assistance and home emergency centres. Although we receive a certain amount of payment-for-use revenue with regards to our B2B contracts, many of our contracts are for a fixed annual fee, and the increase in our costs are likely to be greater than the increase in payment-for-use revenue received as a result of increased call-outs during times of severe weather. Repercussions of severe or unexpected weather conditions may also include an inability to respond quickly and efficiently to calls from our Personal Members and B2B customers, loss of productivity and even necessary curtailment of services. Any delay in our performance or disruption of our operations due to severe weather conditions could have an adverse effect on our reputation and decrease the demand for our services, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

We operate almost exclusively in the UK and difficult conditions in the UK economy may have a material adverse effect on our business, financial condition and results of operations.

We generated 96.8% of our total Trading EBITDA in the UK in the year ended 31 January 2014 and 97.2% in the three months ended 30 April 2014. As we operate almost exclusively in the UK and will be required to do so in the future in accordance with the terms governing certain of our indebtedness, our success is closely tied to general economic developments in the UK and cannot be offset by developments in other markets. Negative developments in, or the general weakness of, the UK economy and, in particular, higher unemployment, lower household income and lower consumer spending may have a direct negative impact on the spending patterns of Personal Members and B2B customers, both in terms of the services they subscribe for and the amount of insurance and other products they purchase. Any negative economic developments in the UK could reduce consumer confidence, and thereby could negatively affect earnings and have a material adverse effect on our results.

In addition, any deterioration in the UK economic and financial market conditions may:

- cause financial difficulties for our suppliers and B2B partners, which may result in their failure to perform as planned and, consequently, create delays in the delivery of our products and services;
- result in inefficiencies due to our deteriorated ability to forecast developments in the markets in which we operate and failure to adjust our costs appropriately;
- cause reductions in the future valuations of our investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to our historical or projected future results or any significant changes in our use of assets or our business strategy;
- result in increased or more volatile taxes, which could negatively impact our effective tax rate, including the possibility of new tax regulations, interpretations of regulations that are stricter or increased effort by governmental bodies seeking to collect taxes more aggressively;
- result in increased customer requests for reduced pricing and reduced renewal rates if these requests are not granted.

Although the recent economic downturn in the UK has not materially affected our Personal Membership base or B2B customer base, a delayed recovery or a worsening of economic conditions may lead to a decrease in subscribers to our roadside assistance services, our insurance products and generally result in Personal Members and B2B customers terminating their relationship with us. Therefore, a weak economy or negative economic development could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our membership numbers could decline or our business mix could change if there is a decrease in the average age of vehicles used in the UK, if service intervals or manufacturer guarantees are extended or if vehicles are used to a lesser extent.

As vehicles get older, the likelihood of breaking down generally increases. Therefore, a decrease in the average age of vehicles in the UK could lead to a decline in demand for our B2C roadside assistance products and services. In addition, technological and qualitative improvements of some motor vehicle components can reduce the likelihood of motor vehicles breaking down, which can also lead to a decrease in demand for our roadside assistance services by both our Personal Members and B2B customers. A decrease in demand for our roadside assistance services may lead to certain of our B2B partners declining to renew their contracts with us. In addition, in the event automobile manufacturers continue to expand the scope of their warranties and roadside assistance coverage beyond current limits (for example, as a result of changes in the legal environment), engage in greater promotion of roadside assistance at the point of service in their dealerships, or improve vehicle technologies so as to identify potential breakdowns before they occur, demand for our B2C roadside assistance products and services may be negatively impacted.

There could also be a decline in demand for our roadside assistance services because of reduced vehicle use or reduced vehicle ownership, which can result from rising costs (for example, higher petrol prices, higher petrol taxes and higher insurance prices), a significant deterioration in economic conditions, any future new vehicle incentives, changes in travelling or commuting behaviour or growing environmental concerns. See Part 8: Market and Industry for further information. In addition, a decline in demand for our roadside assistance services could impact or alter the mix of our product and services offerings. Any such decline in demand could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not be able to protect our brand and related intellectual property rights from infringement or other misuse by others and we may face claims that we have infringed the trademarks or other intellectual property rights of others.

Our brand constitutes a significant part of our value proposition. We rely primarily on trademarks and similar intellectual property rights to protect our brand. The success of our business depends on our continued ability to use our existing trademarks in order to increase brand awareness and, in particular, to develop our presence and activity in those markets where we are new entrants. Policing unauthorised use of our proprietary intellectual property rights can be difficult and expensive, and we cannot be sure that the steps we have taken to protect our trademarks and other intellectual property rights will preserve our ability to enforce those rights or prevent unauthorised use, infringement or misappropriation by third parties. Additionally, legal remedies available to us may not adequately compensate us for any damages we suffer as a result of such unauthorised use. Accordingly, any material infringement or misuse of our intellectual property could have a material adverse effect on our business, prospects, financial condition and results of operations.

Moreover, we may face claims that we have infringed the trademarks or other intellectual property rights of others, including in those markets where we have not historically been active. Intellectual property litigation may be expensive and time consuming, and may divert managerial attention and resources from our business objectives. Successful infringement claims against us could result in significant monetary liability. Such claims could also delay or prohibit the use of existing, or the release of new, products, services or processes, and the development of new intellectual property. We could be required to obtain licences to the intellectual property that is the subject of the infringement claims, and resolution of these matters may not be available on acceptable terms within a reasonable timeframe or at all. Generally, intellectual property claims against us and any inability to use our trademarks could have a material adverse effect on our business, prospects, financial condition and results of operations, and such claims may result in a loss of intellectual property protections relating to our business.

We may make acquisitions or disposals in the future, which transactions may not achieve the expected results or may expose us to contingent or other liabilities and materially adversely affect our business, prospects, financial condition and results of operations.

We intend to continue to consider opportunistic strategic transactions, which could involve acquisitions or disposals of businesses or assets and could result in shifts in the current mix of our product and services offerings. For any acquisitions which we identify, we will need to conduct appropriate due diligence, including, as appropriate, an assessment of the adequacy of claims reserves, an assessment of the recoverability of reinsurance and other balances, enquiries with regard to outstanding litigation and consideration of local regulatory and taxation matters. Consideration will also need to be given to potential costs, risks and issues in relation to the integration of any proposed acquisitions with our existing operations. However, the due diligence undertaken may not be accurate or complete, and such due diligence may not identify or mitigate all material risks to which the entity being acquired is exposed, including contingent or unanticipated liabilities. In addition, the integration of any proposed acquisition may not be successful or in line with our expectations and may pose a disruption to our ongoing business. We also may not obtain appropriate or adequate contractual representations, warranties and indemnities in connection with any acquisition. We may also provide representations, warranties and indemnities to counterparties on any disposal, which may result in claims being asserted against us by the applicable counterparties. Any acquisitions or dispositions of businesses or assets and shifts in the current mix of our product and services offerings, may divert managerial attention and resources from our business objectives.

If we enter into strategic transactions in the future, related accounting charges may affect our business, financial condition and results of operations, particularly in the case of any acquisitions. Any acquisition or disposal may result in changes to our capital structure, including the incurrence of additional indebtedness or the refinancing of our outstanding indebtedness, as applicable. There can be no guarantee that we will be able to identify appropriate acquisition targets or opportunities for disposals in the future and, even if we identify an attractive opportunity, we may not be able to complete the acquisition or disposal successfully based on limited financial resources or onerous regulatory requirements. Losses resulting from acquisitions or disposals could damage our brand and reputation and could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our technical reserves may not adequately cover actual claims due to the uncertain nature and timing of the risks that we may incur in underwriting insurance products.

Historically, we have engaged in reinsurance underwriting through ARCL, a wholly owned subsidiary of the Company. In the future, we may conduct direct underwriting activities or expand our direct underwriting activities and conduct them through Automobile Association (Gibraltar) ("**AAG**") or another appropriate entity, and reinsure those policies through ARCL or another appropriate entity.

Due to the uncertain nature and timing of the risks that we incur in underwriting insurance products, we cannot precisely determine the amounts that we will ultimately pay to meet the liabilities covered by the insurance policies we underwrite or the timing of payment and settlement of those liabilities. As such, ARCL's technical reserves may prove to be inadequate to cover actual claims costs, particularly when the settlement of liability or payments of claims may not occur until well into the future.

For some claims, especially those which take several years to settle, it has been necessary historically, and may over time continue to be necessary, for us to revise our estimates of the total costs to settle the claims and, therefore, increase or release our related technical reserves.

In the future, if we significantly increase our direct underwriting activities, we may need to increase our technical reserves. Our estimates or expectations of the reserves required may not be accurate and uncertainty around those technical reserves could also lead to increased regulatory capital being required and increased uncertainty around our future profitability.

We face a number of risks in connection with the Separation from the Saga Group, which may adversely affect our business, financial condition and results of operation.

Acromas and Saga entities previously provided us with certain services. In connection with and following the separation of the AA Group's Operations from the Acromas Group and the Saga Group (the "**Separation**"), certain of these services continue to be provided to us in accordance with the Umbrella Services Agreement. There can be no assurance that these entities will be able to provide these services in the manner and to the standard required by the Umbrella Services Agreement or that the scope of the services and service standards specified in the Umbrella Services Agreement will be suitable for our future business needs. Many of the terms

of the Umbrella Services Agreement, including the scope and standard of services and the charges, are described by reference to general principles and there is a risk that we might have disputes with Saga about those terms. Such a dispute could disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

In the event of any failure by these entities to provide us with all or any of these services or any conflict of interest or disagreement between us and these entities that disrupts the provision of any of these services, we may be required to procure their delivery from one or more third party suppliers in the market or we may be left with an unsecured claim against the relevant Saga entity. There can be no assurance that we will be able to transition the provision of these services to a new provider without disrupting the operation of our business and any such failure or disruption to our business may materially and adversely affect our business, financial condition and results of operations.

Our operations are dependent on our ability to retain the services of the members of our senior management team and to retain and attract qualified and reliable personnel.

We rely on a number of key employees, both in our management and our operations, with specialised skills and extensive experience in their respective fields. We also believe that the growth and success of our business will depend on our ability to attract highly skilled, qualified and reliable personnel with specialised know-how in automotive and home repair services, as well as those with IT and other specialist skills. Although we place emphasis on retaining and attracting talented personnel and invest in extensive training and development of our employees, we may not be able to retain or hire such personnel in the future. In particular, the automobile market is characterised by frequent technical advances and increases in the complexity of existing components. Certain models of vehicles and automotive components may have technical equipment so complex or innovative that they can be maintained only by persons with special training relating to those particular model vehicles. The expense of this specialisation could result in higher costs for us or in decreased demand for our roadside assistance services if it becomes no longer economically feasible for us to offer repair services for particular models or components, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, the Prudential Regulation Authority ("**PRA**") and the Financial Conduct Authority ("**FCA**"), the successor to the Financial Services Authority ("**FSA**"), have the power to approve and regulate individuals in the insurance and financial intermediation businesses, respectively who have significant influence over the key functions of an insurance business or financial intermediation business, such as governance, finance, audit and management functions. The FCA also has the power to regulate individuals in the financial intermediation business who deal with customers, such as those providing advice to customers on certain insurance and financial products. The PRA or FCA (as applicable) may not approve individuals for such functions unless the respective regulator is satisfied that they have appropriate qualifications and experience and are fit and proper to perform those functions, and may withdraw approval for individuals whom it deems no longer fit and proper to perform those functions. The majority of our regulated business is subject to FCA regulation and our inability to attract and retain, or obtain FCA approval for, directors and highly skilled personnel in our businesses subject to the authority of the FCA could adversely affect our competitive position, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Our business requires the work of many employees and any disruption in our workforce could materially adversely affect our business, financial condition and results of operations.

As of 22 April 2014, approximately 57% of our employees were covered by a collective bargaining agreement with the IDU, a union historically dedicated to AA employees, but more recently representing non-AA employees as well. In addition, we are required to consult with our employee representatives, such as works councils, on various matters, including restructurings, acquisitions and divestitures. For example, we regularly review the application of working practices and aspects of our patrol force employment contracts to enhance efficiency as part of our budgeting cycle. To the extent we choose to change working practices or aspects of our patrol force employment contracts, we will be required to consult with employee representatives and the IDU. Although we strive to maintain good relationships with our employees and the IDU, such relationships may not continue to be cooperative and we may be affected by strikes or other types of conflict with labour unions and employees in the future, which could impair our ability to deliver the services we provide and result in a substantial loss of revenue. The terms of existing or renewed collective bargaining agreements could also significantly increase our costs (for example, through increased wages) or negatively affect our ability to increase operational efficiency, which may in turn have a material adverse effect on our business, prospects, financial condition and results of operations.

Risks Relating to Regulatory and Legislative Matters

We are subject to complex laws and regulations that could materially and adversely affect the cost, manner and feasibility of doing business.

The industries in which we operate are materially affected by government regulation in the form of national and local laws and regulations in relation to health and safety, the conduct of operations and taxation. We are subject to prudential and consumer protection measures imposed by a number of insurance and financial services regulators, including the European Commission, the Office of Fair Trading ("**OFT**"), HM Treasury, the UK Competition Commission, the Competition and Markets Authority and the European Competition Commission. In the UK, the PRA is the primary regulatory authority of the insurance sector and the FCA of the insurance intermediation sector. Each have prescribed certain rules, principles and guidance with which we and others in the insurance and financial services industries must comply. Such rules require, among other things, high level standards on the establishment and maintenance of proper systems and controls and minimum "threshold conditions" that must be satisfied for a firm to remain authorised, as well as rules on the conduct of business and treating customers fairly. The PRA or FCA may find that we have failed to comply with applicable regulations, have not sufficiently responded to regulatory inquiries or have not undertaken corrective action as required. Our roadside assistance business is currently operated under an exemption from requiring insurance business authorisation. Any change in law, regulation or in interpretation of law or regulation could result in this business needing to be carried out by a regulated insurer which could significantly increase the costs of the business. In each case, regulatory proceedings could result in a public reprimand, substantial monetary fines or other sanctions which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Furthermore, the use of continuous payment methods in both our roadside assistance and insurance services segments contributes to our high levels of retention. Although continuous payment methods are a common market and banking practice, regulation of their use by the FCA, the OFT or another comparable regulatory authority, or the regulation of how and when we communicate with current and potential Personal Members and customers, could have a negative effect on our business, prospects, financial condition and results of operations.

In addition, in March 2014 the FCA published the results of their initial review of the general insurance add-on market. The general insurance add-on market comprises the sale of general insurance products (including *inter alia* motor, home and travel insurance) which are sold alongside other products as an 'add-on'. The FCA's provisional findings were that competition in the markets for general insurance add-ons is not effective and that they intend to intervene in respect of the supply of general insurance add-ons. We commonly offer 'add-ons' to consumers when selling our 'primary' products and this is a sales method which contributes to our profitability. Regulation of their use by the FCA or another comparable regulatory authority could have a negative effect on our business, prospects, financial condition and results of operations.

In September 2012, the OFT referred the private motor insurance market to the UK Competition Commission for investigation and there is currently an investigation into whether there are any features of the overall market that prevent, restrict or distort competition. The UK Competition Commission has distributed questionnaires to a large number of entities within the private motor insurance market, including insurance underwriters, insurance brokers, PCWs, vehicle repair companies and claims handling companies and it (or its successor the Competition and Markets Authority) must publish its final findings by the end of September 2014 having already determined that it believed that the market could operate better for motorists and insurance premiums could be reduced. Although the outcome of the investigation remains uncertain, any new or more stringent regulation that directly or indirectly impacts the private motor insurance market could materially and adversely affect our business, financial condition and results of operations.

Our operations are also subject to various laws and regulations relating to health and safety, employment, environmental and other matters. If we fail to comply with any such laws or regulations, we could be subject to sanctions such as mandatory shut-downs, damages, criminal prosecutions and injunctive action. Changes in governmental regulations, as well as maintaining compliance with required standards, may also significantly increase our costs, the price of membership and access to our services, which in turn could materially and adversely affect our business, prospects, financial condition and results of operations.

We are subject to risks in connection with the construction of employment laws including in relation to the calculation of employee holiday pay.

We are subject to risks in connection with changes to employment laws whether by government legislation or by decisions of the courts that are changing the interpretation of existing legislation which impact businesses in the UK. For example, case law in connection with the calculation of holiday pay in the area of employment law is creating a potential cost exposure for employers throughout the country. The case law relates to the interpretation and application of the Working Time Regulations in the UK which govern the statutory holiday entitlement and the minimum amount of statutory holiday pay that employees are entitled to. It does not apply to holiday pay for contractual holiday in excess of the minimum statutory entitlement. In accordance with UK law, historically, pay for statutory holidays has corresponded to basic pay only and overtime, comission and other pay components have been excluded from the calculation of "normal working hours" and a "week's pay" for the purposes of calculating statutory holiday pay entitlement. The European Court has however held that in accordance with European law (the "**Working Time Directive**"), all components of pay that are intrinsically linked to the tasks that employees are required to perform under their contracts should be included in the calculation, such as commission and, possibly, overtime. Employers have awaited further guidance in order to assess historic liabilities and take any necessary steps to ensure future compliance. Two UK court decisions are expected later this year which should help to clarify some of the outstanding questions, including whether overtime (voluntary or not) should be included in the calculation and how statutory minimum holiday pay ought to be calculated if variable pay components are included. As related claims for holiday pay can be backdated and the impact and nature of legislative changes cannot be predicted with any certainty, it is difficult to estimate with precision what the cost of such claims could be, however, if each of the least favourable outcomes materialise, potential historic liability for backdated claims could be material.

These changes and other changes in employment law could create additional costs for businesses that operate overtime and commission by increasing the cost of paid statutory holiday, which in turn could materially and adversely affect our business, prospects, financial condition and results of operations.

Risks Relating to our Pension Schemes and Post-Retirement Medical Plan

We are exposed to various risks in connection with the funding of our pension commitments under the AA UK Pension Scheme, our principal defined benefit plan, which could have a material adverse effect on our business, financial condition and results of operations.

Valuations of all UK defined benefit plans are required to be conducted on at least a triennial basis in accordance with legislative requirements, and the trustees and employers of the applicable plan will be required to agree a recovery plan which seeks to pay off any funding deficit disclosed in the context of such valuations over an agreed period of time. The "funding deficit" will be the estimated shortfall in the amount required, on an actuarial calculation based on assumptions agreed between the employer and trustees in the context of the relevant valuation, to make provision for the scheme's liabilities. Accordingly, we are exposed to the risk that our pension funding commitments may increase over time in the context of subsequent valuations of the AA UK Pension Scheme, which could have a material adverse effect on our business, financial condition and results of operations.

The last completed triennial actuarial valuation carried out in relation to the AA UK Pension Scheme as at 31 March 2013 disclosed assets of approximately £1,563 million and a funding deficit of approximately £202 million. In conjunction with agreeing the 2013 Valuation, we implemented an asset backed funding structure (the "**ABF**") in November 2013 with the trustee of the AA UK Pension Scheme (the "**AA UK Pension Trustee**"). This provides the AA UK Pension Scheme with an inflation-linked income stream over 25 years, through an interest in a Scottish limited partnership. The aggregate total of the monthly payments due from the ABF to the AA UK Pension Scheme in the first year of the ABF is £12.2 million. The ABF is intended to address the funding deficit disclosed in the 2013 Valuation over a 25 year period. However, there can be no assurance that the funding deficit and/or the amount of annual deficit payments will not increase in the future.

Typically, funding deficits are addressed over a much shorter period than 25 years and, in order to secure the AA UK Pension Trustee's agreement to this longer 25 year term under the ABF, the AA UK Pension Trustee has been granted first-ranking security (through the ABF structure) over our brands for a debt claim of £200 million. The ABF income stream and security is provided through the AA UK Pension Trustee's interest in a Scottish limited partnership which holds a loan note issued by the company that owns the AA Group's brands ("**IP Co**"). The royalties payable by the AA group to IP Co for the use of the AA Group's brands fund the loan note payments due from IP Co to the partnership (which in turn fund the payments from the partnership to the AA UK

Pension Trustee). The loan note payments due from IP Co are secured by a first ranking charge over the AA Group's brands, for an amount equal to £200 million. If the loan note payments, which are payable prior to our debt servicing obligations, are not made to the Scottish limited partnership to enable the payment of the trustee's return it will have the right to enforce the £200 million first ranking security interest over our brands against IP Co at the instruction of the AA UK Pension Trustee and if the security is enforced, the AA UK Pension Trustee's claim (through the ABF) will rank ahead of other claims on the security. If the security claims were enforced and all or some of our brands were disposed of by the AA UK Pension Trustee, it could have a material adverse effect on our business, financial condition and results of operations.

The assets of the AA UK Pension Scheme are invested in various investment vehicles which are susceptible to market volatility, interest rate risk and other market risks, any of which could result in decreased asset value and a significant increase in our net pension obligations.

The assets of the AA UK Pension Scheme are invested predominantly via externally managed funds and insurance companies. The AA UK Pension Trustee, in consultation with us, prescribe the investment strategy in relation to the assets of the AA UK Pension Scheme, and thus we do not determine individual investment alternatives. The assets may be invested in different asset classes including equities, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested pension plan assets are subject to fluctuations in the capital markets that are beyond our influence. Unfavourable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in our net pension obligations. In addition, deterioration in our financial condition could lead to an increased funding commitment to the trustees, which could further exacerbate any financial difficulties we could face at such time. Any such increases in our net pension obligations could adversely affect our financial condition due to increased additional outflow of funds to finance the pension obligations. We are also exposed to risks associated with longevity, interest rate and inflation rate changes in connection with our pension commitments, as a decrease in interest rates, increase in longevity or in inflation could have an adverse effect on our contribution requirements in respect of the AA UK Pension Scheme.

In certain circumstances we may be required to fully fund the AA UK Pension Scheme on a "buy-out" basis, which could have a material adverse effect on our business, financial condition and results of operations.

Typically, the ongoing "funding" basis for a pension scheme, such as the AA UK Pension Scheme, is agreed between the AA UK Pension Trustee and the Employer (subject to the UK Pensions Regulator's powers to intervene and determine such basis). However in certain circumstances, a so-called "section 75 debt" payment can be triggered, which is calculated by reference to the deficit on a "buy-out" basis, broadly the cost of purchasing annuities and deferred annuities with an insurer. The deficit on a buy-out basis is often significantly in excess of the funding deficit, and the deficit of the AA UK Pension Scheme on a buy-out basis was estimated to be £1,591 million as at 31 March 2013. AA Senior Co Limited provides a guarantee under a pension agreement dated 1 July 2013 (the "**AA UK Pension Agreement**") in relation to, broadly, the difference between the section 75 debt and the AA UK Pension Trustee's £200 million first ranking security interest over the AA Group's brands (provided through the ABF), and this guarantee is effective on enforcement of the security. Accordingly, if a section 75 debt is triggered, it could have a material adverse effect on our business, financial condition and results of operations.

A section 75 debt could be triggered in relation to the AA UK Pension Scheme if it is wound up or certain insolvency events occur in relation to the sponsoring employer of the AA UK Pension Scheme, which is currently Automobile Association Developments Limited (the "**Employer**"). The AA UK Pension Trustee can trigger a wind-up of the AA UK Pension Scheme if the Employer terminates its liability to contribute to the AA UK Pension Scheme or ceases to carry on its undertaking and a successor has not assumed the role of sponsoring employer, which is subject to AA UK Pension Trustee consent. The regulator of occupational pension schemes in the UK (the "**Pensions Regulator**") has powers to trigger a wind-up in relation to the AA UK Pension Scheme in certain circumstances. Insolvency events which trigger a section 75 debt include the appointment of an administrative receiver and the entry by a company into administration. A section 75 debt can also be triggered in relation to multi-employer pension schemes where one employer exits the scheme, but the AA Pension Scheme is currently a single employer scheme.

Where a Section 75 debt is triggered as a result of an insolvency event, the debt is contingent on the pension scheme being transferred to the Pension Protection Fund (the "**PPF**"). Entry into the PPF is subject to certain conditions, including an assessment as to whether the pension scheme's assets are sufficient to provide benefits of at least the level of compensation which would be provided by the PPF and is determined during the course of

a PPF assessment period (if so, the scheme will not transfer). The PPF will assume responsibility for an eligible scheme where the assets of the scheme are not sufficient to provide PPF level benefits, unless the relevant insolvency practitioner issues a "scheme rescue" notice (for example, because the relevant company is rescued and the business continues with the pension scheme in place or because another entity agrees to assume responsibility for the pension liabilities). Where a scheme rescue notice is issued, no section 75 debt in relation to the scheme will be payable as a result of the insolvency. In the absence of a scheme rescue notice, the section 75 debt would become payable and, as this is likely to be significant, this means a substantial unsecured claim would arise in relation to the Employer and AA Senior Co Limited pursuant to the AA UK Pension Agreement.

A section 75 debt is an unsecured debt. However, the AA UK Pension Trustee's indirect £200 million first ranking security interest over the AA Group's brands (through the ABF) is enforceable by the Scottish limited partnership in certain circumstances, including in the event of a section 75 debt being triggered (where, as a result of insolvency, the debt becomes payable because there is no scheme rescue). Accordingly, if the security is enforced, the first £200 million of the AA UK Pension Trustee's claim will rank ahead of other claims.

The Pensions Regulator in the UK has power in certain circumstances to issue contribution notices or financial support directions which, if issued, could result in us incurring significant liabilities.

Under the Pensions Act 2004, the Pensions Regulator may issue a contribution notice requiring contributions to be paid into the relevant scheme by an employer in a UK defined benefit pension scheme or any person who is "connected with" or is an "associate of" an employer in a UK defined benefit pension scheme. A contribution notice may be issued if the Pensions Regulator is of the opinion that (i) the relevant person has been a party to an act, or a deliberate failure to act, which had as its main purpose (or one of its main purposes) the avoidance of pension liabilities or (ii) the relevant person has been a party to an act, or a deliberate failure to act, which has a materially detrimental effect on a pension plan without sufficient mitigation having been provided. Directors of the participating employer are also potentially subject to the Pensions Regulator's power to issue a contribution notice.

If the Pensions Regulator considers that the employer participating in a UK defined benefit pension scheme is "insufficiently resourced" or a "service company," it may impose a financial support direction requiring any person associated or connected with that employer, to put in place financial support in relation to the relevant pension scheme. An employer is insufficiently resourced if, broadly, the employer has insufficient assets to meet 50% of the deficit on a buy-out basis and any person or persons who is or are "connected with" or an "associate of" the employer has (or together have) sufficient assets to meet the shortfall between the employer's assets and 50% of the deficit on a buy-out basis.

The terms "associate" and "connected person," which are taken from the Insolvency Act 1986, are widely defined and could cover our significant shareholders and others deemed to be shadow directors. While in the same corporate group, entities within the AA Group and the Saga Group are associated and connected with each other and the Acromas Group, which means that entities in the AA Group are associated and connected with the employers in the AA UK Pension Scheme and the defined benefit pension schemes operated by the Saga Group. The Pensions Regulator can exercise its powers by issuing a "warning notice" within a prescribed period of time of an association or connection ceasing (within six years in respect of contribution notices and within two years in respect of financial support directions). Consequently, the AA Group could be responsible in certain circumstances for the pension liabilities of the Saga Group. The Saga Group operates three defined benefit pension schemes: (i) the Saga Pension Scheme (the "**Saga Pension Scheme**"), (ii) the Nestor Healthcare Group Retirement Benefits Scheme and (iii) the Healthcall Group Limited Pension Scheme. The Saga Pension Scheme is the largest scheme operated by the Saga Group and as at 31 January 2012, the Saga Pension Scheme had a funding deficit of approximately £37.3 million and assets of £146.0 million and it was estimated that the buy-out deficit in relation to the Saga Pension Scheme as at 31 January 2011 was £77.9 million. The maximum amount that an individual member of the AA Group could be required to pay by the Pensions Regulator is limited to the buy-out deficit in the relevant pension scheme at the relevant default date.

Entities in the AA Group may also have been associated and connected with employers in other UK defined benefit pension schemes operated in groups in which our significant shareholders (or former significant shareholders) have a prescribed shareholding.

The Pensions Regulator may, however, only issue contribution notices or financial support directions where it believes it is reasonable to do so. In relation to financial support directions, the Pensions Regulator determines reasonableness by having regard to a number of factors, a non-exhaustive list of which is set out in legislation

(and includes the relationship which the person has or has had with the employer, the value of any benefits received directly or indirectly by that person from the employer, any connection or involvement which the person has or has had with the scheme and the financial circumstances of the person). To date, with one exception, all reported instances of the exercise of these powers relate to groups of companies in some form of insolvency process or where the employer is insolvent.

Strengthening of the regulatory funding regime in the UK or Ireland could impose increased pension funding requirements.

Strengthening of the regulatory funding regime for pensions in the UK or Ireland (whether imposed by local law or European Union law and which, in the case of Ireland could include the introduction of statutory debts for the recovery of a shortfall in funding, equivalent to the concept of section 75 debts under UK law or the introduction of regulatory powers, equivalent to the Pensions Regulator's powers to impose liability for underfunded defined benefit schemes on third parties) could increase requirements for cash funding of pensions, demanding more financial resources to meet governmentally mandated pension requirements. The realisation of any of the foregoing risks could require us to make significant additional payments to meet our pension commitments, which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to the risk that our liability for our post-retirement medical plan could materially increase which could have a material adverse effect on our business, financial condition and results of operations.

The AAPMP provides private healthcare cover to retired AA pensioners and their dependents. The scheme is unfunded and as of 30 April 2014 showed a liability of £45.1 million. This liability could materially increase depending on, among other factors, the longevity of scheme participants, material changes in claims behaviour and the rate of inflation in the costs of providing these healthcare benefits, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to our Financial Profile

Our substantial leverage could materially and adversely affect our business, financial condition and results of operations and prevent us from servicing our payment obligations under our indebtedness.

Following the Offer, we will continue to be highly leveraged and have significant debt service obligations. As of 30 April 2014, the Company's total outstanding indebtedness (excluding finance leases) is £3,393.0 million. We expect that our substantial leverage will continue for the foreseeable future.

The degree to which we will continue to be leveraged could have important consequences for our business, including:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions, including rises in interest rates;
- restricting our ability to make strategic acquisitions or pursue other business opportunities;
- together with the financial and other restrictive covenants under our indebtedness, limiting our ability to obtain additional financing, dispose of assets or pay cash dividends other than as permitted by the terms of our indebtedness;
- requiring us to dedicate a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the availability of such cash flow to fund dividend payments;
- our creditors requiring us to sell or otherwise dispose of assets used in our business in order to fund our substantial debt service obligations;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors that have less debt; and
- increasing our cost of borrowing.

Any of these consequences or events could have a material adverse effect on our ability to satisfy our significant debt obligations. If, following fully drawing down the currently undrawn £220 million Liquidity Facility, we were to fail to make payments on our indebtedness when due, this could give rise to an event of default under the applicable debt instruments. In such circumstances, the relevant trustee, may declare all amounts outstanding

under the applicable debt instruments to be immediately due and payable and initiate enforcement proceedings against the collateral we have provided to secure our obligations under such debt instruments, all or any of which actions could have a material adverse effect on our business, prospects, financial condition and results of operations.

We will require a significant amount of cash to meet our obligations under our indebtedness and sustain our business operations, and our ability to do so will depend on many factors beyond our control.

Our ability to meet our obligations under our indebtedness, including making principal, interest and other payments when due, as well as our ability to fund our ongoing business operations, will depend upon our future operating performance and our ability to generate cash, which, in turn, will be affected to some extent by general economic conditions and by financial, competitive, legislative, regulatory and other factors, including those factors discussed in this Part 2: Risk Factors and elsewhere in this Prospectus, many of which are beyond our control.

In the short to medium term, the Company has high visibility of trading results because a significant amount of Trading revenue is from repeat business (defined as income from renewing Personal Members and insurance customers, multi-year B2B roadside assistance contracts and driving services contracts, and driving school franchisees) and it is also required to maintain an undrawn £220.0 million Liquidity Facility to meet any liquidity shortfalls. The future performance of our business and results of operations may not be similar to our historic performance or results of operations described in this Prospectus and the factors that create high visibility of trading results may not continue indefinitely. Accordingly, in the longer term, we cannot provide any assurance that our business will generate sufficient cash flows from operations, that currently anticipated cost savings, revenue growth and operating improvements will be realised or that future sources of debt or equity financing will be available on favourable terms, or at all, in an amount sufficient to enable us to service our indebtedness or to fund our other liquidity needs.

Our current indebtedness is due for principal repayment or refinancing from 2018 (for more information on the maturity profile of our indebtedness see Part 11: Operating and Financial Review—Long-Term Indebtedness prior to the Refinancing). If, on the maturity date of any of our indebtedness, we do not have sufficient cash flows from operations and other capital resources to repay and redeem the Notes in full or pay our other debt obligations, as the case may be, we may be required to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or raising additional debt or equity financing in amounts that could be substantial or on unfavourable terms.

Our access to debt, equity and other financing as a source of funding for our operations and for refinancing maturing debt will also be subject to many factors, many of which are beyond our control. The type, timing and terms of any future financing will depend on our cash needs and the then prevailing conditions in the financial markets, including in the corporate bond, term loan and equity markets. We cannot assure you that these conditions will be favourable at the time any refinancing is required to be undertaken or that we will be able to complete any such refinancing in a timely manner or on favourable terms, if at all. For example, interest rate fluctuations, an economic downturn, changes in the UK regulatory environment or other industry developments which weaken the strength of our competitive position or prospects could increase our cost of borrowing or restrict our ability to obtain debt, equity and other financing. The creditworthiness of many financial institutions may be closely interrelated as a result of credit, derivative, trading, clearing or other relationships among the institutions. As a result, concerns about, or a default or threatened defaults by, one or more financial institutions could also lead to significant market-wide liquidity and credit problems, including losses or defaults by other institutions. This may adversely affect the financial institutions, such as banks and insurance providers, with which we interact on a regular basis, as well as cause disruptions in the capital or credit markets (similar to the global credit crisis that began in the second half of 2008), and therefore could adversely affect our ability to raise needed funds or access liquidity.

If in the future we (or our restricted subsidiaries) are unable to refinance all or a portion of the indebtedness of the group or obtain such refinancing on terms which are acceptable to us, we (or our restricted subsidiaries) may be forced to sell assets. If assets are sold, the timing of the sales and the amount of proceeds that may be realised from those sales cannot be guaranteed and the terms of our indebtedness entered into by the group, as described in paragraph 13 of Part 18: Additional Information, will limit our ability to pursue these and other measures.

In the longer term, if we were unable to generate sufficient cash flows to satisfy our debt obligations or to refinance our indebtedness on acceptable terms, or at all, would materially and adversely affect our business,

prospects, financial condition and results of operations, as well as our ability to pay the principal and interest on our indebtedness. Any failure to refinance our indebtedness, on or prior to the applicable maturity date, may result in us defaulting on such indebtedness.

We are subject to restrictive covenants that will significantly limit our financial and operating flexibility, which could materially and adversely affect our business, financial condition and results of operations.

Our existing indebtedness, among other things, restricts our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to shares in the Company or its restricted subsidiaries;
- permit restricted subsidiaries from paying dividends and other payments to the Company or an restricted subsidiary;
- sell, lease or transfer certain assets;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- impair the security interests for the benefit of holders of indebtedness of the Group;
- enter into unrelated business or engage in prohibited activities; and
- amend certain documents.

All these restrictions and limitations are subject to significant exceptions and qualifications. The covenants to which we are subject could limit our ability to plan for, or react to, market conditions, as well as adversely affect our ability to finance our operations, strategic acquisitions, investments or other capital needs, implement our business plans, pursue business opportunities and engage in other business activities that may be in our best interests.

Changes in taxation laws may negatively impact us and the decisions of current or potential customers of our insurance products.

Changes in corporate and other tax rules could have both a prospective and retrospective impact on our business, financial condition and results of operations. In general, changes to, or in the interpretation of, existing tax laws, or amendments to existing tax rates (corporate or personal), or the introduction of new tax legislation may adversely affect us, either directly or as a result of changes in the insurance purchasing decisions of customers. Changes to legislation that specifically governs the taxation of insurance companies might adversely affect our business, financial condition and results of operations. While changes in taxation laws would affect the insurance sector as a whole, such changes may be more detrimental to particular operators than others. The relative impact on us will depend on the areas impacted by the changes and other relevant circumstances at the time of the change.

Risks relating to the Shares

The Company is applying for a Standard Listing and accordingly the Company will not be required to comply with those protections applicable to a Premium Listing.

The Company is applying for a Standard Listing on the Official List under Chapter 14 of the Listing Rules on the basis of the Prospectus Directive requirements and the additional on-going requirements and protections applicable to a Premium Listing under the Listing Rules will not apply to the Company. With the exception of Listing Principles 1 and 2 as set out in Chapter 7, the provisions of Chapters 6 to 13 of the Listing Rules (listing principles, sponsors, continuing obligations, significant transactions, related party transactions, dealing in own securities and treasury shares and contents of circulars), being additional requirements for a Premium Listing of equity securities, will not apply to the Group. For further information see Part 6: Consequences of a Standard Listing.

There has been no prior public trading for the Shares.

Prior to the Offer, there has been no public trading market for the Shares. There can be no assurance that an active trading market for the Shares will develop, or if developed, can be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of Shares could be adversely affected.

The price of the Shares is subject to volatility.

The value of an investment in the Shares may decrease or increase abruptly, and such volatility may bear little or no relation to the Group's performance. As a consequence of such volatility, investors should be aware that the value of an investment in the Company may go down as well as up. The price of the Shares may fall in response to market appraisal of the Group's strategy or if the Group's results of operations and/or prospects are below the expectations of market analysts or shareholders. In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities, and may, in the future, experience similar fluctuations which may be unrelated to the Group's operating performance and prospects but nevertheless affect the price of the Shares. Other factors which may affect the price of the Shares include but are not limited to:

- differences between the Group's expected and actual operating performance;
- cyclical fluctuations in the performance of the Group's business;
- speculation, whether or not well-founded, regarding the intentions of the Group's major Shareholders or significant sales of shares by any such Shareholders or short-selling of the Shares;
- speculation, whether or not well-founded, about significant issues of shares by the Group;
- speculation, whether or not founded, regarding possible changes in the Group's management team;
- the publication of research reports by analysts and changes in earnings estimates by analysts;
- strategic actions by the Group or its competitors, such as mergers, acquisitions, divestitures, partnerships and restructurings;
- speculation, whether or not well-founded, about the Group's business, about mergers or acquisitions involving the Group and/or major divestments by the Group in the press, media or investment community; and
- general market conditions and regulatory, economic or political changes.

The Company's ability to pay dividends in the future is not guaranteed.

The Directors may not be able to or may choose not to pay any dividends. Further dividends will depend on, among other things, the Group's future profit, financial position, capital requirements, distributable reserves, the terms of our financing arrangements, general economic conditions and other factors that the Directors deem significant from time to time. Subject to English law, the Shareholders may declare a dividend at a general meeting on the recommendation of the Directors. The Shareholders may declare a smaller dividend than recommended by the Directors but may not declare a larger dividend.

Pre-emption Rights may be unavailable for Non-EU Holders of Shares.

In the case of certain increases in the Company's issued share capital, existing holders of Shares are generally entitled to pre-emption rights to subscribe for such shares, unless shareholders waive such rights by a resolution at a shareholders' meeting, or in certain other circumstances as stated in the Articles. Non-EU holders of shares are customarily excluded from exercising any such pre-emption rights they may have, unless exemptions from any overseas securities law requirements are available. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable non-EU holders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption.

Shareholders outside the UK may be subject to exchange rate risk.

The Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Shares by an investor whose principal currency is not sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of sterling in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms, and any appreciate of sterling will increase the value in foreign currency terms.

Additional equity capital may dilute existing shareholdings.

The Company may choose to raise funds through further equity financing including on a non pre-emptive basis in order to make early re-payments on its indebtedness. There can be no assurance that such future equity offerings will be conducted at market value and the Company may decide to offer shares at a discount to the prevailing market price if it believes that this would be appropriate in the context of the financing options available to it. Shareholders may experience dilution of their shareholdings to the extent that the Company conducts future equity offerings. A future equity offering could also depress the market price of the Ordinary Shares.

PART 3
DIRECTORS, PROPOSED DIRECTORS, REGISTERED OFFICE AND ADVISERS

Directors

Current	Chris Jansen	(*Chief Executive Officer*)
	Andy Boland	(*Chief Financial Officer*)
Proposed	Bob Mackenzie	(*Executive Chairman*)
	Nick Hewitt	(*Executive Director*)
	Martin Clarke	(*Executive Director*)
	John Leach	(*Non-Executive Director*)
	Andrew Miller	(*Non-Executive Director*)
	Margaret Young	(*Non-Executive Director*)
Company Secretary	Rob Scott	
Registered Office of the Company	Fanum House Basing View Basingstoke Hampshire RG21 4EA	

Advisers

Sole Co-ordinator and Bookrunner	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Financial Adviser to the Company	Greenhill & Co. International LLP Lansdowne House 57 Berkeley Square London W1J 6ER
Legal Advisers to the Company as to English law	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ
Legal Advisers to the Sole Co-ordinator and Bookrunner as to English law	Covington & Burling LLP 265 Strand London WC2R 1BH
Legal Advisers to the Financial Adviser as to English law	Skadden, Arps, Slate, Meagher & Flom (UK) LLP 40 Bank Street London E14 5DS
Auditors to the Company	Ernst & Young LLP 1 More London Place London SE1 2AF

Reporting Accountant	Ernst & Young LLP 1 More London Place London SE1 2AF
Registrars	Capita Asset Services (a trading name of Capita Registrars Limited) The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART 4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

Each of the times and dates set out in the expected timetable of principal events below is subject to change without further notice. References to a time of day are to London time (unless stated otherwise).

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Prospectus	23 June 2014
Admission and commencement of unconditional dealings in the Shares	8.00 a.m. on 26 June 2014
Shares credited to CREST accounts	8.00 a.m. on 26 June 2014
Despatch of definitive share certificates (where applicable)	10 July 2014(1)

OFFER STATISTICS

The Offer statistics in this Prospectus are subject to change at the determination of the Selling Shareholder and the Company.

Offer Price (per Share)	250p
Number of Existing Shares	469,280,000
Number of New Shares to be issued in the Offer	84,720,001
Number of Existing Shares to be sold in the Offer(2)	446,012,000
Number of Conditional Offer Shares to be sold under the Conditional Placing Commitment	23,268,000
Aggregate number of Shares in the Offer	554,000,001
Number of Existing Shares retained by the Selling Shareholder following completion of the sale of Conditional Placing Shares pursuant to the Conditional Placing Commitment	Nil
Percentage of enlarged issued share capital being offered in the Offer	95.8 per cent.
Number of Shares in issue at Admission(3)	554,000,001
Expected market capitalisation of the Company at the Offer Price	£1,385 million
Gross proceeds of the Offer receivable by the Company	£201.8 million
Estimated net proceeds receivable by the Company, after expenses(3)(4)	£184.7 million
Estimated net proceeds receivable by the Selling Shareholder, after expenses(2)(5)	£1,088.0 million
Tradeable investment display mnemonic	AA.
ISIN	GB00BMSKPJ95
SEDOL	BMSKPJ9

(1) Or as soon as practicable thereafter.
(2) Excluding the sale of Conditional Offer Shares to be sold pursuant to the Conditional Placing Commitment.
(3) Assumes the maximum number of shares is issued under the Offer.
(4) The estimated net proceeds receivable by the Company are stated after deduction of estimated placing commissions and other estimated fees and expenses of the Offer payable by the Company in cash, which are expected to be approximately £17.1 million (a further £10 million of placing commissions are satisfied by the issue of Shares at the Offer Price). The Company will not receive any of the net proceeds from the sale of the Existing Shares by the Selling Shareholder in the Offer or the Conditional Placing Commitment.
(5) The estimated net proceeds receivable by the Selling Shareholder are stated after deduction of estimated placing commissions and stamp duty payable by the Selling Shareholder, which are expected to be approximately £27.0 million and are exclusive of the proceeds receivable from the sale of the Conditional Placing Shares pursuant to the Conditional Placing Commitment (and commissions and stamp duty payable thereon).

PART 5
IMPORTANT INFORMATION

1. Presentation of certain financial and other information

1.1 *General*

Our consolidated audited financial information as at and for the years ended 31 January 2012, 2013 and 2014 (the "**Annual Financial Information**") included in this Prospectus has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") as adopted for use in the European Union. Our consolidated unaudited reviewed interim financial information as at and for the three months ended 30 April 2013 and 2014 (the "**Interim Financial Information**") included in this Prospectus has been prepared in accordance with International Accounting Standards ("**IAS**") 34, Interim Financial Reporting ("**IAS 34**") The basis of preparation of the Annual Financial Information and Interim Financial Information is further explained in Part 14: Historical Financial Information.

1.2 *Non-IFRS Financial Measures*

We present in this Prospectus various financial measures that are not measures of financial performance or liquidity under IFRS, including the following:

- Trading revenue, which we define as revenue from our roadside assistance, insurance services, driving services, AA Ireland and insurance underwriting segments and excluding revenue not allocated to a segment.
- Trading EBITDA, which we define as profit after tax as reported adjusted for depreciation, amortisation, net finance costs, taxation, exceptional items, acquisition earn-out costs, items not allocated to a segment and profit on sale of joint ventures. Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one-off in nature. In the year ended 31 January 2014 and the three months ended 30 April 2014, these principally relate to the difference between the cash contributions to the pension schemes for on-going service and the calculated annual service cost. We present Trading EBITDA on both a segmental and a consolidated basis.
- Trading EBIT, which we define as profit after tax as reported adjusted for net finance costs, taxation, exceptional items, acquisition earn-out costs, items not allocated to a segment and profit on sale of joint ventures.
- Trading EBITDA margin, which we define as Trading EBITDA as a percentage of Trading revenue.
- Trading EBIT margin, which we define as Trading EBIT as a percentage of Trading revenue.
- LTM EBITA, which we define as EBITDA for the last twelve months, being the twelve months ending 30 April 2014.
- Cash conversion, which we define as net cash inflow from operating activities before tax as a percentage of Trading EBITDA.
- Capital expenditure, which we define as the total amount of tangible fixed assets and IT assets acquired.
- Capital expenditure as a percentage of Trading revenue.
- Net debt, which we define as our outstanding borrowings (which currently include the New Senior Term Facility, the Class A Notes, the Class B Notes, the PIK Notes and obligations under finance leases) less cash and cash equivalents held within AA plc and AA Intermediate Co Limited.

The non-IFRS financial measures presented herein are not recognised measures of financial performance under IFRS, but measures used by management to monitor the underlying performance of our business and operations. In particular, the non-IFRS financial measures should not be viewed as substitutes for net profit/(loss) for the period, profit/(loss) before taxation, operating income, cash and cash equivalents at period end or other income statement or cash flow items computed in accordance with IFRS. The non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirements and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results.

We have presented these non-IFRS measures in this Prospectus because we consider them to be important supplemental measures of our performance and believe that they are used by investors comparing

performance between companies. Since not all companies compute these or other non-IFRS financial measures in the same way, the manner in which our management has chosen to compute the non-IFRS financial measures presented herein may not be comparable with similarly defined terms used by other companies. The non-IFRS financial measures have certain limitations as analytical tools, and you should not consider these measures in isolation from the other financial information presented herein. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debts;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often need to be replaced in the future and operating free cash flow does not reflect any cash requirements that would be required for such replacements; and
- the fact that other companies in our industry may calculate the non-IFRS measures differently from the way we do may limit their usefulness as a comparative measure.

1.3 *Pro forma financial information*

The *pro forma* financial information contained in Part 15: Unaudited Pro Forma Financial Information reflects the Group's net liabilities as adjusted to reflect the Offer, the redemption of existing financing and proceeds of new financing, as if they had taken place on 30 April 2014.

2. Forward-looking Statements

Some of the statements under Part 7: Information on the Group, Part 2: Risk Factors, Part 11: Operating and Financial Review and elsewhere in this Prospectus include forward-looking statements which reflect the Group's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's business). These forward-looking statements relate to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", plans", "believes", "projects", "anticipates", "estimates", "will", "targets", "aims", "may", "should", "would", "could", "continue", "budget", "schedule" and similar statements of a future or forward-looking nature identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to those described in Part 2: Risk Factors, which should be read in conjunction with the other cautionary statements that are included in this Prospectus.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as of the date of this Prospectus, reflect the Company's current view with respect to future events and are subject to risk relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy. Investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements. Specific reference is made to Part 7: Information on the Group, Part 2: Risk Factors and Part 11: Operating and Financial Review.

Subject to any obligations under the Prospectus Rules, the Listing Rules, and/or the Disclosure and Transparency Rules, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph.

3. **No Incorporation of Website Information**

The contents of the Group's website do not form part of this Prospectus.

4. **Rounding of Figures**

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances: (i) the sum or percentage change of such numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly with the total figure given for that column or row.

5. **Market, Economic and Industry Data**

Certain information contained in this Prospectus in Part 7: Information on the Group, Part 8: Market and Industry and elsewhere in this Prospectus relating to the UK roadside assistance market and the UK insurance broker market and other industries in which the Group operates as well as certain economic and industry data and forecasts used in, and statements regarding the Group's market position made in, this Prospectus were extracted or derived from third party reports, market research, government and other publicly available information and independent industry publications, as the case may be, prepared by, *inter alia*, the Association of British Insurers ("**ABI**"), the BMI, the DfT, Datamonitor, the ONS, the Society and RKCR/Y&R. Where third party data has been used in this Prospectus, the source of such information has been identified.

While the Group believes the third party information included herein in Part 7: Information on the Group, Part 8: Market and Industry and elsewhere in this Prospectus to be reliable, it has not independently verified such third party information, and none of the Group, Cenkos Securities or Greenhill make any representation or warranty as to the accuracy or completeness of such information as set forth in this Prospectus. The Group confirms that such third party information has been accurately reproduced, and so far as the Group is aware and is able to ascertain from information available from those publications, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the accuracy of such third party information is subject to availability and reliability of the data supporting such information and neither the information nor the underlying data has been independently verified. Additionally, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. The Group cannot therefore assure you of the accuracy and completeness of such information as it has not independently verified such information.

6. **Currency Presentation**

In this Prospectus all references to "**pounds sterling**", "**£**", "**pence**" or "**p**" are to the lawful currency of the United Kingdom, all references to "**$**", "**US$**" or "**US dollars**" are to the lawful currency of the US and all references to "**€**" or "**Euros**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended (the "**TEEC**").

7. **References to Defined Terms**

Certain terms used in this Prospectus, including certain capitalised terms and certain technical and other terms, are defined, and certain selected industry and technical terms used in this Prospectus are defined and explained, in Part 19: Definitions and Glossary.

PART 6
CONSEQUENCES OF A STANDARD LISTING

APPLICATION HAS BEEN MADE FOR THE SHARES TO BE ADMITTED TO THE STANDARD LISTING SEGMENT OF THE OFFICIAL LIST. A STANDARD LISTING PROVIDES SUBSCRIBERS AND PURCHASERS OF SHARES WITH A LOWER LEVEL OF REGULATORY PROTECTION THAN THAT PROVIDED TO INVESTORS IN COMPANIES WHOSE SECURITIES ARE ADMITTED TO THE PREMIUM LISTING SEGMENT OF THE OFFICIAL LIST, WHICH ARE SUBJECT TO ADDITIONAL OBLIGATIONS UNDER THE LISTING RULES. IT SHOULD BE NOTED THAT NEITHER THE UK LISTING AUTHORITY NOR THE LONDON STOCK EXCHANGE WILL HAVE THE AUTHORITY TO (AND WILL NOT) MONITOR THE COMPANY'S COMPLIANCE WITH ANY OF THE LISTING RULES AND/OR ANY PROVISION OF THE MODEL CODE OR THOSE ASPECTS OF THE DISCLOSURE AND TRANSPARENCY RULES WHICH THE COMPANY HAS INDICATED HEREIN THAT IT INTENDS TO COMPLY WITH ON A VOLUNTARY BASIS, NOR TO IMPOSE SANCTIONS IN RESPECT OF ANY FAILURE BY THE COMPANY TO SO COMPLY.

The Shares will be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. The Company will comply with Listing Principles 1 and 2 as set out in Chapter 7 of the Listing Rules, as required by the UK Listing Authority, and intends to comply with the Premium Listing Principles as set out in Chapter 7 of the Listing Rules notwithstanding that they only apply to companies which obtain a Premium Listing on the Official List.

An applicant that is applying for a Standard Listing of equity securities must comply with all the requirements listed in Chapter 2 of the Listing Rules, which specifies the requirements for listing for all securities. Where an application is made for the admission to the Official List of a class of shares, at least 25 per cent. of shares of that class must be distributed to the public in one or more EEA states. Listing Rule 14.3 sets out the continuing obligations applicable to the issuer and requires that the issuer's listed securities must be admitted to trading on a regulated market at all times. The applicant must have a minimum number of shares of any listed class (25 per cent.) in public hands at all times in the relevant jurisdictions and must notify the FCA as soon as possible if these holdings fall below the stated level. There are a number of other continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to the Company.

These include requirements as to:

(a) forwarding of circulars and other documentation to the FCA for publication through the national storage mechanism, and related notification to a Regulatory Information Service;

(b) the provision of contact details of appropriate persons nominated to act as a first point of contact with the FCA in relation to compliance with the Listing Rules and the Disclosure and Transparency Rules;

(c) the form and content of temporary and definitive documents of title;

(d) the appointment of a registrar;

(e) Regulatory Information Service notification obligations in relation to a range of debt and equity capital issues; and

(f) compliance with, in particular, Chapters 4, 5 (if applicable) and 6 of the Disclosure and Transparency Rules.

While the Company has a Standard Listing, it is not required to comply with the provisions of, among other things:

- Chapter 6 of the Listing Rules containing additional requirements for the listing of equity securities, which are only applicable for companies with a Premium Listing;
- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. In particular, the Company is not required to appoint a sponsor in relation to the publication of this Prospectus or Admission;
- Chapter 9 of the Listing Rules containing provisions relating to transactions, including, *inter alia*, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10 per cent. of market value, notifications and contents of financial information;
- Chapter 10 of the Listing Rules relating to significant transactions which requires Shareholder consent for certain acquisitions;

- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Shares. The Company has adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2, whereby: (i) the Board intends to seek Shareholder authority annually to purchase in the market up to 10 per cent. of the Shares in issue from time to time; (ii) unless a tender offer is made to all holders of Shares, the maximum price to be paid per Share pursuant to any such purchase must not be more than the higher of (a) 105 per cent. of the average of the middle market quotations for a Share taken from the London Stock Exchange's main market for listed securities for the five Business Days before the purchase is made; and (b) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase; and (iii) any purchase by the Company of 15 per cent. or more of its Shares at the date of the proposed offer (excluding Shares held in treasury) will be effected by way of a tender offer to all Shareholders. Under the Companies Act, where the Company proposes to purchase Shares, it can only do so out of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of financing the purchase; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

A company with a Standard Listing is not currently eligible for inclusion in any of the FTSE indices (i.e. FTSE100, FTSE250 etc.). This may mean that certain institutional investors are unable to invest in the Shares.

The Directors intend to seek a Premium Listing for the Company on the Official List in due course. If such a transition were possible (and there can be no guarantee that it would be) and the Company moved to a Premium Listing, the various Listing Rules highlighted above as rules with which the Company is not required to comply would become mandatory.

PART 7
INFORMATION ON THE GROUP

1. OVERVIEW

We are the largest roadside assistance provider in the UK, representing over 40% of the market and responding to an average of approximately 10,000 breakdowns each day in the year ended 31 January 2014. With 109 years of operating history, we have established ourselves as one of the most widely recognised and trusted brands in the UK. In addition, we have successfully leveraged our brand to become a leading provider of insurance broking services and driving services.

We have a strong and diversified customer base with approximately 16 million consumers and over 50% of UK households subscribing to at least one AA product as at 31 January 2014.

In the year ended 31 January 2014, we generated Trading revenue of £973.9 million and Trading EBITDA of £422.8 million. In the three months ended 30 April 2014, we generated Trading revenue of £239.1 million and Trading EBITDA of £103.0 million.

2. BACKGROUND TO THE OFFER AND PROPOSED BOARD

Admission is the result of an approach made to the Selling Shareholder by an executive management team led by Mr Bob Mackenzie (the proposed Executive Chairman) and two proposed executive directors, Mr Nick Hewitt and Mr Martin Clarke.

Background to the Offer

The Proposed Executive Directors combine a wealth of experience that includes proven operational, financial and strategic skills assembled over thirty years in executive management, private equity and strategic consulting. The team first identified the AA as a potential investment proposition over two years ago. In the intervening period significant work has gone into formulating a strategy for the Company which the team believe has potential to deliver significant shareholder value.

The Proposed Executive Directors approached the Selling Shareholder with a view to discussing a potential transaction in respect of the Company in November 2013. Since that approach, the Proposed Executive Directors have met with selected institutional investors to present their proposed strategy for the AA, subject to their joining the Board. This has resulted in placing commitments being received from institutional investors to acquire Shares under the terms of conditional placing letters, as further described in Part 17: Details of the Offer. These commitments value the Existing Shares at £1,150 million (prior to any further issuance of Shares under the Offer and net of placing commissions of a maximum amount of approximately £23 million). The commitments are subject to certain conditions, including Admission. In addition, certain funds managed by CRMC have agreed to acquire up to a further 23,268,000 Existing Shares from the Selling Shareholder at the Offer Price conditional, inter alia, upon the receipt of certain regulatory approvals, as further described in Part 17: Details of the Offer.

Accordingly, the Offer is being made at a pre-agreed value for the Company. In addition to seeking offers for the Existing Shares held by the Selling Shareholder, the Company will issue New Shares, the net proceeds of which will be used to reduce the overall net leverage of the Group and for general corporate purposes. The resulting market capitalisation of the Company at the Offer Price upon Admission will be £1,385 million.

Since the approach of the Proposed Executive Directors to the Selling Shareholder in November 2013, they have been granted access to the Company by the Selling Shareholder and to detailed information that has assisted in the formulation of a strategic plan for the business.

Proposed Board

Conditional upon Admission, it is intended that Bob Mackenzie, Nick Hewitt and Martin Clarke will be appointed to the Board and will work alongside the Existing Executive Directors and management to implement the strategic objectives to consolidate and grow the business.

Upon Admission, the Board composition will be as follows:

Bob Mackenzie—Executive Chairman

Chris Jansen—Chief Executive Officer

Andy Boland—Chief Financial Officer

Martin Clarke—Executive Director

Nick Hewitt—Executive Director

John Leach—Non-Executive Director

Andrew Miller—Non-Executive Director

Margaret Young—Non-Executive Director

In addition, the Company intends to appoint an additional three non-executive directors within three months of Admission.

The new Board, under the Chairmanship of Mr Bob Mackenzie, will focus on the strategic objectives set out in paragraph 5 below. These include:

- reducing indebtedness and thereby facilitating dividend payments in the medium term;
- devising new strategic and marketing initiatives to enhance the membership and product offering and levels of customer service; and
- identifying areas where operational improvements and efficiencies can be made.

The new Board has identified a set of key priorities to deliver these strategic objectives, as set out in paragraph 6 below.

Further details and biographies of the Directors are set out in Part 13: Directors, Proposed Directors and Corporate Governance of this Prospectus.

3. OUR HISTORY

The AA was formed in 1905 by a group of motoring enthusiasts in London. The official duties of the first AA patrols were to indicate dangers on the road and help motorists who had broken down. In the early years of our business, the AA appointed agents and repairers, assisted drivers in identifying journey routes and began inspecting and classifying hotels. Following the First World War, the patrol service began to employ motorcycles equipped with tools, spare parts and fuel in making roadside repairs. By 1939, the AA had 725,000 policyholders who subscribe for roadside assistance coverage through Membership agreements ("**Personal Members**"), equivalent to 35% of the two million cars then on the road. By 1950, the AA had reached the milestone of one million Personal Members.

The AA launched its insurance services business in 1967. Motorists wanted insurance cover from an organisation with which they were familiar and could trust and, as such, turned to the AA. Over the course of the 1970s and 1980s, the AA introduced four-wheeled patrol vehicles and launched a programme to guarantee transport of broken-down vehicles and their drivers to their final destination.

In response to market changes, the AA also began to develop business-to-business ("**B2B**") relationships, whereby its roadside assistance service would be offered to the customers of car manufacturers, fleet and leasing companies and financial service providers as an "add-on" or complementary service.

The AA began offering its own non-insurance, financial services products in 1980, and has since expanded to include savings accounts, unsecured loans, credit cards and life insurance policies. The AA also launched its driving school in 1992 and its Home Services operations in 2010.

In 1999, AA members voted to demutualise the AA and join the Centrica group. In October 2004, the AA was acquired from Centrica by the private equity groups CVC and the Permira Funds, and in 2007 it was brought under common ownership with Saga (which was owned by private equity group Charterhouse) through the Acromas Group. Since 2007, the AA has operated as a subsidiary of the parent company Acromas.

4. **OUR STRENGTHS**

Our business model demonstrates high recurring revenue and significant cash flow generation

We have maintained a strong performance through the economic cycle, as reflected in the table below representing our Trading revenue, Trading EBITDA, Net cash flow from operating activities before tax and Capital expenditure for the three years ended 31 January 2014 and the three months ended 30 April 2013 and 2014:

	Year ended 31 January			Three months ended 30 April	
	2012	2013	2014	2013	2014
		(audited)		*(unaudited)*	
	(in millions of pounds)				
Trading revenue	978.7	971.0	973.9	238.2	239.1
Trading EBITDA	368.1	394.6	422.8	98.9	103.0
Net cash flow from operating activities before tax	331.3	352.7	395.6	105.6	91.4
Cash conversion (%)	90.0	89.4	93.6	106.8	88.7
Capital expenditure	47.0	32.3	39.1	5.3	8.3
Capital expenditure as a percentage of Trading revenue (%)	4.8	3.3	4.0	2.2	3.5

A high proportion of revenue and profits from repeat and renewing sources provides predictable cash generation that supports on-going de-leveraging and investment in the business. For example, Trading revenues from repeat business (defined as income from renewing Personal Members and insurance customers, multi-year B2B roadside assistance contracts and driving services contracts, and driving school franchisees) was 88% in the year ended 31 January 2014, providing high visibility of trading results.

We have consistently delivered a high cash conversion ratio (defined as net cash flow from operating activities before tax divided by Trading EBITDA) averaging 91% in the three years ended 31 January 2014 and 89% in the three months ended 30 April 2014, as a result of favourable working capital dynamics given that the majority of our Personal Members pay for services in advance and the majority of our suppliers are paid after the provision of goods and services.

In addition, our capital expenditure requirements have historically been relatively low, averaging 4% of Trading revenue in the three years ended 31 January 2014 and 3.5% in the three months ended 30 April 2014, further supporting net cash generation.

The AA is one of the most highly regarded and trusted consumer brands in the UK

Our brand is highly visible with 3,000 branded "yellow" patrol vehicles on the road as well as our signage, publishing and hotel and restaurant accreditation services. As a result, the AA is one of the most widely recognised consumer brands in the UK.

Customer engagement with our roadside assistance service is high; Personal Members on average use the AA once every two years. Our reputation for service excellence is evident through independent surveys that indicate high levels of satisfaction. The AA has achieved the highest overall score of the major roadside assistance providers in each of the past seven years, as assessed by "*Which?*", one of the largest consumer organisations in the UK.

The AA was confirmed as the UK's most trusted brand by Y&R's Brand Asset Valuator survey in 2014, providing further evidence of the strength of the brand in the minds of UK consumers.

We are the clear leader in the stable UK roadside assistance market

We are the largest roadside assistance provider in the UK based on market share, with approximately four million Personal Members and nine million B2B customers, representing over 40% of the roadside assistance market, and significantly larger than the next largest roadside assistance provider, the RAC.

The total UK roadside assistance market generates approximately £1.5 billion of revenues covering approximately 29 million policies, according to industry sources. The market demonstrated resilience throughout the recent economic cycle as customers retained roadside assistance cover while reducing other, more discretionary, household expenditures.

The data which we have collected comparing our personal roadside assistance membership to UK GDP for the last 40 years indicates that our Personal Membership base has remained relatively stable, despite cyclicality in the broader economy over the long term.

We experience high levels of retention and loyalty in our Personal Membership base

The average Personal Member retention rate, which we define by reference to the number of customers renewing at the point of invitation, was approximately 79% in the year ended 31 January 2014.

Personal Members demonstrate loyalty to the brand with an average tenure of approximately 11 years. In addition, retention rates increase with membership tenure; approximately 1.5 million Personal Members had been with the AA for more than 10 years, of which approximately 800,000 had been Personal Members for more than 20 years as at 31 January 2014.

There are significant barriers to entry in a mature and concentrated roadside assistance market

The roadside assistance market in the UK is a mature and concentrated market. The three primary market participants are the AA, the RAC and Green Flag, which together account for approximately 80% of the combined roadside assistance markets as at December 2013.

We believe that the substantial resource and scale required to operate an efficient national roadside service, combined with high start-up costs for new market entrants, pose significant barriers to entry. The Directors believe that the AA is well positioned within the market as a result of the following factors:

- the strength of the AA brand established over a 100-year operating history has fostered high levels of loyalty among our customer base and has contributed to our high customer retention rates;
- our national coverage and the economies of scale we achieve through our approximately 3,000 dedicated patrols allow us to reach our customers quickly and to provide high quality service at a lower cost per breakdown than competitors that primarily employ third party garage networks;
- our sophisticated deployment processes and delivery systems have been specifically developed by the AA over years of operational experience and would be difficult and expensive to replicate;
- our proprietary database of approximately 18.0 million individuals who have consented to receive communications from the AA provides us with a platform to cross-sell our complementary products and services; and
- well-established relationships with our B2B partners, whereby we are able to provide high quality service to their customers, as well as important statistical data such as vehicle faults and performance information to the B2B partners themselves.

We have strong market positions across our range of other products and services

We are one of the leading insurance brokers in the UK and have a long history of distributing motor, home and other insurance products to both Personal Members and non-members, with approximately 2.3 million policies in force as of 31 January 2014.

We are the largest driving school in the UK based on market share according to industry sources, with approximately 2,900 franchised instructors teaching individuals to drive or how to become driving instructors as at 31 January 2014. In addition, within our driving services business, we have the market leading position in the provision of fleet training services and administration of speed awareness courses for police forces in the UK.

We launched our Home Services in December 2010, largely building on our existing AA sales and operational infrastructure. Having established the AA within the home service market, we served approximately 1.1 million households as of 31 January 2014, through our B2C and B2B relationships, with the opportunity to grow a business of scale based on the strength of the AA brand.

We believe that the strengths of our brand, market position, service excellence and loyal base of Personal Members provide a strong platform for future growth. In addition, our business model, characterised by strong cash generation from predicable repeat business, provides the opportunity to increase shareholder value through de-leveraging and, in the medium term, for a progressive dividend policy.

Experienced and dedicated workforce

We have a highly skilled and experienced workforce with an average roadside assistance patrol tenure of over 10 years. Our hiring process for automotive technicians is selective and once hired, our patrol members receive additional training and support and are subject to ongoing evaluation. The Directors believe that the excellent quality of our workforce contributes to our high roadside repair rates, which in turn contributes to customer retention.

5. OVERALL STRATEGIC OBJECTIVES

Strengthen the AA as the pre-eminent motoring services organisation in the UK

The AA is dedicated to promoting the interests of our members and customers and to better serving them in the £60 billion per annum UK consumer motoring market. We intend to further develop our services to maintain the outstanding experience delivered by our core roadside assistance offer. We will strengthen member benefits to improve loyalty, work more closely with B2B partners as car technologies continue to develop, and further enhance the motoring propositions we offer within this broad market.

Reduce group borrowings and the associated interest costs

We are highly cash generative with low capital expenditure requirements and a negligible working capital investment requirement. A continuing trend of improving operating profit provides significant further free cash flow. We will invest in new technologies and improved customer systems to stimulate further growth. Surplus operational cash flow will then be deployed to facilitate a sustained reduction in leverage and to reduce the total interest costs. This is consistent with the objective, in the medium term, of a progressive dividend policy.

Revolutionise customer experience through investing in and embracing new technologies

We are in a unique position through being "Britain's most trusted brand" and having a leading position with motor manufacturers. From this foundation, we will be able to invest to provide advanced diagnostics, utilise remotely gathered data and deliver emergency support. This will enable us to develop new distinctive services as the mobile connected motoring market develops. We will increase our investment in customer relationship management and in our digital capabilities to provide tailored and distinctive products across our business that build on the innovative heritage of the AA and to engage with younger members.

6. KEY PRIORITIES TO DELIVER OUR STRATEGIC OBJECTIVES

Increase roadside membership through leading service and loyalty

The AA leads the consumer roadside assistance market with a share of over 40%. This has been achieved by a continual dedication to outstanding service. Being the highest ranked of the major providers in the breakdown services market by "*Which?*" every year since 2007 provides independent recognition of our performance. The continued upgrading of "in van" state of the art diagnostic systems will further increase first time fix rates at the roadside. A greater focus on Personal Member retention is already yielding benefits and helping to grow the value of Personal Members. In the future, by improving our retention diagnostic capabilities, the AA Membership proposition will be significantly enhanced to help reduce discounting levels and drive product holdings and overall Personal Member loyalty.

Evolve the insurance business model to drive profitable growth

The AA is a leading UK insurance broker with over 2.3 million insurance policies in place as at 31 January 2014. The AA has a competitive advantage through sophisticated customer analysis rating and tailored pricing capabilities based on proprietary member data. These capabilities combined with the AA brand and web presence (with over 190 million visits per annum) create a very strong offering in the insurance market. Building on these strengths the AA can provide more competitive and distinctive offers for members in the future. We remain focused on actions to improve performance in our Motor insurance business by targeting rate reductions from our panel, improving retention performance in our call centres and improving our online customer experience. Further, as part of our evolution of our insurance business model, we will re-launch our Financial Services offering to increase our footprint.

Grow B2B service offer through greater integration with partners

The AA has the market leading position with motor manufacturers providing warranty roadside assistance for over 70% of all new cars in the UK. In the short-term these customer relationships can be developed more fully to present the benefits of extended cover once the warranty has expired. Furthermore, the long-term nature of our B2B motor manufacturer relationships, through agreed contracts, will facilitate greater strategic integration and partnership. This will see the early adoption of enabling technologies to comply with European Directives on car connectivity. In turn this will lead to the provision of new customer facing services to the motor industry.

Deliver a step-change in digital capability

The AA has a significant online presence with *theAA.com* recording more than 190 million hits per annum, driven largely by the popularity of the AA Route Planner. In addition the AA has significant digital content including breakdown services, education, travel and hospitality guides. There is an opportunity to enhance customer relationships and commercial performance through a simpler and more holistic online experience. Additionally, we will build our mobile expertise to facilitate greater integration with Members, roadside patrols and motor manufacturers. The recently established AA Digital team will build organisational capability and implement the step-change.

Invest in Home Services to drive further scale

The AA's Home Services business was launched in 2010 and now supports over 1.1 million UK households. It has recently been reorganised into a dedicated business unit with an experienced Managing Director hired from British Gas. This will serve as a platform to enable the AA to develop this business to one of sufficient operational scale over the next 3 to 5 years. A step-change in growth is sought through developing new B2B partnerships, strategic acquisitions and evolving the operating model based on greater sector experience.

Leverage the brand to capture the opportunity in the broader motoring sector

The AA is an iconic brand that is widely recognised and respected—"The AA is Britain's most trusted brand." With such a strong brand position the AA has the credibility to market the current suite of existing services more broadly. Specifically, there is upside potential through selling vehicles through AA Cars, the provision of aftercare in the second hand market through AA Warranties, and the validation of garages by AA Inspection Services. In addition, the AA retains its position as the leading provider of driver education and development.

Further strengthen management capability throughout the Group

The AA has a proud heritage of service excellence and delivery that has prioritised the development of strong operational capability. However, in an increasingly complex marketplace with changing routes to market, new technologies and multiple partners, the Directors recognise that there is the opportunity to further strengthen the quality of commercial management, improve management structure, and develop business P&L accountability. This is a process that started in January 2014 with the appointment of Chris Jansen as Chief Executive. Significant progress has already been made in reshaping the organisation, setting clear priorities and hiring talent.

Capitalise on the energy of our people as we enter the public markets

The AA has a loyal, dedicated and professional workforce with a long heritage of customer service and care. Over the last 15 years, the Company has evolved from a mutual to be a division of a PLC and finally into private ownership. The organisation is now ready for the next exciting chapter that will be facilitated by the Offer and the admission to trading of its shares to the Main Market of the London Stock Exchange. A continued focus on development and expertise will be augmented by the ability to take advantage of an employee ownership share scheme. The Directors believe this will stimulate renewed commitment to the company, brand and our strategy.

7. OUR PRODUCTS AND SERVICES

The AA has built an enviable consumer, B2B and brand franchise anchored around our market leading roadside assistance service. We offer a variety of products and services that split into three distinct areas including roadside assistance, insurance services (including Home Services and AA Ventures) and driving services. In addition, we have a standalone business in Ireland, which broadly replicates the operations and activities of the UK. A description of each of these activities follows:

Roadside Assistance

Roadside assistance constituted 71.6% of Total trading revenue in the year ended 31 January 2014.

We are the leading provider of roadside assistance across the UK, with approximately 3,000 dedicated patrols reaching an average of 10,000 breakdowns each day. Our patrols are trained to assess and repair a multitude of vehicle malfunctions at the roadside. In the twelve months ended 31 January 2014 our patrols successfully repaired approximately 80% of repairable breakdowns at the roadside.

Our roadside assistance service offers 24-hour a day cover for cars, motorbikes, caravans, and vans. Our national network of AA branded patrols attends approximately 90% of breakdowns directly. A network of third party garages providing flexibility during peak demand serves the remaining 10%. Our patrols respond to a variety of issues on the roadside. In the year ended 31 January 2014, our patrols responded to 3.5 million breakdowns, of which approximately 436,000 (12.5%) were battery-related, 343,000 (9.8%) were tyre-related and 92,000 (2.6%) were engine-related. Approximately 91,000 breakdowns were attributed to alternator issues and 75,000 were caused by problems with starter motors.

Our roadside assistance customers are divided principally between Personal Members and customers who receive our roadside assistance coverage indirectly as an "add-on" or complementary service to the products they purchase from certain of our B2B partners ("**B2B customer**"). As of 31 January 2014, we had approximately 13 million roadside assistance customers, consisting of approximately four million Personal Members and approximately nine million B2B customers.

Our roadside assistance B2B partners ("**B2B partner**") include car manufacturers (such as Ford, VW, Audi, Bentley and General Motors), fleet and vehicle rental companies (such as Hertz and Enterprise) and banking institutions (specifically, members of the Lloyds Banking Group) that offer our products as "add-ons" or complementary products and services to their own customers.

Personal Members

With respect to our Personal Member business, we have a membership-based pricing model in which Personal Members are charged a fixed annual fee for roadside assistance. Our Members can then choose to increase their levels of cover to include Homestart, Relay and Stay Mobile. In addition we recognise tenure through our Silver and Gold tiers, offering further and additional benefits to more loyal Members.

Our Personal Membership base has high renewal rates, which increase with the tenure of the Membership, reflecting the quality of our service and the trust in the AA brand. The current average tenure of our Personal Members base is approximately 11 years and approximately 1.5 million of our Personal Members have maintained their roadside assistance cover for over 10 years and of these approximately 800,000 have been Personal Members for over 20 years. On average, our Personal Members require assistance for a vehicle breakdown once every two years and as a result, our Personal Members benefit from their Membership on a regular basis.

B2B

Our B2B customer base consists of approximately nine million customers, which are split across four categories:

- *Added value current accounts*: The AA provides Breakdown Cover to Lloyds Banking Group customers as part of the package of benefits associated with their premium accounts. We have an exclusive relationship with the Lloyds Banking Group, which is one of the largest UK-based banking groups, covering Lloyds, TSB, Halifax and the Bank of Scotland.
- *Car manufacturers*: Car manufacturers provide Breakdown Cover to their customers as part of new or used car warranties sold by franchised dealers. We have relationships with over 20 of the leading car manufacturers operating in the UK market, many of which have been in place for over 10 years. Our well-established relationships with these car manufacturers are founded on our ability to provide them with statistical data on vehicle faults and performance information. We currently have a share of approximately 70% of the car manufacturer Breakdown market by cover. A list of our significant B2B partners is set out below. In early 2014 we have won major new contracts with Volkswagen and Audi and successfully renewed Jaguar Land Rover and Ford.
- *Fleet and leasing companies*: Commercial Fleet companies (such as Hertz) and Lease companies (such as LeasePlan) offer breakdown cover to their customers for an additional fee. Cover is also provided for companies with large fleets of vehicles (such as British Telecom).
- *Insurance*: Insurance companies provide Breakdown Cover as part of their insurance offer to customers or as a stand-alone product.

The following table highlights some of our current B2B partner relationships:

B2B Partners	Type of Company
Lloyds Banking Group	Added Value Accounts
Audi	Car Manufacturer
Chevrolet	Car Manufacturer
Ford	Car Manufacturer
General Motors	Car Manufacturer
Honda	Car Manufacturer
Jaguar/Land Rover	Car Manufacturer
Porsche	Car Manufacturer
Toyota	Car Manufacturer
Volkswagen	Car Manufacturer
BT Fleet	Fleet/Leasing Company
Enterprise	Fleet/Leasing Company
GE Capital	Fleet/Leasing Company
Hertz	Fleet/Leasing Company

Our B2B partners typically enter into contracts with us for a duration of three to five years, with most opting to extend the term of the contract. We have limited concentration among our B2B partners, the top 10 customers accounting for 13.4% of our total revenue for the year ended 31 January 2014. Following the expiration of this initial period of manufacturer cover, we are able to increase our Personal Member base by offering former B2B customers the opportunity to join the AA at an exclusive, promotional rate.

Additional Roadside Assistance Services

Further product options available to members include European Breakdown Cover, for Personal Members travelling in mainland Europe and Breakdown Repair Cover, which works together with our primary roadside assistance service to help reduce repair costs following a breakdown. Within our roadside assistance segment, we also generate revenue through products and services delivered through our own Patrol force, including the sale of parts for repair at the roadside (of which battery sales is the largest), removal of the wrong fuel from a vehicle, provision of specialised locksmith skills and delivery of a rental car when local repair cannot be arranged. We also provide automotive glass repair and replacement services through AA Autowindshields. This business principally operates business services contracts on a pay-for-use ("**PFU**") basis for insurance underwriters (including Acromas Insurance Company Limited) and Fleet and Leasing companies.

Insurance Services

Insurance services constituted 15.3% of Total trading revenue in the year ended 31 January 2014.

We offer Motor, Home, Travel and other specialist insurance policies to both roadside assistance Personal Members and non-Members. Our role is to act as broker for the insurer by operating an underwriting panel business model.

- *Motor Insurance*: Motor is the largest insurance product for the AA by revenue and we had approximately 640,000 policies sales in the year ended 31 January 2014. We offer a number of Motor insurance packages from comprehensive cover to third party fire and theft. We also offer a telematic product offering, which uses data collected from an in-car device to assess a driver's specific driving characteristics. Insurers can then more accurately assess the risk profile of the driver and produce a fairer premium, the benefit of which is ultimately passed on to the customer. We also offer optional extras, such as motor legal assistance, excess protection, car hire and a car accident plan. Whilst the number of new policies has fallen in recent years due to marketing and cross-selling focus in other areas, overheads have been managed to protect operating margins. Furthermore, as of 31 January 2014, approximately 65% of our Motor insurance customers were also Personal Members, but only 9% of our Personal Members had purchased our Motor insurance cover, showing the potential for growth in this area.
- *Home Insurance*: Home is the second largest insurance product for the AA by revenue and had over 890,000 policies sales in the year ended 31 January 2014. We offer two Home insurance packages: AA Buildings Insurance and AA Contents Insurance. Customers can also purchase a number of add-on

products, the largest of which are Home Emergency Response and Home Legal Expenses. As of 31 January 2014, approximately 47% of our Home insurance customers were also Personal Members, but only 6% of our Personal Members had purchased our Home insurance cover.

- *Travel and Other Insurance*: We offer a number of other smaller lines of insurance, including Travel, Caravan, Motorcycle, Commercial Vehicle and Pet. Collectively, these accounted for less than 1% of our total revenue for the year ended 31 January 2014.

We use a diverse panel of third party underwriters for both our Motor and Home insurance offerings, which include many of the UK's major insurance underwriters. Management are dedicated to monitoring and improving the performance of the panel and regularly assess panel share and underwriting results for each participant. In the year ended 31 January 2014, the Motor panel consisted of 25 underwriter schemes and the Home panel consisted of 19 underwriter schemes.

Acromas Insurance Company Limited ("**AICL**"), which is part of the Saga Group, currently underwrites insurance policies for our Motor and Home insurance businesses as a participant on our panel of underwriters. For regulatory purposes, AICL also underwrites a number of other insured products sold stand-alone, ancillary to Personal Membership or purchased as add-on products to Home or Motor insurance. These ancillary products are subject to certain profit sharing and loss sharing arrangements with AICL.

The Company may explore in future alternate insurance business models in which it has a competitive advantage and which will best serve our Membership base. The AA Group has no firm plans at present to undertake significant underwriting or any material balance sheet exposure in our Motor, Home or other insurance services.

Home Services

We launched Home Services in 2010 and have enjoyed revenue and earnings growth in each year since. Our business has grown from approximately 328,000 covered homes as of 31 January 2011 to approximately 1.1 million covered homes as of 31 January 2014. Home Services is largely marketed through cross sales to our roadside assistance Personal Members and insurance customers. We also provide introductory offers to new customers both on-line and through our call centres. Our Home Services offering includes cover for emergencies such as defective plumbing, blocked drains and power loss as well as boiler breakdown and annual boiler service through a range of insured products. These services are delivered by an in-house team of approximately 110 dedicated engineers in yellow AA-branded vans as of 31 January 2014, who are targeted to respond to approximately 80% of plumbing, boiler and central heating emergencies. Third party contractors who are fully equipped to respond to specialist home emergencies support the remaining workload.

AA Ventures

AA Ventures uses the strength and trust of the AA brand to provide new products and offers to our Personal Members. The largest part of this activity is currently our Financial Services offering. This includes a variety of banking products and life insurance policies, which we distribute through white-label, commission-only partnerships with our banking and life insurance partners. Our banking products are sold under the AA brand through our B2B partners and fall into the following categories:

- *Savings:* Income is generated as commission for introducing new depositors to Birmingham Midshires, part of Lloyds Banking Group. At 31 March 2014 we had approximately 120,000 savings account customers, with over 130,000 accounts, which accounted for approximately £3.2 billion in savings deposits.
- *Life insurance:* Commission is earned through a contract to provide AA branded term life insurance and life insurance. Policies are typically directed at our roadside assistance Personal Member base.
- *Personal Loans:* Commission is earned from Creation Consumer Finance for the introduction by us of new unsecured personal loan customers.
- *Credit Cards:* Income is earned from AA branded credit cards issued by MBNA, based on the number of cards activated and the average spend per card.

Consistent with our strategy to capture more of the overall UK Motoring market, we are developing new products and partnerships for AA Cars, AA Warranties and AA Inspections. These ideas will be developed by AA Ventures.

Driving Services

Driving services constituted 9.0% of Total trading revenue in the year ended 31 January 2014. This segment consists of our driving schools, AA DriveTech and our media business.

Driving Schools

The AA Driving School is the largest driving school in the UK. We acquired the British School of Motoring ("**BSM**") in 2011, which is the oldest driving school in the country and continues to operate under its own brand. The AA and BSM are market leaders, with a combined share of pupils estimated at approximately 16.8%. In the year ended 31 January 2014, the AA and BSM provided driving lessons to approximately 140,000 pupils via approximately 2,900 franchised instructors. Both the AA and BSM offer driving lessons and instructor training through a franchise model. The majority of revenue from the driving schools comes from weekly franchise fees paid by instructors, who receive a car and support from the brand in return. In addition, instructors pay a fee for each pupil introduction referred by our call centres or our website. As the UK economy improves and more disposable income is available to spend on driving tuition, we see potential for growth in this area.

AA DriveTech

AA DriveTech was formed in 1990 and became part of the AA Group in 2009. AA DriveTech is one of two market leaders providing driver education courses, with a business model specifically designed for commercial and professional drivers. AA DriveTech includes DriverAware which delivers educational driver awareness schemes to members of the public as an alternative to incurring points on their licence. We currently have contracts with 14 of the 44 police forces in England and Wales. During the year ended 31 January 2014, DriverAware accounted for the majority of AA DriveTech revenues having successfully renewed our largest contract with Thames Valley Police in February 2014. It also includes FleetSafe, which provides training on fleet management best practices, Commercial and Passenger Vehicle which provides training to coach and lorry drivers and a licence checking service.

Media

We offer a number of driving related media products and services, which are reported under the driving services business segment. These include the AA Route Planner website, which serves an average of approximately 4.1 million routes a week and a suite of AA branded mobile apps, which have been downloaded approximately 4.3 million times to date. Further revenue is earned from the sale of AA-branded road traffic signs for use at events, other "car essentials" (including high visibility vests, jump leads and AA-branded maps) and the hotel and restaurant inspection and rating service.

AA Ireland

AA Ireland constituted 4.1% of Total trading revenue in the year ended 31 January 2014.

We offer four key products in Ireland for vehicles and homes, which broadly mirror our product offerings in the UK: (i) Road Membership, with 24-hour a day roadside assistance for vehicles; (ii) Motor insurance, with policies underwritten by a panel of underwriters; (iii) Home insurance, with AA branded Home insurance policies underwritten by a third party insurer and (iv) Home Emergency Response, with call-out home rescue teams to address home emergencies. As at 31 January 2014, we had approximately 115,000 roadside assistance Personal Members, 158,000 B2B customers, 108,000 Motor insurance customers and 64,000 Home insurance customers in Ireland.

As with our UK operations, our roadside assistance service represents the largest source of revenue for our AA Ireland segment. AA Ireland roadside assistance Membership includes such additional benefits as the Ask AA helpline for expert motoring advice and an AA Car Service. Additional Breakdown Cover is offered through our car manufacturers and fleet and leasing companies. We also have a specific contract with a leading Irish bank to provide marketing material on Breakdown Cover to holders of a premium credit card product.

Cross sales and direct mail between Home and Motor insurance customers represent a significant source of new business in Ireland. Other acquisition channels include the internet, telesales and distributor conversions. Despite the challenging economic climate in Ireland, revenue (in euros) generated in connection with our Irish segment has remained relatively stable between 2011 and 2014.

Employees and Locations

Our employees work in the following teams and departments:

Department	Locations	Average number of employees
Road Operations	Oldbury & Basingstoke	4,159
Call Centres	Cheadle & Newcastle	2,017
Group database, management information and pricing	Basingstoke	58
Marketing	Basingstoke	228
Driving services	Basingstoke	377
Ireland	Dublin	412
Head Office	Basingstoke	556
Home Services	Oldbury & Basingstoke	342

8. DEBT FINANCING ARRANGEMENTS

On 2 July 2013, we raised over £3.0 billion of debt in the bank and capital markets pursuant to an investment grade secured corporate financing commonly referred to as a "whole business securitisation" and a high yield financing each involving our subsidiary AA Intermediate Co Limited and its subsidiaries which comprise the majority of the operating companies in the AA Group.

On 23 April 2014, we entered into a New Senior Term Facility of £663 million, drawings under which, together with the proceeds of the issuance of a further £250 million in principal amount of Class A Notes described below were used, on 2 May 2014, to repay all amounts outstanding under the Initial Senior Term Facility (as defined below). We also entered into a New Working Capital Facility, commitments under which replaced the existing commitments under the Initial Working Capital Facility (as defined below). It is a feature of the WBS that all bank and bond debt raised (including in the future) by our subsidiaries participating in our investment grade financing is substantially on common terms.

The WBS now principally comprises the New Senior Term Facility and the New Working Capital Facility which are due in 2019 and certain Class A Notes which are due in 2043. The margin applied to interest payable on drawings under the New Senior Term Facility Agreement and New Working Capital Facility is 2.00% above LIBOR or, if and for so long as the Class A Notes are rated above "BBB-", 1.75% above LIBOR. However, we have entered into interest rate swaps in relation to the New Senior Term Facility as a result of which the rate of LIBOR payable in respect thereof is fixed at 1.9797% until July 2018 and 2.9985% for the period between August 2018 and January 2019, such that if the Class A Notes are rated "BBB-" or above, the maximum rate of interest payable until July 2018 is 3.9797%. The Class A1, Class A2, Class A3 and Class A4 Notes in issuance have interest rates of 4.72%, 6.27%, 4.25% and 3.781% respectively and expected maturity dates of 31 July 2018, 31 July 2025, 31 July 2020 and 31 July 2019 respectively.

As at 2 May 2014, the principal amount outstanding under the New Senior Term Facility was £663 million and a total of £1,725 million Class A Notes were in issuance. The New Working Capital Facility is undrawn notwithstanding that a £10 million ancillary facility has been put in place to secure certain letters of credit.

Taken together, the overall weighted average interest rate on our borrowings as at 2 May 2014 for the New Senior Term Facility, the New Working Capital Facility and the Class A Notes was 4.67%.

Concurrently with our investment grade financing in July 2013, we completed a high yield offering of £655 million of secured notes similarly involving AA Mid Co Limited (the immediate holding company of AA Intermediate Co Limited), AA Intermediate Co Limited and their material subsidiaries which comprise the operating companies in the AA Group. The Class B Notes are also due in 2043, with an expected maturity date of 31 July 2019, and have an Interest Rate of 9.50%.

On 7 November 2013, we issued through our subsidiary, AA PIK Co Limited, £350 million Senior PIK Toggle Notes due 2019, which we have guaranteed. These PIK Notes sit outside the investment grade secured corporate financing of the WBS and high yield offering and have no recourse to the assets of AA Mid Co Limited and its material subsidiaries. The cash interest rate applicable to the PIK Notes is 9.50%.

The following table sets out the borrowings of the group, excluding finance leases, following the refinancing of certain senior borrowings under the WBS but prior to taking into account any proceeds receivable by the Company from the Offer:

	Final maturity date	Expected maturity date	Interest rate	Principal
New Senior Term Facility	2019	31 January 2019	Variable	663.0
Class A1 Notes	2043	31 July 2018	4.72%	475.0
Class A2 Notes	2043	31 July 2025	6.27%	500.0
Class A3 Notes	2043	31 July 2020	4.25%	500.0
Class A4 Notes	2043	31 July 2019	3.78%	250.0
Class B Notes	2043	31 July 2019	9.50%	655.0
PIK Notes	2019	6 November 2019	9.50%	350.0
Total Borrowings			6.08%	3,393.0
Cash and cash Equivalents as at 30 April 2014				272.2
Net Borrowings				3,120.8

Following the refinancing of certain senior borrowings under the WBS but prior to taking into account any proceeds receivable by the Company from the Offer, our illustrative annual interest charge is approximately 50% of our Net cash flow from operating activities before tax for the year ended 31 January 2014. The illustrative annual interest charge includes the illustrative annual finance charges on the New Senior Term Facility, the Class A Notes, the Class B Notes and the PIK Notes and the Finance charges relating to finance leases (based on those for the year ended 31 January 2014) and does not reflect interest income on cash balances or the tax impact of interest charges.

Further details of our financing arrangements, including information in respect of prepayment provisions, are set out in paragraph 13: Financing Arrangements of Part 18: Additional Information.

9. DIVIDENDS AND DIVIDEND POLICY

The New Shares will rank in full for dividends or other distributions declared in respect of Shares after Admission.

Dividend Policy

Our business model, characterised by strong cash generation from predicable repeat business, provides the opportunity to increase shareholder value through de-leveraging and, in due course, a progressive dividend policy. Accordingly, the Company initially intends to retain earnings to fund the development of its business and to reduce leverage by repaying its outstanding debt and, therefore, it does not anticipate paying any material cash dividends in the near future. In the medium term, and subject to the restrictions set out by the terms of our indebtedness, the Directors intend to adopt a progressive dividend policy.

Payments of Dividends

The documents related to our investment grade, high yield and PIK toggle financings each contain restrictions on our ability to pay dividends. A description of the key financial restrictions that apply to dividends is set out below, with further detail included at Paragraph 13: Financing Arrangements of Part 18: Additional Information.

Investment grade financing: The common terms applicable to the WBS restrict AA Intermediate Co Limited or its subsidiaries from making payments of dividends to any direct or indirect shareholder unless (i) the ratio of available cash flow of AA Intermediate Co Limited and its subsidiaries to our total debt service charges under our investment grade financing is not less than 1.35:1 and (ii) the ratio of our total net debt under our investment grade financing to the EBITDA of AA Intermediate Co Limited and its subsidiaries (calculated *pro forma* for such payment) does not exceed 5.5:1. There is a limited basket allowing dividend payments to fund capitalisation requirements of our underwriting subsidiaries up to an aggregate amount of £40 million.

Under the terms of the New Senior Term Facility, we are restricted from paying dividends prior to the publication of our consolidated audited financial information for the financial year ending 31 January 2015 and will be subject to additional restrictions: (a) if the ratio of our total net debt under our investment grade

financing to the EBITDA of AA Intermediate Co Limited and its subsidiaries (calculated *pro forma* for such payment) does not exceed 5.5:1 but is equal to or greater than 5.0:1, any dividend payment would be limited to funding any interest payments required to be paid on our PIK toggle financing and (b) if the ratio of our total net debt under our investment grade financing to the EBITDA of AA Intermediate Co Limited and its subsidiaries (calculated pro forma for such payment) is less than 5.0:1, then dividend payments can be made so long as they are funded solely from retained excess cashflow.

High yield offering and PIK Notes financing: Our high yield offering and PIK toggle financing prohibit AA Mid Co Limited and its subsidiaries from making payments of dividends to any direct or indirect shareholder unless (i) the consolidated leverage ratio of AA Mid Co Limited and its subsidiaries, calculated pro forma, is less than 6.5:1; and (ii) the aggregate amount of the dividends made will not exceed a specified cap, which is set as a percentage of the consolidated net income of the AA Group and certain other cash proceeds received by the AA Group principally as a result of the sale of equity or subordinated shareholder funding.

10. RECENT DEVELOPMENTS

In February 2014, the Group renewed its contracts with the Lloyds Banking Group in relation to the provision of roadside assistance for another five-year term commencing 1 April 2014. In the year ended 31 January 2014, roadside assistance contracts with Lloyds Banking Group made up approximately 9.1% of Group revenue, making it the Group's largest customer.

The Group has continued to increase market share in the roadside assistance business services market with the recent wins of the Hyundai, Porsche and Volkswagen Group contracts which are expected to progressively benefit trading results.

Current trading

Since 30 April 2014, the AA Group has continued to trade in line with management expectations.

11. SHAREHOLDERS AND THE OFFER

As at the date of publication of this Prospectus, the entire issued share capital of the Company is held by Acromas Bid Co Limited, as the Selling Shareholder. The shareholders of the ultimate parent company of Acromas Bid Co Limited are funds controlled by Charterhouse (36%), funds controlled by CVC (20%), funds controlled by the Permira Funds (20%), current and former employees of the Group and of the Saga Group (20%) and others (4%).

Charterhouse is a UK-based private equity firm that specialises in European leveraged buyouts. CVC is a UK-based private equity firm which has completed over 300 investments in a wide range of industries. Permira is a European-based private equity firm that specialises in the consumer, financial services, healthcare, industrials and technology and media sectors.

The Company will issue 84,720,001 New Shares and the Selling Shareholder will sell 469,280,000 Existing Shares in the Offer. It is expected that, upon completion of the Offer, the Selling Shareholder will not hold any Shares in the share capital of the Company except for the Conditional Offer Shares to be sold pursuant to the Conditional Placing Commitment.

	Interests immediately prior to Admission		**Ordinary shares to be sold pursuant to the Offer (1)**	**Interests immediately following Admission (1)**	
Shareholder	**No.**	**% of total issued**	**No.**	**No.**	**% of total issued**
Acromas Bid Co Limited	469,280,000	100	446,012,000	23,268,000	4.2

(1) The Conditional Offer Shares to be sold pursuant to the Conditional Placing Commitment are not included in the number of Ordinary Shares to be sold pursuant to the Offer, but are included in the interests immediately following Admission.

12. INTENTION TO SEEK LISTING ON THE PREMIUM SEGMENT OF THE OFFICIAL LIST

We intend to apply for our shares to be listed on the premium segment of the Official List in due course. The Directors believe that a Premium Listing will provide our shareholders with increased liquidity in their shares and will provide us with stronger access to the equity capital markets making it easier and faster for us to raise new equity capital on competitive terms in the future. We would also seek to be eligible for FTSE indices inclusion which together with a Premium Listing would enhance the brand and profile of our

business. We also believe the increased disclosure and reporting requirements that are required when shares are listed on the premium segment of the Official List will provide greater value transparency for our shareholders.

13. INTELLECTUAL PROPERTY

We have registered the domain name "www.theaa.com." We are also the registered owner of numerous community trademarks and national trademarks in several Member States including the UK and Ireland including "AA", "The 4th Emergency Service", "BSM" and "DriveTech". We have also entered into co-existence agreements with certain counterparties to regulate the use of the "AA" trademark and colour scheme within the UK and elsewhere. Our brand constitutes a significant part of the value of the AA Group. We rely primarily on trademarks and similar intellectual property rights to protect our brand. The success of our business depends on our continued ability to use our existing trademarks in order to increase brand awareness and, in particular, to develop our presence and activity in those markets where we are a new entrant. See Part 2: Risk Factors—Risks Relating to Our Business and Industry—We may not be able to protect our brand and related intellectual property rights from infringement or other misuse by others and we may face claims that we have infringed the trademarks or other intellectual property rights of others.

14. REAL PROPERTY

The following table sets forth certain information with respect to the facilities that we currently operate and which the Directors believe are of importance to our operations. All of the following are located in the UK.

Location	Use of facility
Fanum House, Basingstoke, Hampshire	Head Office
Centrica House, Swallowfield One, Birchley Playing Fields, Wolverhampton Road, Oldbury, West Midlands	Emergency Breakdown Call Centre
Lambert House, Stockport Road, Cheadle SK8 2DY	Sales and Administration Call Centre
Carr Ellison House, William Armstrong Drive, Newcastle Business Park, Newcastle Upon Tyne NE4 7YA	Sales and Administration Call Centre
Unit 1, Fleming House, Fulwood Court, Pittman Way, Preston, Lancashire	Glass Business Offices
St. Patrick's House, Penarth Road, Cardiff	Driving School Call Centre

15. EMPLOYEES AND PENSION OBLIGATIONS

As of 22 April 2014, approximately 57% of AA Group employees were members of the IDU, which is the only formal trade union recognised by the AA Group. General terms of employment are regulated by a perpetual Union Recognition Agreement. We also have a legacy collective agreement in place, the terms of which apply to certain employees hired prior to 1 January 1996. We have not had any industrial dispute activities among our patrols or administrative and call centres in recent years and the Directors believe that we have a positive relationship with our employees.

	Year ended 31 January		
	2012	2013	2014
Operational	7,313	7,115	6,694
Management and Administration	1,428	1,546	1,455
Total Number of employees	**8,741**	**8,661**	**8,149**

Pensions and post-retirement medical

The AA Group operates two defined benefit pension schemes: (i) the AA Pension Scheme (the "**AA UK Pension Scheme**") and (ii) the AA Ireland Pension Scheme (the "**AA Ireland Pension Scheme**"). We also operate an unfunded post-retirement medical scheme (the "**AAPMP**") to provide private healthcare cover to retired AA pensioners and their dependents.

UK Pensions

The AA UK Pension Scheme is the largest scheme operated by the AA Group and according to the last completed actuarial valuation, which was carried out as at 31 March 2013 (the "**2013 Valuation**"), the AA

UK Pension Scheme had a funding deficit of approximately £202 million and assets of approximately £1,563 million. We estimate that the funding deficit with respect to the AA UK Pension Scheme as at 31 December 2013 was approximately £130 million.

In November 2013, in conjunction with agreeing the 2013 Valuation, we implemented the ABF with the AA UK Pension Trustee. The ABF provides the AA UK Pension Scheme with an inflation-linked income stream over 25 years and the aggregate total of the monthly payments due from the ABF to the AA UK Pension Scheme in the first year is £12.2 million. The ABF is intended to address the funding deficit disclosed in the 2013 Valuation over a 25 year period. However, there can be no assurance that the funding deficit with respect to the AA UK Pension Scheme will not increase again in the future and this may result in materially higher payments being required to be paid to the AA UK Pension Scheme to address such increased deficit.

Typically, funding deficits are addressed over a much shorter period than 25 years and, in order to secure the AA UK Pension Trustee's agreement to this longer 25 year term under the ABF, the AA UK Pension Trustee has been granted first-ranking security (through the ABF structure) over our brands of £200 million.

As a result of a recent law change, certain employers in the UK are now required to automatically enrol eligible employees (who are not already members of a qualifying pension scheme) into a qualifying pension scheme with a minimum level of employer contributions. The AA Group became subject to these obligations with effect from 1 April 2013. The AA Group has automatically enrolled 2,656 eligible employees who were not already members of a qualifying pension scheme, such as the AA UK Pension Scheme, into a group personal pension plan operated by a third party pension provider. 293 of these eligible employees opted out of the group personal pension plan, though eligible employees who are not members of a qualifying pension scheme will need to be re-enrolled into a qualifying pension scheme periodically in the future (subject to the individual employee's ability to continue to opt out). It is estimated that the additional pension cost from complying with these automatic enrolment obligations is approximately £0.8 million per annum.

Irish Pensions

The AA Ireland Pension Scheme is much smaller than the AA UK Pension Scheme, with assets of c£33.4 million at 30 April 2014. The trustee of the AA Ireland Pension Scheme (the "**AA Ireland Pension Trustee**") has been granted shared super senior security over assets of certain subsidiaries up to a value of £10 million as security for certain liabilities in respect of the AA Ireland Pension Scheme.

Post-retirement medical

The AAPMP is an unfunded post-retirement medical scheme and as of 30 April 2014 showed a liability of £45.1 million.

16. TRAINING AND RECRUITMENT

In addition to our existing apprentice and training schemes, we are planning to launch an apprentice academy in the near future. The apprentice academy will enable us to train and develop skilled staff, including patrol technicians, electricians, plumbers and call centre operators.

17. ENVIRONMENTAL MATTERS

We are subject to a variety of laws and regulations relating to petrol/diesel disposal and environmental protection. The Directors believe that we are in substantial compliance with applicable requirements of such laws and regulations. However, we could incur costs, such as fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations.

18. INSURANCE

We have insurance coverage under various insurance policies for, among other things, property damage, our technical and office equipment and stock, our patrol vehicles, as well as coverage for business interruption, terrorism and directors and officers. We do not have insurance coverage for all interruption of operations risks because in our view, these risks cannot be insured or can only be insured at unreasonable terms. For example, cyber-attacks on our website could come from anywhere in the world and would therefore not be covered by the business interruption insurance. There is also no insurance coverage against the risk of failure by Personal Members to pay. We also have insurance policies covering employer and public liability, as well as for errors and omissions that may occur when broking insurance (professional indemnity insurance, which is required under the FCA regulatory regime).

In the view of the Directors, the existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection, taking into account the costs for the insurance coverage and the potential risks to business operations. However, we can provide no assurances that losses will not be incurred or that claims will not be filed against us which go beyond the type and scope of the existing insurance coverage.

19. SEPARATION AND UMBRELLA SERVICES AGREEMENT

Following the WBS on 2 July 2013, the operations of the AA Group have been separated from the Acromas Group and Saga Limited and its subsidiaries (the "**Saga Group**"). However, the AA continues to have certain shared responsibilities and trading relationships with the Acromas Group and the Saga Group. To formalise the Separation, the AA Group entered into the Umbrella Services Agreement with the Acromas Group that governs the relationship between certain members of the AA Group, the Saga Group and the Acromas Group and sets forth the terms and conditions on which certain services are provided between such members.

For more information see Part 18: Additional Information—Material Contracts—Umbrella Services Agreement.

20. LEGAL PROCEEDINGS

We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. We do not expect the legal proceedings in which we are involved or with which we have been threatened, either individually or in the aggregate, to have a material adverse effect on our business, financial condition and results of operations.

21. REGULATORY ENVIRONMENT

Under the Financial Services Act 2012, the FSMA was amended with effect from 1 April 2013 to effect a new regulatory regime in the UK. Under the new regime, firms previously regulated by the FSA were allocated to one of the two new regulators, the PRA (broadly for banks and insurers) and the FCA (for insurance intermediaries and investment firms), for their prudential supervision.

The AA Group contains two insurance intermediary companies in the UK, Automobile Association Insurance Services Limited ("**AAISL**") and Drakefield Insurance Services Limited ("**DISL**"), which are both authorised and regulated by the FCA. These intermediaries are currently subject to limited minimum capital requirements (the higher of £5,000 and 2.5% of annual income from the regulated activities of each intermediary). Both AAISL and DISL have capital resources in excess of their minimum capital requirements.

Upon Admission, AAISL will retain Ashok Gupta as its independent chairman, to maintain continuity with the period prior to Admission and to ensure AAISL continues to operate independently and responsibly.

The AA Group also has two authorised insurance underwriting companies in the UK, AA Underwriting Limited ("**AAUL**") and Automobile Association Underwriting Services Limited ("**AAUSL**"). However, AAUL ceased underwriting insurance policies in 1998 and has no technical reserves as at 31 January 2013. AAUSL ceased underwriting activities in 2009 and had technical reserves of £0.4 million as at 31 January 2014.

Historically, we have engaged in reinsurance underwriting through Acromas Reinsurance Company Limited ("**ARCL**") though this has now also ceased.

AA Developments Limited carries on the roadside assistance business of the AA Group under an exemption for breakdown assistance providers from needing authorisation as regulated insurers provided certain conditions are met. See Part 9: Regulatory Overview—Breakdown Insurance Exemption.

For further details on the regulatory regime affecting the AA Group, see Part 9: Regulatory Overview.

The Automobile Association Limited ("**TAAL**") is currently authorised as a general insurance intermediary in Jersey as more fully described under Part 9: Regulatory Overview—TAAL Jersey Regulatory Overview. The AA Group also has a licensed insurance intermediary in Ireland, AA Ireland, which is regulated by the Central Bank of Ireland.

22. CORPORATE AND SOCIAL RESPONSIBILITY

The AA Charitable Trust for Road Safety and the Environment (registered charity number 1125119) promotes safer and more responsible driving through education and training. The Drive Smart initiative offers free safe and fuel efficient driving training for new drivers most at risk and is supported by the Department for Transport and the police.

Drive Confident is aimed at lapsed or rusty drivers. Over the last year the Trust has provided thousands of free courses for vulnerable drivers and has started a new initiative to help disadvantaged teenagers in residential care to learn to drive. The Trust was awarded a prestigious Prince Michael of Kent International Road Safety Award in recognition of its practical work in road safety.

Nationally, the AA supports two charities—BEN (the Automotive Industry Charity) and the AA Charitable Trust.

The AA Road Operations are certified to ISO14001 (environmental accreditation) and AA Fuel Assist recycles contaminated fuels. AA patrol vehicles are automatically monitored for use of fuel and excessive idling. AA patrols are trained in eco-driving techniques. AA patrols operate electric vans and scooters in London.

PART 8
MARKET AND INDUSTRY

UK Roadside Assistance Market

Overview

The majority of roadside assistance services in the UK is provided through two principal channels: the B2C model, whereby customers subscribe for roadside assistance cover directly through a membership agreement with the applicable roadside assistance provider, and the B2B model, whereby customers receive roadside assistance cover indirectly as a complementary service to the products they purchase from another business. According to industry sources, the total UK vehicle recovery service market generated approximately £1.5 billion as of December 2011, covering approximately 29 million policies. The number of policies in force has remained broadly stable since 2006, as customers have demonstrated a propensity to retain their roadside membership even through the economic downturn. The market for ad-hoc, pay-as-you-use customers is much smaller and covered by independent garages, which are contracted at the point of breakdown.

Operating Model

The three largest roadside assistance providers in the UK, based on market share, are the AA, the RAC and Green Flag. Together, these companies accounted for approximately 80% of the B2C and B2B market, respectively, as of June 2012. The AA and the RAC primarily operate a nationwide branded patrol network or "branded model", typically restricting use of third party garage networks to peak times and in remote areas. In contrast to the contractor-based model, the branded model provides for direct interaction with the customer through roadside assistance mechanics, who act as the "face of the brand", which creates the opportunity to reinforce a perception of the brand based on quality, speed of service, responsiveness and reliability.

Types of Policies and Coverage Levels

Roadside assistance policies can either cover vehicles or individuals. Vehicle policies cover a single vehicle or, in some cases, multiple vehicles, while personal policies cover one or more individuals, including families, regardless of the vehicle they are driving. Typically, entry level roadside service includes roadside assistance for repair or for towing broken-down vehicles to a local garage if roadside repair is not possible. This service can be complemented by any of the following additional services:

- *Recovery service*: Recovery service provides members with the ability to transport a broken-down vehicle to a destination of the members' choice.
- *Home service*: Home service provides members with a call-out service for breakdowns while their vehicle is either parked at or within a certain distance of their home.
- *Replacement vehicle/transfer/accommodation service*: Replacement vehicle/transfer/accommod-ation service provides members with a temporary replacement vehicle or transfer services to a destination of their choice or overnight accommodation if their vehicle cannot be repaired.

Competition

The Directors believe that the competitive landscape in the roadside assistance market is relatively stable with competition based on quality as well as price. According to industry sources, the AA, the RAC and Green Flag are the only sizeable roadside assistance providers in the UK, accounting for approximately 40%, 28% and 12% of B2C memberships as at December 2013 and, according to industry sources, 42%, 23% and 14% of B2B customers as at June 2012. The remaining share is covered by smaller roadside assistance providers, a number of which are subsidiaries of larger insurance groups, including Britannia Rescue, Europassistance UK, Mondial Assistance and AXA Assistance. Market shares have historically been relatively stable, and the investment required to build a trusted, nationwide brand and the cost of building a nationwide branded fleet of qualified patrols with competitive technical ability, along with the sophisticated deployment processes required, has represented a significant barrier to entry for new entrants. No competitor has entered the market and achieved a level of scale comparable to the AA since the 1970s. Green Flag entered the market in 1971 and, according to industry sources, currently accounts for approximately a 12% market share in the B2C market.

B2C Market

In the B2C market, individuals subscribe for a Personal Membership with the applicable roadside assistance provider, such as the AA, the RAC or Green Flag. In addition to generating fees for the provision of breakdown

coverage, these policies also provide roadside assistance providers with revenue opportunities with respect to cross-selling and up-selling additional products and services, including cover for repair following a breakdown, European coverage and other insurance products. Revenue generated in the B2C market is driven by membership numbers, type of coverage and price. According to industry sources, for the year ended 31 December 2011, the B2C market covered approximately 9 million policies, representing approximately one-third of the overall roadside assistance market.

Distribution Channels

B2C roadside assistance coverage can be acquired through a number of channels. The majority of initial customer contacts are made directly through the internet or by telephone, typically in response to marketing activity. Face-to-face sales channels and the sale of roadside assistance cover alongside Motor insurance products are also important channels.

Competition

According to industry sources, as at December 2013, the AA was the market leader in the B2C market with a market share of approximately 40%, followed by the RAC and Green Flag with market shares of approximately 28% and 12%, respectively. The competitive landscape within the B2C market has been relatively stable with limited fluctuations in market share.

Market Volume

B2C market volume in the UK is primarily driven by the number of vehicles on the road. Despite a decline in new car registrations from 2005 to 2011 (*Source: www.smmt.co.uk and the Department for Transport (the "**DfT**")*), the number of privately owned vehicles on the road remained generally stable, with slight growth over this period at a compound annual growth rate ("**CAGR**") of approximately 0.6% due to an ageing car population. B2C market volume is also influenced by the number of licence holders. According to the DfT, the number of licensed vehicles in Great Britain has grown steadily from approximately 25.1 million in 2001 to 35.0 million in 2013.

In addition to B2C memberships, some Personal Members may have coverage through one or more B2B channels ("**double cover**"). While some Personal Members may be unaware that they have double cover, other Personal Members choose to maintain their double cover in order to take advantage of the typically higher levels of cover benefits available from their B2C membership.

Pricing

The B2C market consists of two pricing models. Under the "membership pricing model", typically all new members are charged a flat annual fee for roadside assistance coverage, plus additional flat fees for additional services. Upon renewal, membership pricing is reassessed on a case-by-case basis and individual risks, including the number of past breakdown calls and propensity to renew, are taken into consideration. Alternatively, under the "risk-based pricing model", members are charged a variable price based on the likelihood of their vehicle breaking down at both the time they initially obtain coverage and upon renewal. The AA and the RAC apply the membership pricing model, whereas Green Flag and smaller participants predominantly rely upon the risk-based pricing model.

B2B market

In the B2B market, roadside assistance providers, such as the AA, the RAC and Green Flag, engage with partners, who in turn offer roadside assistance as an add-on or complementary service to the products they offer to their customers. Usage rates are typically lower for B2B customers, partly because B2B customers tend to own newer, more reliable vehicles. To the extent that roadside assistance coverage is bundled with other products, B2B customers are also less likely to call for service. According to industry sources, for the year ended 31 December 2011, the B2B market covered approximately 20 million policies, representing approximately two-thirds of the overall roadside assistance membership market by volume.

Distribution Channels

B2B roadside assistance coverage can be acquired through four primary channels:

- *Added value accounts*: Added value accounts ("**AVAs**") are bank accounts which provide their holders with roadside assistance coverage, among other offerings, in connection with their account. Lloyds Banking Group, Barclays, RBS, HSBC and Santander each offer AVAs that provide third party roadside assistance coverage.

- *Car manufacturers*: Certain car manufacturers, including Ford, Vauxhall, Volkswagen, BMW and Peugeot, offer third party roadside assistance coverage (typically for one year) to purchasers of new or used vehicles through a franchised or approved dealer.
- *Fleet and leasing companies*: Several fleet and leasing companies provide indirect coverage to customers who rent their vehicles. Rental car companies (such as Europcar, Avis and Hertz), commercial fleet rental companies (such as Hitachi, BT and Centrica) and fleet managers (such as LeasePlan and Lex Autolease) utilise third party roadside assistance providers for their vehicles.
- *Insurance*: Insurance companies, including Direct Line, Aviva, Admiral and Tesco, offer third party roadside assistance coverage as part of their motor insurance policy offerings, either sold separately or bundled with other products.

According to industry sources, as of December 2011, the AVA channel covered approximately 8 million policies (40% of the B2B market), the car manufacturers channel covered approximately 6 million policies (30% of the B2B market), the fleet channel covered three million policies (15% of the B2B market) and the insurance channel covered three million policies (15% of the B2B market).

Competition

According to industry sources, as of June 2012, the AA was the market leader in the B2B market, with approximately 42% market share based on number of B2B customers, followed by the RAC and Green Flag, with market shares of approximately 23% and 14%, respectively. The competitive environment for B2B customers varies significantly by distribution channel. In the AVA coverage market, the AA and Green Flag have exclusive relationships with Lloyds Banking Group and RBS, respectively, with the RAC serving a number of market participants including Barclays and the Co-operative Bank. The AA and the RAC hold a significant majority of the fleet coverage market and both compete with Mondial in the car manufacturer coverage market. A significant proportion of the insurance market is served by Green Flag (which is part of Direct Line Group) and other smaller roadside assistance providers owned by the same group as the insurer.

Market Volume

The car manufacturer coverage market is driven by the number of new and used vehicles sold to consumers through franchised or approved dealers. According to the DfT, the total number of licensed vehicles has increased every year since the end of the Second World War except 1991. Between 1996 and 2007, the annual growth in licensed vehicles averaged 2.5 per cent a year, although from the mid-2000s it had begun to slow. Following the recession it slowed further, but did not stop, averaging 0.3 per cent a year between 2008 and 2011. Between 2012 and 2013 the total vehicle stock increased by 1.5 per cent, the first substantial year-on-year increase since 2007. The fleet coverage market is driven by the development of the number of commercial vehicles in the UK that are less than five years old.

Pricing

Prices in the B2B market are typically set on either a per breakdown basis or on a per vehicle insured basis. Pricing within the B2B market tends to be more competitive than in the B2C market, where contracts are regularly tendered by B2B partners. The largest breakdown providers tend to hold an advantage over smaller providers, due to their economies of scale.

UK Insurance Broker Market

Insurance Broker Model

An insurance broker acts as an intermediary between individuals seeking an insurance policy and insurance underwriters, who underwrite insurance policies and provide coverage for losses claimed under those policies. Insurance brokers administer policies and earn commissions based on a percentage of the premium paid by policy holders, without assuming any underwriting risk. Brokers typically generate increased customer value through the sale of ancillary products, including legal coverage, accident plans, car hire, excess coverage and breakdown and key coverage. More sophisticated brokers will also add value to their underwriters’ policy offerings by enhancing the risk data available at the point of quote. The insurance brokerage sector is led by a small number of large brokers who design policies and maintain a panel of underwriters who quote competitively for individuals risks. Most insurance brokers in the UK offer a range of insurance products, including motor, home and travel insurance.

Motor Insurance

Motor insurance is a legal requirement in the UK and therefore a non-discretionary product. As a consequence, the motor insurance market tracks the number of vehicles on the road and the number of licensed drivers. According to the Association of British Insurers ("**ABI**"), in 2012, 23.3 million private vehicles were insured. Data also shows that the motor insurance market in the UK generated approximately £15.6 billion in gross written premiums ("**GWP**") in 2012. The cost of claims is expected to fall with legislation designed to curb the activities of claims management companies who represent and assist policy holders in pursuing their claims, resulting in increased claim settlements. The motor insurance market is relatively fragmented with a large number of participants.

Insurance brokers, including the AA, Budget Group and Swinton Insurance, compete against other brokers and direct insurers through a range of channels, of which PCWs have become the largest, accounting for over 50% of the market. PCWs, including Moneysupermarket.com, Gocompare.com, Confused.com and Comparethemarket.com, have enabled comparison of multiple prices on the same website, leading to price competition and margin pressure. The market penetration of PCWs is reaching maturity and penetration has been relatively stable since 2010.

In addition to PCWs, brokers solicit new business customers through online and offline marketing activities and seek to upsell and cross-sell products through more customer interaction.

Home Insurance

The development of the home insurance market is largely driven by residential property transactions as home insurance is typically taken out when purchasing property. In order to increase customer value, home insurance providers typically also offer a range of related products, including home emergency as well as maintenance and repair coverage for boiler breakdown, blocked pipes, roof damage, nest removal and other property related matters, such as home legal expenses cover. According to Datamonitor, the home insurance market generated approximately £7.8 billion in GWP in 2011. Datamonitor predicts an increase in GWPs in the home insurance market to £9.1 billion by 2016, with weather and escape of water claims remaining key drivers for this market in addition to the recovery of the housing market generating movement in the home insurance market again. The underwriting performance of the UK home insurance market has remained more consistent than the motor insurance market in recent years, because of relatively stable underlying claims experience for underwriters. The home insurance market is also relatively fragmented, albeit with greater participation from retail banks and mortgage providers.

Home insurance is distributed across a broader range of channels. Similar to motor insurance, the number of PCWs has increased in the home insurance market; however, their presence is less prevalent compared to motor insurance, in part, due to the relative prominence of banks and building societies, which are an important sales channel as home insurance is often required when purchasing a home with mortgage financing. Lower average premiums and higher retention rates compared to the motor insurance market, combined with individual property specifications (flood locations, home size and building materials), which are used in the underwriting process, have restricted PCW market penetration, which was at around 30% in 2012 (*Source: Datamonitor, November 2012*).

UK Home Services Market

Home emergency policies are designed to protect customers against specific types of home-related issues. Emergency response policies typically cover central heating and plumbing systems, boiler failure, leaks and blocked drains. Certain policies also cover selected other emergencies, including roof damage, electrical faults and failures, security, pest control and water and gas supply issues.

Distribution Channels and Models

Home emergency services providers can be categorised by their marketing channel and types of services and products:

- *Utilities*: Home emergency coverage, particularly boiler and central heating coverage, is often offered to existing utility customers by utility providers. British Gas is estimated to be the largest provider of boiler and heating coverage, providing installation and maintenance of domestic central heating and gas appliances to approximately 8.2 million customers in the UK. Other utilities providers, including E.ON, operate mixed models of their own and sub-contracted networks.

- *Affinity model*: Home emergency services may be offered by companies with utility and water affinity partners. The company HomeServe is the second largest provider of home emergency coverage in the UK. According to HomeServe's Annual Report & Accounts for 2013, HomeServe had access to 24 million households through utility and water affinity partners, where it covered 2.3 million customers as of March 2013.
- *Insurance providers*: Home emergency services are offered as a separate add-on to home, car or breakdown coverage of existing customers. Certain providers, including the AA and AXA Assistance, offer repair and claim settling mainly through their own engineers and networks. Other providers, including Direct Line, typically operate third party contractor networks, as the cost for an independent network can be substantial.
- *AVA*: Banks, including RBS and Lloyds Banking Group, bundle home emergency products with AVAs and AVA customers utilise the associated home emergency assistance provider to service their needs.

Competition

The UK motor and home insurance markets are highly competitive and AA faces ongoing competition from both established and new competitors. The large number of companies active in these markets and the increasingly wide availability of distribution platforms also contribute to the competitive nature of this market. The AA has historically faced competition from other insurance brokers (whether store-based, telephone-based or online), including Swinton, Budget, Tesco, Hastings, RIAS, Kwik Fit, Endsleigh and A-Plan. In addition, a number of insurance brokers have developed or are developing their own in-house underwriting capabilities. There is also competition from direct insurers, which include Direct Line Group, Admiral, Aviva, LV, AXA, RSA, Ageas, Co-op and eSure.

The development of PCWs in recent years has increased the level of competition for our business, as they provided customers with quick and easy access to different policies from a range of different insurers. Moneysupermarket.com, Gocompare.com, Confused.com and Comparethemarket.com are the main participants in this market. As the market penetration of PCWs has matured, these websites have become an important distribution channel for AA's Motor and Home insurance business.

The AA is one of a small number of branded participants in the home emergency market, together with British Gas and HomeServe. According to industry sources, British Gas is the market leader in boiler and central heating cover, while HomeServe has focused on developing affinity relationships with utility and water companies.

Non-insurance financial services

Non-insurance financial services products include savings accounts, unsecured loans, credit cards, currency cards and life insurance. There is significant competition in all these product lines from both major UK banks and international banks active in the UK (for example, Lloyds Banking Group, RBS, Barclays, HSBC, Santander), insurance companies (for example, RSA, AXA, Aviva) and non-bank financial services companies (for example, Nationwide, Tesco Bank, Sainsbury's Bank, Virgin Money, M&S Money, Post Office).

UK Driving Services Market

The driving services market comprises driving schools as well as training for drivers who have committed certain driving offences and training for occupational drivers. According to industry sources, the market for driving schools is estimated to be in the range of £700 million to £860 million as of 31 January 2013. In terms of share of pupils and revenue, the AA/BSM is the market leader with an approximate 16.8% market share, while the remaining market shares are covered by RED, LDC, Bill Plant and smaller, independent providers, according to industry sources.

Driving Schools

The UK driving schools market is highly fragmented. According to industry sources, the AA and BSM are, together, the largest driving school in the country with approximately 2,900 franchised instructors and a combined share of pupils estimated at approximately 16.8% of the market as of 31 January 2014. Given the fragmented market there is also competition from local participants and a large number of independent, non-affiliated driving instructors.

Driver training and re-education

The market for driver re-education following traffic offences is currently split among three main competitors and many smaller local authorities.

The market for driver training schemes through contracts with police forces is significantly less fragmented, with two participants (including AA DriveTech) accounting for approximately 90% of the market, based on the number of contracts that have been outsourced to date. We have contracts with 14 of the 44 police forces in England and Wales and according to industry sources, our only competitor approaching this scale is TTC Group.

AA DriveTech also operates in the fleet training market, providing driver training for corporation and other organisations. According to industry sources, AA DriveTech is one of the two largest operators in this market.

Ireland

AA Ireland is the market leader in both the B2C and B2B segments of roadside assistance in Ireland according to industry sources and the AA Group differentiates itself through a branded network of patrols, as opposed to relying on networks of independent garages. RAC left the roadside assistance market in 2007 and its operations were taken over by the AA Group's now primary competitor, Hibernian (Aviva). Green Flag is not present in the Irish roadside assistance market. A number of insurance companies are also present in the market, including AXA, Aviva, Mapfre and Allianz, as well as a number of smaller online competitors, including Breakdowncover.ie and Car Protect.

The motor and home insurance markets in Ireland are competitive and the AA Group faces competition from both other insurance brokers and from direct insurers, including AXA, Aviva, Liberty, FBD, Zurich and Allianz. Home emergency response is a nascent market in Ireland, with no Irish equivalents to traditional UK providers like British Gas and HomeServe.

PART 9
REGULATORY OVERVIEW

Introduction

The majority of the regulated business of the AA Group is UK insurance intermediation business carried on through AAISL and, to a lesser extent, DISL. There is also a small amount of regulated insurance business written by AAUL and AAUSL, although both of these companies are now in run-off. AA Developments Limited also writes insurance business which would otherwise be regulated, however, as it writes breakdown assistance only it is exempt from the general requirement that firms carrying out insurance business in the UK be regulated. In addition, TAAL conducts certain insurance intermediation activities, predominantly in the UK, as an appointed representative of AAISL and as a registered person in Jersey under the Financial Services (Jersey) Law 1998. AA Ireland is also regulated in respect of insurance intermediation services by the Central Bank of Ireland.

General

Regulation of the financial services industry in the UK is set out in the Financial Services and Markets Act 2000 ("**FSMA**") which requires providers of financial services in the UK to be authorised and regulated by the relevant regulatory authority. In December 2012, under the Financial Services Act 2012 (the "**Act**"), the FSMA was amended with effect from 1 April 2013 to effect a new regulatory regime in the UK. Under the new regime, firms previously regulated by the Financial Services Authority were allocated to one of the two new regulators created by the new regime, the PRA and the Financial Conduct Authority ("**FCA**") for their prudential supervision. The PRA is responsible for the prudential regulation of all banks, insurers and some designated investment firms. Although the PRA is responsible for the prudential regulation of these firms, they are in fact dual-regulated as the FCA regulates their conduct of business and consumer protection. For other financial services firms, including insurance intermediaries, fund managers and investment firms, the FCA is the sole regulator in both prudential and conduct matters.

An authorised firm must comply with the requirements of FSMA as well as the supplementary rules made by the PRA and FCA, as the case may be, under powers granted by FSMA. There are a number of regulatory handbooks, but some important sources of the rules, and accompanying guidance, relevant to the insurance and insurance intermediary businesses undertaken within the AA Group include the General Prudential Sourcebook ("**GENPRU**"), the Prudential Sourcebook for Insurers ("**INSPRU**"), the Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries ("**MIPRU**") and the Insurance Conduct of Business Sourcebook ("**ICOBS**"), as well as the PRA and FCA's principles for businesses.

Insurers

Subject to certain exemptions, no person may carry on insurance business in the UK unless authorised to do so by the PRA (acting with the consent of the FCA). The PRA and FCA, in deciding whether to grant permission, are required to determine whether the applicant satisfies the threshold conditions set out in Schedule 6 of the FSMA to be engaged in insurance business and, in particular, whether the applicant has and will continue to have appropriate resources, and that it is and will continue to be a fit and proper person having regard to the objectives of the PRA and the FCA (including in both cases whether those who manage the applicant's affairs have adequate skills and experience and are conducted soundly and with probity). A permission to carry on insurance business may also be subject to such requirements as the PRA (with the consent of the FCA) considers appropriate.

In specific circumstances, the PRA and/or FCA may vary or cancel an insurer's FSMA permission to carry on a particular class or classes of business or insurance business generally. The circumstances in which the PRA and/or FCA can vary or cancel a FSMA permission include a failure to meet the threshold conditions or where such action is desirable in order to protect the interests of consumers or potential consumers.

The AA Group has two authorised insurance underwriting companies in the UK, AAUL and AAUSL. These companies are, however, closed to new business and are now in run-off, AAUL having ceased underwriting in 1998 and AAUSL in 2009. Both these companies are regulated by the PRA as insurers, however, the PRA and FCA have agreed that the lead regulator for the group is the FCA on the basis that it is responsible for the larger and ongoing regulated business of the insurance intermediaries, in particular, AAISL.

Insurance Intermediaries

Insurance intermediaries are authorised and regulated by the FCA and, similarly to insurers, must comply with certain conditions relating to capital and liquidity, corporate governance and risk management and controls,

among others. These requirements are set out in Schedule 6 of the FSMA and further supported by the provisions of the FCA Handbook. The PRA Handbook does not, however, apply to insurance intermediaries. Due to the nature of intermediation business generally, lower prudential requirements apply than those for insurers. The FCA has the power to cancel or vary a firm's permission, or to withdraw a firm's authorisation, under the same regime applicable to authorised insurers.

The AA Group contains two insurance intermediary companies, AAISL and DISL, which are both authorised and regulated by the FCA. Both of the AA Group's UK insurance intermediaries are subject to relatively limited minimum capital requirements (the higher of £5,000 and 2.5% of annual income from the regulated activities of the intermediary). Both AAISL and DISL have capital resources in excess of their minimum capital requirements.

Supervision and Enforcement

The PRA and FCA have extensive powers to supervise and intervene in the affairs of an authorised person under the FSMA. For example, they can require firms to provide information or documents or prepare a "skilled persons" report (a power which has recently increased in scope under the FSMA and is likely to be increasingly used). They can also formally investigate a firm. The PRA and FCA have the power to take a range of disciplinary enforcement actions, including public censure, restitution, fines or sanctions and the award of compensation. From recent publications of the PRA and FCA, the method of supervision will shift to a key risks approach by each regulator and the "ARROW" supervisory process will change to a form of continuous supervision. Such ongoing supervision is intended to become more intrusive, for example, in the FCA's remit, by analysis of an insurer's product development and a new business model assessment procedure.

Breakdown Insurance Exemption

AA Developments Limited ("**AADL**"), a subsidiary of the Company, is the entity responsible for the provision of our roadside assistance business. The Financial Services and Markets Act (2000) (Regulated Activities) Order 2001, which sets out activities which are regulated in the UK under the FSMA, contains an exemption under Article 12 for breakdown insurance providers from the general requirement of persons carrying on insurance business to be authorised by the PRA under Section 19 of the FSMA. AADL currently benefits from this exemption and is not therefore required to be, nor is it, an authorised insurer for the purposes of the FSMA.

The relevant conditions that must be satisfied in order to qualify for the exemption are that:

(i) the provider does not otherwise carry on any insurance business;

(ii) the cover is exclusively or primarily for the provision of benefits in kind in the event of accident or breakdown of a vehicle; and

(iii) the policy provides that the assistance:

    (a) takes the form of repairs to or removal of the relevant vehicle;

    (b) is not available outside the UK and Ireland, except where it is provided without the payment of additional premium by a person in the country concerned with whom the provider has entered into a reciprocal agreement; and

    (c) is provided in the UK or Ireland, in most circumstances, by the provider's own work force under its direction rather than through an outsourcing arrangement.

Approved Persons

The FSMA (as amended by the Act) gives the FCA and the PRA powers and responsibilities over individuals carrying on certain roles within the UK financial services industry. These roles are described as "controlled functions" and the individuals performing them are described as "approved persons". Approved persons are typically individuals. However, a body corporate can be an approved person, for example, if the body corporate is a director of an authorised firm.

The controlled functions which an approved person performs are functions which have been identified by the FCA and PRA as being key to the operations of the approved persons regime in accordance with the provisions of Part V of the FSMA. They are divided between "significant influence functions" and "the customer dealing function". Significant influence functions include governance functions, required functions, systems and controls or any significant management function. They are typically relevant to a firm's directors, non-executive

directors, chief executive officer, compliance officer, chief risk officer and heads of significant departments, among others. The customer dealing function covers persons dealing with an authorised firm's customers or property. However, it does not apply to general insurance business and therefore is not relevant to the authorised entities in the AA Group. A person must have regulatory approval before they can perform any of these controlled functions.

All relevant persons in AAUSL, AAUL, DISL and AAISL (being the authorised firms in the AA Group) are approved persons. As such, they are subject to certain ongoing obligations for which they are personally accountable to the FCA and/or the PRA. They are expected to be fit and proper persons, they must satisfy standards of conduct that are appropriate to the role they perform and, in particular, they must comply with the Statements of Principle and Codes of Practice issued by the FCA and the PRA and contained in APER in both the FCA and PRA Handbooks. As a result of the Act, the scope of the Statements of Principle in APER now extends to conduct expected of approved persons not just in relation to the controlled functions that they perform, but also in relation to other functions they perform in connection with their firms' regulated activities. The FCA and PRA have wide-ranging powers under the FSMA to act against any person who fails to satisfy these standards of conduct or who ceases to be fit and proper, including withdrawal of their approved status, granting a prohibition order, disciplinary action and/or fines.

Solvency II

The Solvency II Directive (2009/138/EC), an insurance industry directive adopted by the EU in November 2009 ("**Solvency II**") and to be amended shortly by the Omnibus II Directive, will provide a new prudential framework for insurance companies. The new approach is based on the concept of three pillars—prudential requirements (minimum capital requirements, investment of assets, quality of capital) supervisory review of firms' assessment of risk, and enhanced disclosure requirements (to supervisors and public disclosure)—and will cover asset and liability valuations, governance arrangements, the treatment of insurance groups, the definition of capital and the overall level of capital requirements. A key aspect of Solvency II is that the assessment of risks and capital requirements will be aligned more closely with economic capital methodologies, and will allow insurers to make use of internal capital models, if approved by the PRA. There remains considerable uncertainty surrounding the interpretation of the provisions of Solvency II with more detailed level 2 implementing measures, binding technical standards and non-binding standards, guidance at level 3 and/or delegated acts yet to be finalised. The Omnibus II Directive was approved by the European Parliament on 11 March 2014 and will, among other things, amend Solvency II in respect of the powers of the European Insurance and Occupational Pensions Authority ("**EIOPA**"), the new European Supervisory Authority, responsible for insurance.

Full implementation of Solvency II has been delayed until 1 January 2016 and the industry is now in preparation for the regime under EIOPA guidelines applicable from 1 January 2014. The PRA has also issued a Supervisory Statement on the PRA's expectations of UK firms from 1 January 2014 as they prepare for Solvency II. One particular aspect of the PRA's supervision of insurance is its current expectation that all capital instruments meet Solvency II criteria regarding the definition of capital, and that, until Solvency II criteria are fully implemented, insurers should anticipate the enhanced quality of capital that will be needed, when issuing or amending capital instruments. The insurance business of AAUSL and AAUL is, however, in run-off with relatively few remaining liabilities and the FCA has previously agreed to limit the minimum capital requirements for AAUL. Therefore the impact of Solvency II on the AA Group's capital solvency requirements should be minimal.

TAAL Jersey Regulatory Overview

TAAL is incorporated in Jersey and holds a consent (the "**COBO Consent**") issued by the Jersey Commission pursuant to the Control of Borrowing (Jersey) Order 1958 to issue up to 50,000 shares of a nominal value of £1.00 each. As such, TAAL must comply with statutory requirements under the Companies (Jersey) Law 1991 and the conditions of its COBO Consent.

TAAL is currently regulated by the Jersey Commission as a registered person under the Financial Services (Jersey) Law 1998 to carry on general insurance mediation business (including incidental general insurance mediation business). However, TAAL ceased writing new business in September 2013 and intends to cancel its licence under the Financial Services (Jersey) Law 1998 and de-register within the next 12 months.

PART 10
SELECTED FINANCIAL INFORMATION

The selected financial information for the years ended and as at 31 January 2012, 2013 and 2014 and the three months ended and as at 30 April 2013 and 2014 set out below has been extracted without material adjustment from Part 14: Historical Financial Information of this Prospectus, where it is shown with important notes describing some of the line items.

Consolidated Income Statement

	Year ended 31 January			Three months ended 30 April	
	2014	**2013**	**2012**	**2014**	**2013**
		(audited)		*(unaudited)*	
	(in millions of pounds)				
Revenue	973.9	968.0	973.9	239.3	238.2
Cost of sales	(343.6)	(349.4)	(385.2)	(84.0)	(85.3)
Gross profit	**630.3**	**618.6**	**588.7**	**155.3**	**152.9**
Other operating income	0.3	1.4	2.4	0.1	—
Administrative and marketing expenses	(259.4)	(300.1)	(283.0)	(65.4)	(68.6)
Operating profit before share of profits of associates	**371.2**	**319.9**	**308.1**	**90.0**	**84.3**
Share of profits of associates, net of tax	0.4	0.7	0.4	—	—
Operating profit	**371.6**	**320.6**	**308.5**	**90.0**	**84.3**
Trading EBITDA	422.8	394.6	368.1	103.0	98.9
Items not allocated to a segment	5.2	(4.3)	(5.0)	(0.8)	(3.3)
Amortisation of intangible assets	(12.1)	(9.8)	(7.3)	(3.4)	(2.8)
Depreciation	(27.5)	(28.1)	(29.4)	(7.0)	(6.8)
Acquisition earn-out costs	(2.2)	(1.8)	(1.2)	—	(0.5)
Exceptional items	(14.6)	(30.0)	(16.7)	(1.8)	(1.2)
Operating profit	**371.6**	**320.6**	**308.5**	**90.0**	**84.3**
Profit on disposal of joint venture	0.4	3.1	0.6	—	—
Finance costs	(179.5)	(49.0)	(44.6)	(60.9)	(13.0)
Finance income	0.3	0.3	0.3	0.1	—
Profit before tax	**192.8**	**275.0**	**264.8**	**29.2**	**71.3**
Tax expense	(39.4)	(67.6)	(66.8)	(5.7)	(16.9)
Profit for the year period	**153.4**	**207.4**	**198.0**	**23.5**	**54.4**
Earnings per share:					
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (pence)	76.1	102.9	98.2	11.7	27.0
Adjusted and diluted adjusted, underlying profit for the period attributable to ordinary equity holders of the parent (pence)	**88.6**	**115.2**	**106.6**	12.7	28.9

Consolidated Statement of Financial Position

	As at 31 January			As at 30 April	
	2014	2013	2012	2014	2013
	(audited)			*(unaudited)*	
	(in millions of pounds)				
Non-current assets					
Goodwill and other intangible assets	1,245.7	1,237.3	1,230.9	1,247.7	1,237.5
Property, plant and equipment	77.3	86.5	98.2	73.2	82.0
Investments in associates	3.5	3.4	2.9	3.5	3.4
Deferred tax assets	36.4	48.0	47.0	38.9	67.9
Other receivables	6.4	9.6	24.7	9.9	9.6
	1,369.3	**1,384.8**	**1,403.7**	**1,373.2**	**1,400.4**
Current assets					
Inventories	4.9	5.3	5.3	5.2	5.0
Trade and other receivables	162.9	315.9	314.8	166.2	181.2
Amounts owed by fellow subsidiary undertakings	—	1,250.8	979.9	—	1,329.8
Cash and cash equivalents	203.2	31.9	29.1	272.2	41.3
	371.0	**1,603.9**	**1,329.1**	**443.6**	**1,557.3**
Total assets	**1,740.3**	**2,988.7**	**2,732.8**	**1,816.8**	**2,957.7**
Current liabilities					
Trade and other payables	(461.9)	(578.2)	(534.3)	(504.0)	(477.6)
Amounts owed to parent undertaking	—	(1,760.9)	(1,760.9)	—	(1,760.9)
Current tax payable	—	(7.0)	(20.9)	(0.2)	(0.3)
Provisions	(11.9)	(23.1)	(10.6)	(11.2)	(14.8)
	(473.8)	**(2,369.2)**	**(2,326.7)**	**(515.4)**	**(2,253.6)**
Non-current liabilities					
Borrowings and loans	(3,351.4)	(265.5)	(227.8)	(3,357.6)	(275.6)
Finance lease obligations	(7.9)	(13.6)	(17.1)	(7.8)	(10.7)
Defined benefit pension scheme liabilities	(265.5)	(165.7)	(138.2)	(292.7)	(254.3)
Provisions	(15.7)	(26.7)	(28.2)	(14.9)	(26.3)
Insurance technical provisions	(4.2)	(3.2)	(39.8)	(4.2)	(3.0)
	(3,644.7)	**(474.7)**	**(451.1)**	**(3,677.2)**	**(569.9)**
Total liabilities	**(4,118.5)**	**(2,843.9)**	**(2,777.8)**	**(4,192.6)**	**(2,823.5)**
Net (liabilities)/assets	**(2,378.2)**	**144.8**	**(45.0)**	**(2,375.8)**	**134.2**
Equity					
Share capital	0.2	0.2	0.2	0.2	0.2
Share premium	0.8	0.8	0.8	0.8	0.8
Foreign currency translation reserve	(1.1)	(1.0)	(0.1)	(1.2)	(1.0)
Cashflow hedge reserve	(6.2)	—	—	(5.6)	—
Retained earnings	(2,371.9)	144.8	(45.9)	(2,370.0)	134.2
Total equity attributable to equity holders of the parent	**(2,378.2)**	**144.8**	**(45.0)**	**(2,375.8)**	**134.2**

Consolidated Statement of Cash Flows

	Year ended 31 January			Three months ended 30 April	
	2014	2013	2012	2014	2013
	(audited)			*(unaudited)*	
	(in millions of pounds)				
Net cash flows from operating activities before tax	395.6	352.7	331.3	91.4	105.6
Tax paid	(8.2)	(56.1)	(60.8)	—	(7.0)
Net cash flows from operating activities	387.4	296.6	270.5	91.4	98.6
Investing activities					
Software development expenditure	(19.9)	(15.3)	(13.1)	(5.4)	(3.0)
Purchase of property, plant and equipment	(9.7)	(6.6)	(13.5)	(2.1)	(2.5)
Acquisition of subsidiaries, net of cash acquired	(0.6)	(8.1)	(3.3)	(0.2)	—
Proceeds from disposal of joint venture	0.4	3.1	0.3	—	—
Proceeds from fixed term investments—restricted	4.6	15.1	—	—	—
Interest received	0.7	0.9	1.3	0.2	—
Net cash flows used in investing activities	**(24.5)**	**(10.9)**	**(28.3)**	**(7.5)**	**(5.5)**
Financing activities					
Proceeds from borrowings	4,266.4	—	—		
Issue costs on borrowings	(100.3)	—	—		
Repayment of borrowings	(862.0)	—	—		
Dividends paid	(2,571.9)	—	—		
Repayment of amounts owed to parent undertakings	(718.3)	—	—		
Refinancing transaction	13.9	—	—	—	—
Interest paid on borrowings	(102.9)	—	—	12.2	—
Payment of finance lease capital and interest	(21.9)	(16.7)	(22.6)	(2.7)	(6.7)
Payments to group treasury	(82.2)	(270.9)	(248.9)	—	(79.0)
Net cash flows from financing activities	**(193.1)**	**(287.6)**	**(271.5)**	**(14.9)**	**(85.7)**
Net increase in cash and cash equivalents	**169.8**	**(1.9)**	**(29.3)**	**69.0**	**7.4**
Net foreign exchange differences	(0.6)	0.5	(0.4)	—	(0.1)
Cash and cash equivalents at the beginning of the period	34.0	35.4	65.1	203.2	34.0
Cash and cash equivalents at the end of the period	**203.2**	**34.0**	**35.4**	**272.2**	**41.3**

PART 11
OPERATING AND FINANCIAL REVIEW

You should read this discussion in conjunction with the consolidated financial information and the accompanying notes included elsewhere in this Prospectus. A summary of the critical accounting estimates that have been applied to the Company's consolidated financial information is set forth below under the heading "—Critical Accounting Policies". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors".

Overview

We are the largest roadside assistance provider in the UK, representing over 40% of the market and responding to an average of approximately 10,000 breakdowns each day. With 109 years of operating history, we have established ourselves as one of the most widely recognised and trusted brands in the UK. In addition, we have successfully leveraged our brand to become a leading provider of insurance broking services and driving services.

We have a strong and diversified customer base with approximately 16 million consumers and over 50% of UK households subscribing to at least one AA product as at 31 January 2014.

In the year ended 31 January 2014 we generated Trading revenue of £973.9 million and Trading EBITDA of £422.8 million. In the three months ended 30 April 2014, we generated Trading revenue of £239.1 million and Trading EBITDA of £103.0 million.

Recent Developments

Refinancing

On 23 April 2014, we entered into a New Senior Term Facility of £663 million, drawings under which, together with the proceeds of the issuance of a further £250 million in principal amount of Class A Senior Secured Notes on 2 May 2014, repaid all amounts outstanding under the Initial Senior Term Facility. We also entered into a New Working Capital Facility, commitments under which replaced the existing commitments under the Initial Working Capital Facility. The principal changes in the terms of these new facilities relate to a reduction in the interest rate payable to the lenders to 2.00% above LIBOR, a 12 month deferral of and reductions in the quantum of any excess cashflow sweep and a relaxation in the circumstances under which distributions can be made by AA Intermediate Co Limited and its material subsidiaries within the WBS.

Further details relating to our debt financing arrangements and the refinancing are set out in paragraph 8 of Part 7: Information on the Group and paragraph 13 of Part 18: Additional Information.

Roadside Assistance

In February 2014, the Group renewed its contracts with the Lloyds Banking Group in relation to the provision of roadside assistance for another five-year term commencing 1 April 2014. In the year ended 31 January 2014, roadside assistance contracts with Lloyds Banking Group made up approximately 9.1% of Group revenue, making it the Group's largest customer.

The Group has continued to increase market share in the roadside assistance business services market with recent wins of the Hyundai, Porsche and Volkswagen Group contracts which are expected to progressively benefit trading results.

The Separation and Umbrella Services Agreement

On 2 July 2013, the operations of the AA Group were separated from the Acromas Group and the Saga Group. However, the AA continues to have certain shared responsibilities and trading relationships with the Acromas Group and the Saga Group. To formalise the Separation, the AA Group entered into the Umbrella Services Agreement with the Acromas Group that governs the relationship between certain members of the AA Group, the Saga Group and the Acromas Group and sets forth the terms and conditions on which certain services are provided between such members.

The separation process is now complete with the majority of non-trading transactions between the AA and Acromas having ceased. The trading relationships have all been formally contracted with a minimum three year duration. Prior to the Separation, group debt was incurred at the Acromas level and no external interest was borne by the AA group. As a result of the Separation, and following a refinancing in July 2013, the AA group is now subject to interest payments in respect of its financing arrangements and as such our finance costs have increased for the year ended 31 January 2014. Except as described above, the Separation has not had a significant effect on our underlying trading business or on our cost base. For more information see Part 18: Additional Information—Material Contracts—Umbrella Services Agreement.

Key Factors Affecting Our Results of Operations

Set forth below is a description of certain of the key factors that have affected our results of operations in the years ended 31 January 2012, 2013 and 2014 and the three months ended 30 April 2013 and 2014 and which may impact our business in the future.

Member Loyalty and Retention Rates

Our results are impacted by the levels at which we are able to successfully retain customers across our various business segments. We depend on maintaining a high degree of customer loyalty in order to help sustain our high customer retention rates. High retention rate levels, in turn, provide us with insight into future profit and cash flow performance and, when combined with our multi-year B2B contracts, are a source of stability and strong profit margins. As the cost to retain a Personal Member is typically lower than the cost of attracting a new Personal Member, our operations depend on our managing and monitoring factors that affect customer retention rates, including the price of our products and services and the level of benefits offered. We believe that our ability to sustain high levels of customer service and the integrity of the AA brand is fundamental to our ability to control customer turnover.

Pricing and Competition

The level of our revenue depends on our ability to correctly price our products and services. We aim to manage the pricing of our products and services for both new and existing customers across our various business segments in order to provide customers with quality products and services at an attractive price, while seeking to maximise the long-term value of our customer base. We must also price our products correctly in light of the specific competitive environment.

Within our roadside assistance segment, we offer a range of products and services at different price points for new and existing Personal Members and B2B customers. As price competition in the market for roadside assistance services has historically been less intense relative to the broader insurance market, we have had a greater degree of control with respect to our pricing policies and product packages as compared to the insurance market, where the level of price competition is high and PCWs have intensified price pressure. Within the roadside assistance segment, we set our Personal Member renewal pricing policies and services levels based on information obtained from our analysis of our extensive customer database and by our customer services teams. We offer discounts to attract new Personal Members and we offer a combination of discounts and enhanced service packages to existing Personal Members in order to foster long-term memberships. Our ability to effectively implement Personal Member discounts and enhanced service packages at the time of renewal, in particular, while implementing sustainable long term pricing and price increases, where appropriate, is an important factor in limiting customer turnover which impacts our results of operations. The level and duration of our customer retention programs may increase our costs and the sustainability of our renewal prices may impact future revenues.

Pricing within our insurance segment is principally determined by the members of our insurance underwriting panel. We then add our brokerage commission, as appropriate, to the premiums provided by underwriters. The levels of brokerage commissions and policy volumes we are able to achieve will depend on the premiums that we receive from underwriters on our panel. Underwriter premiums will vary for a number of reasons, including underwriters' experience in managing past claims or prospective claim estimates, changes in their underwriting strategy and policies and targeted underwriting returns. In terms of new business activities, our sales conversion depends on the relative competitiveness of our underwriting premiums compared to other participants in the motor and home insurance market. This is particularly the case for sales volumes generated via PCWs. Our income from Motor and Home insurance customers is also dependent on the level of commission we are able to sustain from our renewing customers. If underwriters' prices increase year-on-year, customers are more likely to cancel their existing insurance policies, seek insurance from other providers and consequently, we may

experience lower customer retention rates and brokerage commissions. Conversely, if underwriters' prices decrease year-on-year, we may experience higher customer retention rates and higher levels of income from brokerage commissions.

We have the ability to influence insurance pricing by providing members of our insurance underwriting panel with certain risk-related information, including proprietary data we collect in connection with our roadside assistance segment and external data such as credit scores. This information in turn allows motor insurers to more accurately tailor policies to address individual risks. Over the long-term, the provision of proprietary data to our insurance underwriting panel may offer us a competitive advantage with regards to certain customers. However, the provision of proprietary information to panel members can also result in reductions in commissions, personal injury referral fees and finance income from Motor insurance customers if our insurance underwriting panel declines to offer competitive rates to individuals that typically attract higher premiums.

Attracting New Customers, Cross-selling and Up-selling

Our business depends on our ability to attract new customers, as well as to cross-sell and up-sell our range of products and services among our existing customer base. We rely on our customer database, online presence and call centres to attract new customers through a range of marketing activities. Changes in customer responsiveness to our marketing activities, or in our ability to convert customer leads into actual sales, impact the size of our customer base and our financial results.

We rely on cross-selling insurance services products to our roadside assistance Personal Members and similarly on cross-selling roadside assistance memberships to our insurance customers. In addition, we cross-sell products within our insurance services segment (for example, the sale of Home insurance to a Motor insurance customer) and up-sell products to our existing customers (for example, the sale of additional levels of roadside assistance cover to Personal Members). Cross-selling and up-selling has been the key factor supporting growth in the home emergency portion of our insurance services segment. Our ability to successfully cross-sell and up-sell supports cost-effective growth in income per customer and per policy and impacts our results of operations.

Roadside Assistance Breakdown Volume

One of our key factors affecting results of operations in our roadside assistance segment is the volume of breakdown calls that we service. Although call volume is relatively stable over time and we have developed sophisticated planning tools to match our resources to expected workload volumes, demand for our services may fluctuate from period to period based on certain factors, including the following:

Weather

We experience increased demand for roadside assistance during periods of adverse weather conditions. While both our Personal Member and B2B customer pricing models assume a reasonable number of bad weather days, extended periods of adverse weather conditions or extreme heat, cold or flooding have a negative impact on our operating margins as, in such circumstances, our operating costs increase. The increased costs are, however, offset in part by the associated increased revenue from B2B partners who pay for our roadside assistance services based on usage by B2B customers. We estimate that approximately 80% of our B2B partner revenue is derived from pay-for-use contracts. Breakdowns resulting from adverse weather conditions in geographically remote areas may be incrementally more expensive to service, but are less likely to occur in high volumes. In circumstances where we are required to rely on a contracted third party garage network during peaks in demand, we incur additional incremental costs due to charges paid to these garages, which are partially offset by a corresponding increase in income from pay-for-use B2B customers. The impact of adverse weather conditions on our results of operations is mitigated by the economies of scale we have achieved across our roadside assistance segment which help to make our incremental cost per breakdown relatively predictable, despite the occasional weather-related increase in our cost base.

Customer Usage and Change in Product Mix

Changes in driving preferences may affect our results of operations. In 2011, our roadside business experienced lower call volume during periods where fuel prices remained relatively high, which we believe was the result of Personal Members and B2B customers driving less frequently in order to use less fuel. In contrast, in periods of economic austerity, drivers may retain older vehicles for longer periods of time, potentially leading to increased breakdown call volumes since older vehicles tend to break down more frequently than new vehicles. We may

also experience shifts in revenues depending on the services offered by our B2B partners. For example, our call volumes from B2B customers increased when Lloyds Banking Group introduced our "Homestart" service to their customers in 2011.

Cost Structure

Cost of sales

Operational costs are predominantly attributable to "front line" costs (such as staff costs, vehicle, fuel, tooling and equipment costs), third party garaging and parts costs. The majority of our operational costs are either variable or semi- variable in nature, given that they are largely based on the size of the patrol force required to service breakdown volumes. We can adjust resources to respond to increases in demand in the short-term through the use of third party garages and in the medium-term through increases or decreases in patrol headcount. Fuel costs account for approximately 2.1% of our revenue. We hedge fuel costs annually in advance of each upcoming financial year based on our 12-month usage forecast to mitigate the impact of diesel price volatility.

In addition, we incur staff and other costs in connection with the operation of service delivery call centres that answer roadside assistance calls and dispatch our patrols. Cost of sales also includes the direct costs of delivering our range of other services to Personal Members and B2B customers, including our automotive glass business within our roadside assistance segment and franchisee and training delivery costs and publishing costs within our driving services segment.

Administrative and marketing expenses

We incur costs through the operation of our sales and customer service call centres for both our roadside assistance and insurance segments. Our primary costs are staff costs, with a proportion of staff costs relating to incentive payments made for achieving customer service benchmarks and sales and retention targets in compliance with regulatory requirements. The bulk of our other non-operational costs relate to staff costs incurred in connection with the management of our business segments or the provision of centralised functions, including technology systems, human resources, head office and other support functions.

Headcount costs also include ongoing pension contributions, the levels of which are set as part of a triennial scheme valuation process. In the year ended 31 January 2014, pension contributions for ongoing service amounted to £19.4 million, the Company has agreed to make contributions of 12.2% of pensionable salary until the next triennial valuation in 2016 but there can be no certainty that this contribution rate will be maintained beyond that date. For more information see Part 7: Information on the Group—Employees and Pension Obligations.

Our marketing costs are relatively consistent year-to-year, and we use a variety of marketing techniques, including internet search engine advertising, direct mailings, press advertising campaigns and payments to PCWs. However, in 2010 and 2011, we employed a television campaign designed to promote our then newly launched home emergency service offering. Marketing costs per customer acquired are carefully monitored by sales channel to help ensure that appropriate returns are achieved, as compared against our internal measures of customer value.

Key Operating Measures

We use several key operating measures, including number of roadside assistance Personal Members, number of roadside assistance B2B customers, breakdowns attended, average income from Personal Members and policy numbers in force, to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

	Year ended 31 January			Three months ended 30 April	
	2012	2013	2014	2013	2014
	(in thousands, except as otherwise indicated)				
Roadside assistance					
Total customers	12,722	12,745	12,508	12,683	12,454
Personal Members[(1)]	4,121	4,093	3,994	4,065	3,977
B2B customers[(2)]	8,601	8,652	8,514	8,618	8,477
Breakdowns attended (millions)	3.4	3.7	3.6	3.7	3.6
Average income per member[(3)]	£114	£118	£126	£119	£127
Insurance services					
Policy numbers in force[(4)]	2,758	2,538	2,290	2,480	2,250

(1) Number of Personal Members represents the average number of roadside assistance Personal Member holdings during the twelve month period ending on the specified date.

(2) Number of B2B customers represents the average number of roadside assistance B2B customer holdings during the twelve month period ending on the specified date.

(3) Average income from Personal Members represents the average income generated from a roadside assistance Personal Member, which is calculated by dividing (i) revenue generated from the sale of memberships and revenue from the sale of parts and additional services to roadside assistance Personal Members by (ii) the total number of Personal Members, during the twelve month period ending on the specified date.

(4) Policy numbers in force represents the total number of insurance policies in force, including Motor, Home and Travel insurance and home emergency policies, at the end of the specified period.

Our number of roadside assistance Personal Member holdings decreased by 88,000 Personal Members or 2.2% from 4,065,000 Personal Members in the twelve months ended 30 April 2013 to 3,977,000 Personal Members in the twelve months ended 30 April 2014, while average income per Personal Member increased by 6.8% over the same period. This decrease in Personal Members reflects the decision to focus on retention of existing, profitable Personal Members in the year ended 31 January 2014. Personal Member numbers have been broadly stable during the first quarter compared to the number of Personal Members as at 31 January 2014 as a result of improving Personal Member retention performance.

Our number of roadside assistance B2B customer holdings has decreased by 141,000 B2B customers or 1.6% from 8,618,000 B2B customers in the twelve months ended 30 April 2013 to 8,477,000 B2B customers in the twelve months ended 30 April 2014. This decrease reflects fluctuations in the number of customers covered by individual contracts rather than a change in the number of contracts the Group services. Income from B2B customer contracts is largely driven by the number of call outs we attend, which were down in three months ended 30 April 2014 compared to the three months ended 30 April 2013 due to the relatively mild weather experienced. The number of B2B customer holdings reported as at the 30 April 2014 does not include the effect of confirmed new business wins, including VW, Audi and Porsche, which will increase the number of B2B customer holdings from the second quarter.

Our number of insurance policies in force decreased by 230,000 policies or 9.3% from 2,480,000 insurance policies in the twelve months ended 30 April 2013 to 2,250,000 insurance policies in the twelve months ended 30 April 2014. This decrease primarily relates to lower volumes of Motor insurance policy sales. Improved competitiveness for AA Motor insurance has led to a stabilisation of total policy sales at 2,250,000 in the twelve months ended 30 April 2014 compared to 2,290,000 for the year ended 31 January 2014.

Presentation of Financial Information

The following is a discussion of our key profit and loss account items. For additional information, see "Note 1" to our audited consolidated financial information as at and for the three years ended 31 January 2014, included elsewhere in this Prospectus.

Revenue

Revenue consists of income generated primarily from four core segments, roadside assistance, insurance services, driving services and Ireland. Roadside assistance revenue is primarily generated through the sale of annual roadside assistance memberships and related products to Personal Members and through payments for usage of our roadside service by B2B customers under multi-year contracts. Insurance services revenue is primarily generated through commissions earned on the sale and administration of Motor insurance and Home insurance policies and ancillary add-on products, as well as from the sale of home emergency services and

services and commissions paid by financial institutions for the sale of savings accounts, credit cards and loan products. Driving services revenue is primarily derived from franchise fees paid to us by driving instructors, lesson fees from motorists, corporate fleet training services and the sale of AA publications. Ireland income consists of revenue earned in connection with our Ireland-based roadside assistance and insurance services sectors.

In addition to the revenue from our four core segments, we have historically received low levels of insurance underwriting revenue being reinsurance premiums received from insurance companies within the Acromas Group. Furthermore, there were certain historical management fees payable to other Acromas companies that offset the above revenue streams, which are not allocated to a segment as they do not reflect the segmental trading performance. Following the implementation of the WBS and the Separation, we no longer pay these management fees to the Acromas Group.

Cost of Sales

Cost of sales includes the operational costs of our roadside assistance segment, which includes patrol salaries, vehicle costs (including depreciation), garaging fees, petrol, parts costs, costs of answering and responding to roadside service related calls and the management of service delivery activities. Furthermore, cost of sales includes costs relating to our home emergency business, our driving school vehicle fleet, driving school course instructor fees, preparing and providing our driving courses to corporate fleet customers and publishing. Reinsurance claims costs are also reported within our costs of sales. We also include certain exceptional costs within cost of sales, including the onerous lease costs incurred in connection with our driving services segment, during 2012.

Other operating income

Other operating income consists of investment return on cash held within our insurance underwriting and Ireland segments, which is treated as restricted cash, as it is not available for general corporate use due to regulatory restrictions imposed upon those businesses.

Administrative and marketing expenses

Administrative and marketing expenses includes our personnel costs relating to sales and service call centres, as well as back-office staff. Administrative and marketing expenses also include marketing costs such as internet search fees, mailshots, direct response television campaigns and press advertising, along with head office costs. Other administrative and marketing expenses include exceptional items such as redundancy payments resulting from significant restructuring activities. Amortisation of software, property rental and facilities costs, the cost of the corporate insurance programme and other office costs such as stationery are also included in our administrative and marketing expenses.

Our head office costs do not relate to any revenue generating operations. The costs cover administrative expenses relating to head office and back-office functions, including finance, human resources and IT support and development.

Share of profits in associates

Share of profits in associates consists of revenue generated by our investment in ACTA Assistance (“**ACTA**”), a company which provides roadside assistance to certain of our Personal Members and B2B customers while travelling in certain European countries. In turn, we provide reciprocal roadside assistance services to ACTA customers while they are travelling within the UK.

Finance costs

Finance costs consist primarily of interest on external borrowings, amortisation of issue costs and interest incurred on finance lease agreements. In addition, the unwinding of discounts on provisions (including pension provisions) and bank overdraft interest are included within finance costs. Prior to the refinancing that took place in 2013 this balance included interest on shareholder loans.

Finance income

Finance income consists primarily of interest income relating to general corporate cash balances and foreign exchange differences.

Tax expense

Taxation is the corporate tax charge for the year after taking any deferred tax into consideration. Our effective tax rate for the year ended 31 January 2014 was 20.4%. Our effective tax rate in the future will be generally in line with UK corporation tax rates.

Exceptional items

In assessing whether a cost is exceptional in nature, we consider, among other factors, its size, likelihood of recurrence and whether it is closely linked to our ongoing trading activities. Exceptional items are reflected in the line item that most closely reflects their nature. We incurred certain exceptional items in cost of sales and administrative and marketing expenses. Cost of sales exceptional items relate to two onerous lease contracts within our driving services segment, which were incurred in 2012. Administrative and marketing expense exceptional items have historically included: (i) restructuring costs primarily relating to redundancy costs, professional fees and the reorganisation of our operations, (ii) exit penalty costs as a result of our termination of a long-term IT outsourcing contract, (iii) IT system replacement project costs, (iv) provisions for future lease costs with respect to vacant properties, net of expected sub-leasing income and (v) costs in relation to the refinancing that took place in 2013.

Trading EBITDA

Trading EBITDA is profit after tax as reported adjusted for depreciation, amortisation, net finance costs, taxation, exceptional items, acquisition earn-out costs, items not allocated to a segment and profit on sale of joint ventures. Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one–off in nature. In the year ended 31 January 2014, these principally relate to the difference between the cash contributions to the pension scheme for on-going service and the calculated annual service cost.

The table below sets forth the reconciliation of profit for the period to Trading EBITDA for the periods indicated.

	Year ended 31 January			Three months ended 30 April	
	2012	**2013**	**2014**	**2013**	**2014**
		(audited)		*(unaudited)*	
		(in millions of pounds)			
Trading EBITDA	368.1	394.6	422.8	98.9	103.0
Items not allocated to a segment	(5.0)	(4.3)	5.2	(3.3)	(0.8)
Depreciation	(29.4)	(28.1)	(27.5)	(6.8)	(7.0)
Amortisation of intangible assets	(7.3)	(9.8)	(12.1)	(2.8)	(3.4)
Acquisition earn-out costs	(1.2)	(1.8)	(2.2)	(0.5)	—
Exceptional items	(16.7)	(30.0)	(14.6)	(1.2)	(1.8)
Operating profit	**308.5**	**320.6**	**371.6**	**84.3**	**90.0**
Profit on sale of joint ventures	0.6	3.1	0.4	—	—
	309.1	323.7	372.0	84.3	90.0
Finance costs	(44.6)	(49.0)	(179.5)	(13.0)	(60.9)
Finance income	0.3	0.3	0.3	—	0.1
Profit before tax	**264.8**	**275.0**	**192.8**	**71.3**	**29.2**
Tax expense	(66.8)	(67.6)	(39.4)	(16.9)	(5.7)
Profit for the year	198.0	207.4	153.4	54.4	23.5

Trading EBIT

Trading EBIT is used as a key measure of trading performance, taking into account the level of investment into tangible and intangible assets, and is defined as profit after tax as reported adjusted for net finance costs, taxation, exceptional items, acquisition earn-out costs, items not allocated to a segment and profit on sale of joint ventures.

The table below sets forth the reconciliation of profit for the period to Trading EBIT for the periods indicated.

	Year ended 31 January			Three months ended 30 April	
	2012	2013	2014	2013	2014
		(audited)		*(unaudited)*	
	(in millions of pounds)				
Trading EBIT	331.4	356.7	383.2	89.3	92.6
Items not allocated to a segment	(5.0)	(4.3)	5.2	(3.3)	(0.8)
Acquisition earn-out costs	(1.2)	(1.8)	(2.2)	(0.5)	—
Exceptional items	(16.7)	(30.0)	(14.6)	(1.2)	(1.8)
Operating profit	**308.5**	**320.6**	**371.6**	**84.3**	**90.0**
Profit on sale of joint ventures	0.6	3.1	0.4	—	—
	309.1	323.7	372.0	84.3	90.0
Finance costs	(44.6)	(49.0)	(179.5)	(13.0)	(60.9)
Finance income	0.3	0.3	0.3	—	0.1
Profit before tax	**264.8**	**275.0**	**192.8**	**71.3**	**29.2**
Tax expense	(66.8)	(67.6)	(39.4)	(16.9)	(5.7)
Profit for the year	198.0	207.4	153.4	54.4	23.5

Consolidated Results of Operations for the three months ended 30 April 2013 and 2014

The table below sets forth our results of operations for the periods under review.

	Three months ended 30 April	
	2013	2014
	(unaudited) *(in millions of pounds)*	
Revenue	238.2	239.3
Cost of sales	(85.3)	(84.0)
Gross Profit	152.9	155.3
Other operating income	—	0.1
Administrative and marketing expenses	(68.6)	(65.4)
Operating profit before share of profits of associates	84.3	90.0
Share of profit of associates using the equity accounting method, net of tax	—	—
Operating profit	84.3	90.0
Trading EBITDA	98.9	103.0
Items not allocated to a segment	(3.3)	(0.8)
Depreciation	(6.8)	(7.0)
Amortisation of intangible assets	(2.8)	(3.4)
Acquisition earn-out costs	(0.5)	—
Exceptional items	(1.2)	(1.8)
Operating profit	84.3	90.0
Profit on sale of joint ventures	—	—
	84.3	90.0
Finance costs	(13.0)	(60.9)
Finance income	—	0.1
Profit before tax	71.3	29.2
Tax expense	(16.9)	(5.7)
Profit for the period	54.4	23.5

Revenue

Our revenue increased by £1.1 million or 0.5% from £238.2 million in the three months ended 30 April 2013 to £239.3 million in the three months ended 30 April 2014. The increase in revenue was primarily driven by growth in the driving services segment as outlined below.

The table below sets forth, for each of the periods indicated, our revenue by segment, both in pounds sterling and as a percentage of consolidated revenue.

	Three months ended 30 April			
	2013		2014	
	(in millions of pounds)	*(% revenue)*	*(in millions of pounds)*	*(% revenue)*
	(unaudited)			
Roadside assistance	171.4	72.0	171.3	71.6
Insurance services	37.5	15.7	37.0	15.5
Driving services	19.6	8.2	21.6	9.0
Ireland	9.7	4.1	9.2	3.8
Insurance underwriting	—	—	0.2	0.1
Total trading revenue	238.2		239.3	
Unallocated revenue	—		—	
Total Revenue	238.2	100	239.3	100

Roadside assistance: Our revenue from roadside assistance remained largely unchanged at £171.3 million in the three months ended 30 April 2014 compared to £171.4 million in the three months ended 30 April 2013, with lower income from B2B customers due to fewer call outs as a result of the mild weather offset by stable retention rates and increased average income per Personal Member.

Insurance services: Our revenue from insurance services decreased by £0.5 million or 1.3% from £37.5 million in the three months ended 30 April 2013 to £37.0 million in the three months ended 30 April 2014. The decrease in revenue was primarily driven by lower revenue from fewer Motor insurance customers as a result of a decline in the book in the year ended 31 January 2014.

Driving services: Our revenue from driving services increased by £2.0 million or 10.2% from £19.6 million in the three months ended 30 April 2013 to £21.6 million in the three months ended 30 April 2014. The increase in revenue was primarily driven by increased volumes of activity in the AA Drivetech business that provides speed awareness courses on behalf of Police Authorities.

Ireland: Our revenue from Ireland decreased by £0.5 million or 5.2% from £9.7 million in the three months ended 30 April 2013 to £9.2 million in the three months ended 30 April 2014. The decrease in revenue was primarily driven by a strengthening of Sterling against the Euro.

Cost of sales

Our cost of sales decreased by £1.3 million or 1.5% from £85.3 million in the three months ended 30 April 2013 to £84.0 million in the three months ended 30 April 2014. The decrease in cost of sales was primarily driven by cost saving in the roadside assistance segment.

Administrative and marketing expenses

Our administrative and marketing expenses decreased by £3.2 million or 4.7% from £68.6 million in the three months ended 30 April 2013 to £65.4 million in the three months ended 30 April 2014. The decrease in administrative and marketing expenses was primarily driven by higher exceptional costs from the restructuring of group operations in the three months ended 30 April 2013. Excluding exceptional items, administrative and marketing costs fell slightly as a result of on-going cost management activity.

Other operating income

Our other operating income remained largely unchanged at £0.1 million in the three months ended 30 April 2014 compared to £nil in the three months ended 30 April 2013.

Operating profit

Our operating profit increased by £5.7 million or 6.8% from £84.3 million in the three months ended 30 April 2013 to £90.0 million in the three months ended 30 April 2014. The increase in operating profit was primarily driven by the growth in Trading EBITDA.

Finance costs

Our finance costs increased by £47.9 million or 368.5% from £13.0 million in the three months ended 30 April 2013 to £60.9 million in the three months ended 30 April 2014. The increase in finance costs was driven by debt interest payable and amortisation of debt issue costs relating to the borrowings initially entered into on 2 July 2013.

Finance income

Our finance income remained largely unchanged at £0.1 million in the three months ended 30 April 2014 compared to £nil in the three months ended 30 April 2013. The increase in finance income was due to bank interest receivable from the cash balances now retained by the Group following the refinancing.

Tax expense

Our tax expense decreased by £11.2 million or 66.3% from a charge of £16.9 million in the three months ended 30 April 2013 to a charge of £5.7 million in the three months ended 30 April 2014. The decrease in taxation was driven by lower profits before tax as a result of the new financing arrangements and the utilisation of tax losses arising from the establishment of the asset-backed funding scheme for the AA UK pension scheme.

Trading EBITDA

Trading EBITDA is a non-IFRS measure and is not a substitute for any International Accounting Standards measure.

Our Trading EBITDA increased by £4.1 million or 4.1% from £98.9 million in the three months ended 30 April 2013 to £103.0 million in the three months ended 30 April 2014. Trading EBITDA margins increased from 41.5% in the three months ended 30 April 2013 to 43.0% in the three months ended 30 April 2014. The increase in Trading EBITDA was primarily driven by growth in the roadside assistance segment as outlined below.

The table below sets forth, for each of the periods indicated, our Trading EBITDA by segment, both in pounds sterling and as a percentage of consolidated Trading EBITDA.

	Three months ended 30 April			
	2013		2014	
	(in millions of pounds)	*(% Trading EBITDA before head office costs)*	*(in millions of pounds)*	*(% Trading EBITDA before head office costs)*
	(unaudited)			
Roadside assistance	83.0	74.8	85.4	74.5
Insurance services	21.1	19.0	22.1	19.3
Driving services	3.7	3.3	4.2	3.6
Ireland	3.1	2.8	2.9	2.5
Insurance underwriting	—	—	—	—
Total Trading EBITDA (before head office costs)	**110.9**		**114.6**	
Head office costs	(12.0)		(11.6)	
Total Trading EBITDA	98.9	100	103.0	100

An analysis of our Trading EBITDA by segment is set forth below:

Roadside assistance: Our Trading EBITDA from roadside assistance increased by £2.4 million or 2.9% from £83.0 million in three months ended 30 April 2013 to £85.4 million in the three months ended 30 April 2014. Trading EBITDA margins increased from 48.4% in the three months ended 30 April 2013 to 49.9% in the three months ended 30 April 2014. The increase in Trading EBITDA was driven by stable retention rates and increased average income per Personal Member. While pay-for-use income from our B2B customers was lower than expected due to mild weather conditions, this was off-set by associated operational cost savings.

Insurance services: Our Trading EBITDA from insurance services increased by £1.0 million or 4.7% from £21.1 million in three months ended 30 April 2013 to £22.1 million in the three months ended 30 April 2014. Trading EBITDA margins increased from 56.3% in three months ended 30 April 2013 to 59.7% in the three

months ended 30 April 2014. The increase in Trading EBITDA was driven by profitable growth in Home Services and improved retention rates on Home and Motor insurance products, which were partially offset by the investment in new motor business.

Driving services: Our Trading EBITDA from driving services increased by £0.5 million or 13.5% from £3.7 million in three months ended 30 April 2013 to £4.2 million in the three months ended 30 April 2014, reflecting higher revenues from increased volumes of police cases. Trading EBITDA margins increased from 18.9% in three months ended 30 April 2013 to 19.4% in the three months ended 30 April 2014.

Ireland: Our Trading EBITDA from Ireland decreased by £0.2 million or 6.5% from £3.1 million in the three months ended 30 April 2013 to £2.9 million in the three months ended 30 April 2014. Trading EBITDA margins decreased from 32.0% in three months ended 30 April 2013 to 31.5% in the three months ended 30 April 2014. The strengthening of Sterling against the Euro since the comparative reporting period has led to the reported decline in EBITDA contribution to the Group result despite a stable underlying trading performance.

Head office costs: Our head office costs decreased by £0.4 million or 3.3% from £12.0 million in three months ended 30 April 2013 to £11.6 million in the three months ended 30 April 2014. The decrease in head office costs is due to on-going cost management activities.

Trading EBIT

Trading EBIT is a non-GAAP measure and is not a substitute for any International Accounting Standards measure.

Trading EBIT increased by £3.3 million or 3.7% from £89.3 million in three months ended 30 April 2013 to £92.6 million in the three months ended 30 April 2014. The increase in Trading EBIT was primarily driven by growth in the roadside assistance segment as outlined above.

Consolidated Results of Operations for the Years Ended 31 January 2013 and 2014

The table below sets forth our results of operations for the periods under review.

	Year ended 31 January	
	2013	**2014**
	(in millions of pounds)	
Revenue	968.0	973.9
Cost of sales	(349.4)	(343.6)
Gross Profit	**618.6**	**630.3**
Other operating income	1.4	0.3
Administrative and marketing expenses	(300.1)	(259.4)
Operating profit before share of profits of associates	**319.9**	**371.2**
Share of profit of associates using the equity accounting method, net of tax	0.7	0.4
Operating profit	**320.6**	**371.6**
Trading EBITDA	394.6	422.8
Items not allocated to a segment	(4.3)	5.2
Depreciation	(28.1)	(27.5)
Amortisation of intangible assets	(9.8)	(12.1)
Acquisition earn-out costs	(1.8)	(2.2)
Exceptional items	(30.0)	(14.6)
Operating profit	**320.6**	**371.6**
Profit on sale of joint ventures	3.1	0.4
	323.7	372.0
Finance costs	(49.0)	(179.5)
Finance income	0.3	0.3
Profit before tax	**275.0**	**192.8**
Tax expense	(67.6)	(39.4)
Profit for the year	207.4	153.4

Revenue

Our revenue increased by £5.9 million or 0.6% from £968.0 million in the year ended 31 January 2013 to £973.9 million in the year ended 31 January 2014. The increase in revenue was primarily driven by growth in the roadside assistance segment as outlined below. Unallocated revenue relates to the management fees paid to Acromas that were previously set against revenue, which have now been discontinued as described above.

The table below sets forth, for each of the periods indicated, our revenue by segment, both in pounds sterling and as a percentage of consolidated revenue.

	Year ended 31 January			
	2013		2014	
	(in millions of pounds)	*(% revenue)*	*(in millions of pounds)*	*(% revenue)*
Roadside assistance	679.3	70.0	697.6	71.6
Insurance services	162.1	16.7	148.9	15.3
Driving services	91.3	9.4	87.5	9.0
Ireland	38.3	3.9	39.6	4.1
Insurance underwriting	—	—	0.3	—
Total trading revenue	971.0		973.9	
Unallocated revenue	(3.0)		—	
Total Revenue	**968.0**	**100**	**973.9**	**100**

Roadside assistance: Our revenue from roadside assistance increased by £18.3 million or 2.7% from £679.3 million in the year ended 31 January 2013 to £697.6 million in the year ended 31 January 2014. The increase in revenue was primarily driven by stable retention rates and increased average income per Personal Member. Income also increased as a result of increased levels of pay-for-use activity from our business services customers.

Insurance services: Our revenue from insurance services decreased by £13.2 million or 8.1% from £162.1 million in the year ended 31 January 2013 to £148.9 million in the year ended 31 January 2014. The decrease in revenue was primarily driven by lower policy volumes and ancillary revenue from Motor insurance customers.

Driving services: Our revenue from driving services decreased by £3.8 million or 4.2% from £91.3 million in the year ended 31 January 2013 to £87.5 million in the year ended 31 January 2014. The decrease in revenue was primarily driven by the reduction in sales relating to the stock of discontinued titles from the publishing business, combined with a reduction in Driving Instructor Training sales across the AA's two driving schools.

Ireland: Our revenue from Ireland increased by £1.3 million or 3.4% from £38.3 million in the year ended 31 January 2013 to £39.6 million in the year ended 31 January 2014. The increase in revenue was primarily driven by an improvement in the Euro exchange rate.

Cost of sales

Our cost of sales decreased by £5.8 million or 1.7% from £349.4 million in the year ended 31 January 2013 to £343.6 million in the year ended 31 January 2014. The decrease in cost of sales was primarily driven by cost saving initiatives, operational efficiencies and reduced fleet costs in the driving services segment.

Administrative and marketing expenses

Our administrative and marketing expenses decreased by £40.7 million or 13.6% from £300.1 million in the year ended 31 January 2013 to £259.4 million in the year ended 31 January 2014. The decrease in administrative and marketing expenses was primarily driven by lower exceptional costs as the restructuring of group operations in the year ended 31 January 2013 did not recur. Excluding the change in exceptional items of £15.4 million, administrative and marketing costs fell by £25.3 million or 9.4%, which includes the full year effect of the cost saving initiatives implemented in the final quarter of the last financial year.

Other operating income

Our other operating income decreased by £1.1 million or 78.6% from £1.4 million in the year ended 31 January 2013 to £0.3 million in the year ended 31 January 2014. The decrease in other operating income was primarily driven by reduced underwriting activities.

Operating profit

Our operating profit increased by £51.0 million or 15.9% from £320.6 million in the year ended 31 January 2013 to £371.6 million in the year ended 31 January 2014. The increase in operating profit was primarily driven by the increase in business profitability described below together with the decrease in exceptional items described above.

Finance costs

Our finance costs increased by £130.5 million from £49.0 million in the year ended 31 January 2013 to £179.5 million in the year ended 31 January 2014. The increase in finance costs was driven by the refinancing that occurred in July 2013. Prior to this, group debt was incurred at the Acromas level and no external interest was borne by the AA Group.

Finance income

Our finance income remained stable at £0.3 million in the years ended 31 January 2013 and 31 January 2014.

Tax expense

Our tax expense decreased by £28.2 million or 41.7% from a charge of £67.6 million in the year ended 31 January 2013 to a charge of £39.4 million in the year ended 31 January 2014. The decrease in tax expense was driven by a reduction in current tax due to the higher interest payable on borrowings. The impact of the asset-backed funding scheme for the AA UK pension scheme, which reduced the tax payable for the year, was offset by the corresponding release of the AA UK pension deferred tax asset. The current tax effect of the asset-backed funding scheme for the AA UK pension scheme is expected to reduce the tax obligation by £39.6 million in relation to the year ended 31 January 2014 and a further £12.9 million in relation to the year ended 31 January 2015.

Trading EBITDA

Trading EBITDA is a non-IFRS measure and is not a substitute for any International Accounting Standards measure.

Our Trading EBITDA increased by £28.2 million or 7.1% from £394.6 million in the year ended 31 January 2013 to £422.8 million in the year ended 31 January 2014. Trading EBITDA margins increased from 40.6% in the year ended 31 January 2013 to 43.4% in the year ended 31 January 2014. The increase in Trading EBITDA was primarily driven by growth in the roadside assistance segment as outlined below.

The table below sets forth, for each of the periods indicated, our Trading EBITDA by segment, both in pounds sterling and as a percentage of consolidated Trading EBITDA.

	Year ended 31 January			
	2013		**2014**	
	(in millions of pounds)	*(% Trading EBITDA before head office costs)*	*(in millions of pounds)*	*(% Trading EBITDA before head office costs)*
Roadside assistance	318.8	71.8	343.9	73.5
Insurance services	93.1	21.0	89.4	19.1
Driving services	18.4	4.2	19.9	4.3
Ireland	13.0	2.9	15.0	3.2
Insurance underwriting	0.6	0.1	(0.1)	—
Total Trading EBITDA (before head office costs)	**443.9**		**468.1**	
Head office costs	(49.3)		(45.3)	
Total Trading EBITDA	**394.6**	**100**	**422.8**	**100**

An analysis of our Trading EBITDA by segment is set forth below:

Roadside assistance: Our Trading EBITDA from roadside assistance increased by £25.1 million or 7.9% from £318.8 million in the year ended 31 January 2013 to £343.9 million in the year ended 31 January 2014. Trading EBITDA margins increased from 46.9% in the year ended 31 January 2013 to 49.3% in the year ended

31 January 2014. The increase in Trading EBITDA was driven by stable retention rates and increased average income per Personal Member as well as increased levels of pay-for-use activity from our business services customers. Cost saving initiatives implemented in the last financial year and the mild winter giving fewer workload peaks also increased Trading EBITDA margin.

Insurance services: Our Trading EBITDA from insurance services decreased by £3.7 million or 4.0% from £93.1 million in the year ended 31 January 2013 to £89.4 million in the year ended 31 January 2014. Trading EBITDA margins increased from 57.4% in the year ended 31 January 2013 to 60.0% in the year ended 31 January 2014. The decrease in Trading EBITDA was driven principally by lower income from a smaller book of Motor insurance customers. This reduction in revenue has been partly mitigated in terms of Trading EBITDA and Trading EBITDA margin performance by the cost reduction initiatives implemented in the fourth quarter of the year ended 31 January 2013 with respect to call centre activities.

Driving services: Our Trading EBITDA from driving services increased by £1.5 million or 8.2% from £18.4 million in the year ended 31 January 2013 to £19.9 million in the year ended 31 January 2014. Trading EBITDA margins increased from 20.2% in the year ended 31 January 2013 to 22.7% in the year ended 31 January 2014. The increase in the Trading EBITDA margin was driven by reduced fleet costs in the Driving Schools combined with the impact of the restructuring exercise undertaken in the fourth quarter of the last financial year.

Ireland: Our Trading EBITDA from Ireland increased by £2.0 million or 15.4% from £13.0 million in the year ended 31 January 2013 to £15.0 million in the year ended 31 January 2014. Trading EBITDA margins increased from 33.9% in the year ended 31 January 2013 to 37.9% in the year ended 31 January 2014. The increase in both Trading EBITDA and Trading EBITDA margin was driven by cost saving initiatives implemented in the business. The strengthening of the Euro compared to the comparative reporting period has also improved Ireland results reported in sterling.

Head office costs: Our head office costs decreased by £4.0 million or 8.1% from £49.3 million in the year ended 31 January 2013 to £45.3 million in the year ended 31 January 2014. The decrease in head office costs is primarily due to cost saving initiatives implemented in the current financial year.

Trading EBIT

Trading EBIT is a non-GAAP measure and is not a substitute for any International Accounting Standards measure.

Trading EBIT increased by £26.5 million or 7.4% from £356.7 million in the year ended 31 January 2013 to £383.2 million in the year ended 31 January 2014. The increase in Trading EBIT was primarily driven by growth in the roadside assistance segment as outlined above. Trading EBIT margins improved in the year ended 31 January 2014 to 39.3% from 36.8% in the year ended 31 January 2013.

Consolidated Results of Operations for the Years Ended 31 January 2012 and 2013

The table below sets forth our results of operations for the periods under review.

	Year ended 31 January	
	2012	2013
	(in millions of pounds)	
Revenue	973.9	968.0
Cost of sales	(385.2)	(349.4)
Gross Profit	**588.7**	**618.6**
Other operating income	2.4	1.4
Administrative and marketing expenses	(283.0)	(300.1)
Operating profit before share of profits of associates	**308.1**	**319.9**
Share of profit of associates using the equity accounting method, net of tax	0.4	0.7
Operating profit	**308.5**	**320.6**
Trading EBITDA	368.1	394.6
Items not allocated to a segment	(5.0)	(4.3)
Depreciation	(29.4)	(28.1)
Amortisation of intangible assets	(7.3)	(9.8)
Acquisition earn-out costs	(1.2)	(1.8)
Exceptional items	(16.7)	(30.0)
Operating profit	**308.5**	**320.6**
Profit on sale of joint ventures	0.6	3.1
	309.1	323.7
Finance costs	(44.6)	(49.0)
Finance income	0.3	0.3
Profit before tax	**264.8**	**275.0**
Tax expense	(66.8)	(67.6)
Profit for the year	**198.0**	**207.4**

Revenue

Our revenue decreased by £5.9 million or 0.6% from £973.9 million in the year ended 31 January 2012 to £968.0 million in the year ended 31 January 2013. The decrease in revenue was primarily driven by our decision to cease writing reinsurance business within our underwriting segment. Excluding the insurance segment, revenue increased by £19.9 million or 2.1% from £948.1 million in the year ended 31 January 2012 to £968.0 million in the year ended 31 January 2013. This increase was primarily driven by growth in the roadside assistance segment as described below. Unallocated revenue relates to the management fees paid to Acromas that were previously set against revenue, which have now been discontinued as described above.

The table below sets forth, for each period indicated, our revenue by segment, both in pounds sterling and as a percentage of consolidated revenue.

	Year ended 31 January			
	2012		2013	
	(in millions of pounds)	*(% revenue)*	*(in millions of pounds)*	*(% revenue)*
Roadside assistance[1]	648.5	66.3	679.3	70.0
Insurance services	168.4	17.2	162.1	16.7
Driving services[1]	93.7	9.6	91.3	9.4
Ireland	42.3	4.3	38.3	3.9
Insurance underwriting	25.8	2.6	—	—
Total trading revenue	978.7		971.0	
Unallocated revenue	(4.8)		(3.0)	
Total Revenue	**973.9**	**100**	**968.0**	**100**

Roadside assistance: Our revenue from roadside assistance increased by £30.8 million or 4.7% from £648.5 million in the year ended 31 January 2012 to £679.3 million in the year ended 31 January 2013. The increase in revenue was primarily driven by increased Personal Member retention rates and income per Personal Member, as well as increased usage by B2B customers, who pay for their service based on the number of callouts.

Insurance services: Our revenue from insurance services decreased by £6.3 million or 3.7% from £168.4 million in the year ended 31 January 2012 to £162.1 million in the year ended 31 January 2013. The decrease in revenue in the year ended 31 January 2013 was primarily due to a reduction on our Motor insurance policy sales as our underwriting panel focused on insurance customers with strong credit histories. The decline in revenue from Motor insurance service was also partially offset by the growth in revenue from our Home insurance and Home Services products. Revenue from these products grew as a result of our increased efforts to promote cross-holding among our database of roadside assistance Personal Members and, in the case of Home Services, our continued marketing efforts to promote new service offerings.

Driving services: Our revenue from driving services decreased by £2.4 million or 2.6% from £93.7 million in the year ended 31 January 2012 to £91.3 million in the year ended 31 January 2013. The decrease in revenue was primarily due to our decision to remove less profitable titles from our Media business. We also experienced a small decline in the number of driving instructor franchisees as a result of lower provisional driving licence applications during the year.

Ireland: Our revenue from Ireland decreased by £4.0 million or 9.5% from £42.3 million in the year ended 31 January 2012 to £38.3 million in the year ended 31 January 2013. The decrease in revenue was primarily driven by the weakening of the euro exchange rate against the pound sterling.

Cost of sales

Our cost of sales decreased by £35.8 million or 9.3% from £385.2 million in the year ended 31 January 2012 to £349.4 million in the year ended 31 January 2013. The decrease in cost of sales was primarily driven by our decision to cease writing reinsurance business within our underwriting segment. Excluding insurance underwriting and exceptional items, cost of sales increased by £0.5 million or 0.1% from £351.8 million in the year ended 31 January 2012 to £352.3 million in the year ended 31 January 2013. The increase in cost of sales, excluding insurance underwriting and exceptional items was driven by increased operational costs due to adverse weather conditions during the year ended 31 January 2013. However this was largely offset by increased operational efficiency with respect to our patrols, as well as lower publishing costs in connection with our Media business within the driving services segment. Exceptional costs within cost of sales were £7.4 million in the year ended 31 January 2012, which related to the onerous lease contract costs within the Group's driving services operations. We did not incur exceptional costs within cost of sales in the year ended 31 January 2013.

Administrative and marketing expenses

Our administrative and marketing expenses increased by £17.1 million or 6.0% from £283.0 million in the year ended 31 January 2012 to £300.1 million in the year ended 31 January 2013. The increase in administrative and marketing expenses was driven by exceptional costs. Excluding the change in exceptional items included within this category of £20.7 million, administrative and marketing costs fell by £3.6 million or 1.3% largely as a result of cost savings delivered in the fourth quarter of the year ended 31 January 2013 from the group restructuring project which incurred the exceptional costs described above.

Other operating income

Our other operating income decreased by £1 million or 41.7% from £2.4 million in the year ended 31 January 2012 to £1.4 million in the year ended 31 January 2013. The decrease in other operating income was primarily due to reduced underwriting activities.

Operating profit

Our operating profit increased by £12.1 million or 3.9% from £308.5 million in the year ended 31 January 2012 to £320.6 million in the year ended 31 January 2013. The increase in operating profit was primarily driven by the increase in business profitability described below, partially offset by the increase in exceptional items. Excluding exceptional items, operating profit increased by £25.4 million or 7.8% from £325.2 million in the year ended 31 January 2012 to £350.6 million in the year ended 31 January 2013.

Finance costs

Our finance costs increased by £4.4 million from £44.6 million in the year ended 31 January 2012 to £49.0 million in the year ended 31 January 2013. The increase in finance costs was driven by increased interest in connection with the interest on shareholder loans, which is added each year to the principal amount outstanding and therefore generates a corresponding increase in interest thereon. These loans were repaid as part of the refinancing in July 2013.

Finance income

Our finance income remained stable at £0.3 million in the years ended 31 January 2012 and 31 January 2013.

Tax expense

Our tax expense increased by £0.8 million or 1.2% from a charge of £66.8 million in the year ended 31 January 2012 to a charge of £67.6 million in the year ended 31 January 2013. The increase in taxation was driven by increased taxable profits, partially offset by the reduction in the headline tax rate.

Trading EBITDA

Our Trading EBITDA increased by £26.5 million or 7.2% from £368.1 million in the year ended 31 January 2012 to £394.6 million in the year ended 31 January 2013. Trading EBITDA margins increased from 37.6% in the year ended 31 January 2012 to 40.6% in the year ended 31 January 2013. The increase in Trading EBITDA was primarily driven by growth in the roadside assistance segment as outlined below.

The table below sets forth, for each of the periods indicated, our Trading EBITDA by segment, both in pounds sterling and as a percentage of consolidated Trading EBITDA.

	Year ended 31 January			
	2012		**2013**	
	(in millions of pounds)	*(% Trading EBITDA before head office costs)*	*(in millions of pounds)*	*(% Trading EBITDA before head office costs)*
Roadside assistance	299.3	71.7	318.8	71.8
Insurance services	87.3	20.9	93.1	21.0
Driving services	14.7	3.5	18.4	4.1
Ireland	14.2	3.4	13.0	2.9
Insurance underwriting	2.0	0.5	0.6	0.1
Total Trading EBITDA (before head office costs)	**417.5**		**443.9**	
Head office costs	(49.4)		(49.3)	
Total Trading EBITDA	**368.1**	**100**	**394.6**	**100**

An analysis of our Trading EBITDA by segment is set forth below:

Roadside assistance: Our Trading EBITDA from roadside assistance increased by £19.5 million or 6.5% from £299.3 million in the year ended 31 January 2012 to £318.8 million in the year ended 31 January 2013. Trading EBITDA margins increased from 46.2% in the year ended 31 January 2012 to 46.9% in the year ended 31 January 2013. The increase in Trading EBITDA was driven by increased Personal Member retention rates, average income from Personal Members and increased usage of the roadside service by our B2B customers. Trading EBITDA was also influenced by increased operational efficiency with respect to our patrols. Also we did not repeat our investments in marketing and member retention activities which were carried out during the year ended 31 January 2012, which reduced Trading EBITDA and Trading EBITDA margin during that year.

Insurance services: Our Trading EBITDA from insurance services increased by £5.8 million or 6.6% from £87.3 million in the year ended 31 January 2012 to £93.1 million in the year ended 31 January 2013. Trading EBITDA margins increased from 51.8% in the year ended 31 January 2012 to 57.4% in the year ended 31 January 2013. The increase in both Trading EBITDA and Trading EBITDA margin was driven principally by our Home Services becoming profitable after investment in marketing and operational resources during the year ended 31 January 2012, as well as cost saving initiatives that led to the consolidation of call centre operations. These areas of Trading EBITDA growth were partially offset by lower levels of Trading EBITDA in connection with our Motor insurance products.

Driving services: Our Trading EBITDA from driving services increased by £3.7 million or 25.2% from £14.7 million in the year ended 31 January 2012 to £18.4 million in the year ended 31 January 2013. Trading EBITDA margins increased from 15.7% in the year ended 31 January 2012 to 20.2% in the year ended 31 January 2013. The increase in both the Trading EBITDA and Trading EBITDA margin was primarily due to continued growth in our driver training business in connection with increased demand for services offered by AA Drivetech, as well as the restructuring of our publishing activities, which involved streamlining a number of AA-branded items published and focusing on more profitable titles during the year ended 31 January 2012.

Ireland: Our Trading EBITDA from Ireland decreased by £1.2 million or 8.5% from £14.2 million in the year ended 31 January 2012 to £13 million in the year ended 31 January 2013. Trading EBITDA margins increased from 33.6% in the year ended 31 January 2012 to 33.9% in the year ended 31 January 2013. The increase in both Trading EBITDA and Trading EBITDA margin was driven by the weakening of the Euro exchange rate against the pound sterling over the period. Excluding the impact of currency translation, the trading results for the years ended 31 January 2012 and 31 January 2013 would have been broadly flat.

Head office costs: Our head office costs remained largely unchanged, decreasing by £0.1 million or 0.2% from £49.4 million in the year ended 31 January 2012 to £49.3 million in the year ended 31 January 2013.

Trading EBIT

Trading EBIT increased by £25.3 million or 7.6% from £331.4 million in the year ended 31 January 2012 to £356.7 million in the year ended 31 January 2013. The increase in Trading EBIT was primarily driven by the growth in the roadside assistance segment described above. Trading EBIT margins improved in the year ended 31 January 2013 to 36.7% from 33.9% in the year ended 31 January 2012.

Liquidity and Capital Resources

Cash generation for the Group has been strong with net cash flows from operating activities before tax of £395.6 million and a cash conversion rate of 93.6% in the year ended 31 January 2014. Overall, improved profitability combined with the positive contribution from working capital, has led to a further deleveraging of the Group. LTM EBITDA for the year ending 30 April 2014 was £426.9 million, with total net debt to LTM EBITDA for the year ending 30 April 2014 at 7.3 times. Within the WBS structure, the ratio of total net Class A Debt to LTM EBITDA for the year ending 30 April 2014 stood at 5.1:1 and the ratio of total net debt (excluding PIK Notes) to LTM EBITDA for the year ending 30 April 2014 stood at 6.7:1.

The Group has a cash balance of £272.2 million as at 30 April 2014, largely invested in AAA money market funds, giving overnight access and high liquidity. The Group has not drawn its Initial Working Capital Facility and does not currently envisage needing to do so.

The Group is required to hold segregated funds as 'restricted cash' in order to satisfy regulatory requirements governing our insurance underwriting business and Irish subsidiaries. These restricted cash balances were £19.4 million at 30 April 2014. The Group also holds £55.4 million of pre-funded cash to pay the PIK interest for the first three periods. Overall restricted cash was £74.8 million as at 30 April 2014.

Historically, the Group transferred all surplus cash to Group Treasury and funded the day to day requirements of our business by drawing on these cash reserves as necessary. This arrangement ceased prior to the refinancing in July 2013.

For further information on cash and cash equivalents, see "Note 18" of our audited consolidated financial information for the three years ended 31 January 2014 and "Note 11" of our unaudited consolidated financial information for the three months ended 30 April 2014 set out in Part 14: Historical Financial Information.

Following the refinancing of certain senior borrowings under the WBS, our primary sources of liquidity within the Group are a £10 million ancillary facility which has been put in place to secure certain letters of credit, cash from operations and future borrowings under our £150.0 million New Working Capital Facility (net of our ancillary facility) and a £220.0 million Liquidity Facility. For a description of the material terms of our long-term financing arrangements, see Paragraph 13 of Part 18: Additional Information—Financing Arrangements.

Cash Flows

The following table sets forth the principal components of our cash flows for the years ended 31 January 2012, 2013 and 2014 and the three months ended 30 April 2013 and 2014.

	Year ended 31 January			Three months ended 30 April	
	2012	**2013**	**2014**	**2013**	**2014**
		(audited)		*(unaudited)*	
			(in millions of pounds)		
Net cash flows from operating activities before tax	**331.3**	**352.7**	**395.6**	**105.6**	**91.4**
Tax paid	(60.8)	(56.1)	(8.2)	(7.0)	—
Net cash flows from operating activities	**270.5**	**296.6**	**387.4**	**98.6**	**91.4**
Investing activities					
Purchase of property, plant and equipment	(13.5)	(6.6)	(9.7)	(2.5)	(2.1)
Software development expenditure	(13.1)	(15.3)	(19.9)	(3.0)	(5.4)
Acquisition of subsidiaries, net of cash acquired	(3.3)	(8.1)	(0.6)	—	(0.2)
Proceeds from disposal of joint venture	0.3	3.1	0.4	—	—
Proceeds from fixed term investments—restricted	—	15.1	4.6	—	—
Interest received	1.3	0.9	0.7	—	0.2
Net cash flows used in investing activities	**(28.3)**	**(10.9)**	**(24.5)**	**(5.5)**	**(7.5)**
Financing activities					
Proceeds from borrowings	—	—	4,266.4	—	—
Issue costs on borrowings	—	—	(100.3)	—	—
Repayment of borrowings	—	—	(862.0)	—	—
Dividends paid	—	—	(2,571.9)	—	—
Repayment of amounts owed to parent undertakings	—	—	(718.3)	—	—
Refinancing Transaction	—	—	13.9	—	—
Interest paid on borrowings	—	—	(102.9)	—	(12.2)
Payment of finance lease capital and interest	(22.6)	(16.7)	(21.9)	(6.7)	(2.7)
Payments to group treasury	(248.9)	(270.9)	(82.2)	(79.0)	—
Net cash flows from financing activities	**(271.5)**	**(287.6)**	**(193.1)**	**(85.7)**	**(14.9)**
Net increase in cash and cash equivalents	**(29.3)**	**(1.9)**	**169.8**	**7.4**	**69.0**
Net foreign exchange differences	(0.4)	0.5	(0.6)	(0.1)	—
Cash and cash equivalents at 1 February	65.1	35.4	34.0	34.0	203.2
Cash and cash equivalents at 31 January	**35.4**	**34.0**	**203.2**	**41.3**	**272.2**

Net cash flows from operating activities before tax

Net cash inflow from operating activities before tax was £395.6 million in the year ended 31 January 2014 (compared to £352.7 million in the year ended 31 January 2013 and £331.3 million in the year ended 31 January 2012). The increase in cash flows from operating activities before tax throughout the period was driven by the improved profitability of the business, with working capital movements being relatively small and consistent across all three years.

Net cash inflow from operating activities before tax was £91.4 million in the three months ended 30 April 2014 (compared to £105.6 million in the three months ended 30 April 2013). The reduction in net cash inflow from operating activities seen in the three months ended 30 April 2014 is due to the timing of receipts in relation to trade debtors, a reduction in the balance of insurance customers paying by instalments and the funding of payments to the pension scheme under the asset-backed funding arrangements.

Net cash flows used in investing activities

Net cash outflow from investing activities was £24.5 million in the year ended 31 January 2014 which primarily related to software development activities focused on the key operational systems within the roadside assistance and insurance services segments.

Net cash outflow from investing activities was £10.9 million in the year ended 31 January 2013 which primarily related to software development, partially offset by the liquidation of certain fixed term investments within the insurance underwriting segment as the business runs down.

Net cash outflow from investing activities was £28.3 million in the year ended 31 January 2012 which primarily related to software development activities and the upgrade of the IT infrastructure supporting the business.

Net cash outflow from investing activities was £7.5 million in the three months ended 30 April 2014 (compared to £5.5 million in the three months ended 30 April 2013). The difference between the two periods primarily related to short-term timing differences on the investment in information technology systems.

Net cash flows from financing activities

Net cash outflow from financing activities was £193.1 million in the year ended 31 January 2014 which primarily related to interest paid on the Group borrowings incurred in July 2013 combined with payments to Acromas group treasury from the period prior to the refinancing in July 2013.

Net cash outflow from financing activities was £287.6 million in the year ended 31 January 2013 which primarily related to payments to group treasury as described above.

Net cash outflow from financing activities was £271.5 million in the year ended 31 January 2012 which primarily related to payments to group treasury as described above.

Net cash outflow from financing activities was £14.9 million in the three months ended 30 April 2014 (compared to £85.7 million in the three months ended 30 April 2013) which primarily related to interest paid on the Group borrowings incurred in July 2013, while the comparative period primarily related to payments to Acromas group treasury.

Capital Expenditure

The majority of our non-financed capital expenditure is attributable to the development and upgrade of our IT and communications systems. The other significant element of our capital expenditure is attributable to finance lease agreements to finance our fleet of patrol vehicles. Substantially all our vehicles are leased and we currently replace both purchased and leased vehicles on a four year cycle. During each four year cycle, the number of vehicles purchased or leased in the first three years tends to remain relatively consistent, with a lower replacement requirement occurring in the fourth year.

We classify our capital expenditure in the following categories:

- *Software development*: Investment in systems development and enhancement for customer administration systems, deployment and claims systems, e-commerce and website development activities;
- *Operational Vehicles*: Vans for patrols, flat-bed trucks for our vehicle recovery operations, home emergency and glass engineer vehicles and dedicated vehicles for specialist services such as fuel assist, key assist, battery assist, motorbikes and special operations vehicles; and
- *Other*: Investments in IT infrastructure such as servers, storage equipment and other physical assets that support delivery of our IT requirements, as well as other corporate and operational development projects, including moving and refurbishing offices, tooling and equipment.

During the periods under review, we funded certain of our capital expenditure requirements through finance leases. Capital expenditure in tangible and intangible assets has fluctuated on a quarterly basis during the periods under review. This fluctuation is due largely to the timing of the replacement cycle of our patrol vehicles and IT development release dates. The table below sets forth our capital expenditure for the years ended 31 January 2012, 2013 and 2014 and the three months ended 30 April 2013 and 2014.

	Year ended 31 January			Three months ended 30 April	
	2012	**2013**	**2014**	**2013**	**2014**
	(audited)			*(unaudited)*	
	(in millions of pounds)				
Software development	13.1	15.3	19.9	3.0	5.4
Operational vehicles	19.3	10.6	9.2	—	0.5
Other	14.6	6.4	10.0	2.3	2.4
Total capital expenditure	**47.0**	**32.3**	**39.1**	5.3	8.3
of which funded by finance leasing	(20.4)	(10.4)	(9.5)	—	(0.5)
Capital expenditure (after finance lease funding)	**26.6**	**21.9**	**29.6**	5.3	7.8

Our capital expenditure for the years ended 31 January 2014, 2013 and 2012 was £39.1 million, £32.3 million and £47.0 million, respectively, and £8.3 million and £5.3 million for the three months ended 30 April 2014 and 2013, respectively which was primarily focussed on IT, including software development and IT infrastructure including servers and storage. The expenditure on operational vehicles reflects the four year replacement cycle rather than any material change in the scale of the AA fleet over the period. In the future, we intend to fund our capital expenditure from cash generated from our operating activities.

Working Capital

We have favourable working capital dynamics and high cash conversion ratios as the majority of our Personal Members pay for services in advance and the majority of our suppliers are paid after the provision of goods and services. Our cash growth rate and rate of cash conversion (defined as net cash flows from operating activities before tax as a percentage of Trading EBITDA) depend on our ability to maintain this favourable working capital dynamic.

Cash generated in connection with our insurance underwriting business must be segregated from the AA Group's accounts for regulatory reasons and it is therefore disclosed separately, although the amounts involved are small in relation to the rest of the AA Group.

Historically, we were required to remit all surplus cash to the Acromas Group treasury on a daily basis. Following the implementation of the WBS and Separation, we ceased to remit surplus cash to the Acromas Group.

Finance Leases

Our finance lease liabilities include lease agreements for commercial vehicles, as well as for plant and machinery. Substantially all of our commercial vehicles, including patrol vehicles, are leased pursuant to Commercial Vehicle Master Contract Hire Agreements ("**Vehicle Master Contracts**") between the Company and our contractual counterparties. Each patrol vehicle is individually leased for a four year term pursuant to a separate form contract, attached to the relevant Vehicle Master Contracts, in which we pay a certain fee for each vehicle per annum during the duration of each contract. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities on the balance sheet. In addition, we have certain additional ordinary course of business contracts and commitments for the supply of goods, such as fuel contracts, which are not included in the discussion below. The table below sets forth the financial payments that we will be obligated to make under our finance leases as at 31 January 2014.

	As at 31 January 2014		
	Total	**Due within 1 year**	**Due between 1 and 5 years**
	(in millions of pounds)		
Commercial vehicles	19.8	12.0	7.8
Plant and machinery	0.2	0.1	0.1
Total	**20.0**	**12.1**	**7.9**

Long-Term Indebtedness prior to the refinancing

Before giving effect to the issuance of the New Shares and the application of the proceeds thereof as described in paragraph 2 of Part 17: Details of the Offer, and before adjusting for the issuance of a further £250 million in principal amount of Class A Notes and the raising of the £663 million New Senior Term Facility to fully repay the Initial Senior Term Facility, which took place on 2 May 2014 and constitutes the refinancing of certain senior borrowings under the WBS, our total financial indebtedness, excluding finance leases, was £3,393.0 million, and as at 30 April 2014, the principal repayments on our material long-term financing arrangements were as follows:

	Payment on Material Long-Term Indebtedness Due by Period			
	2018	2019	2020	2025
	(in millions of pounds)			
Initial Senior Term Facility[1]	913.0	—	—	—
Initial Working Capital[2]	—	—	—	—
Liquidity Facility[3]	—	—	—	—
Class A1 Notes[4]	475.0	—	—	—
Class A2 Notes[5]	—	—	—	500.0
Class A3 Notes[6]	—	—	500.0	—
Class B Notes[7]	—	655.0	—	—
PIK Notes[8]	—	350.0	—	—
Total	**1,388.0**	**1,005.0**	**500.0**	**500.0**

(1) The Initial Senior Term Facility has been refinanced pursuant to a refinancing of certain senior borrowings under the WBS.
(2) The Initial Working Capital Facility has been refinanced pursuant to a refinancing of certain senior borrowings under the WBS.
(3) The maturity of the Liquidity Facility is 364 days from the date of execution.
(4) The expected maturity date of the Class A1 Notes is 31 July 2018, although the final maturity date is 2 July 2043.
(5) The expected maturity date of the Class A2 Notes is 31 July 2025, although the final maturity date is 2 July 2043.
(6) The expected maturity date of the Class A3 Notes is 31 July 2020, although the final maturity date is 2 July 2043.
(7) The expected maturity date of the Class B Notes is 31 July 2019, although the final maturity date is 31 July 2043.
(8) The maturity date of the PIK Notes is 7 November 2019.

Pursuant to the refinancing of certain senior borrowings under the WBS, we have entered into the New Senior Term Facility and the New Working Capital Facility and issued the Class A4 Notes. The maturity date of the New Senior Term Facility is 31 January 2019, the maturity date of the New Working Capital Facility is 31 January 2019 and the expected maturity date of the Class A4 Notes is 31 July 2019, although the final maturity date is 2 July 2043.

The Group has entered into interest rate swaps to fix the LIBOR element of the interest rate applicable to the New Senior Term Facility until the expected maturity date. The impact of these swaps is to fix the rate of LIBOR at 1.9797% until July 2018 and 2.9985% for the period between August 2018 and January 2019, such that if the Class A Notes are rated “BBB-” or above, the maximum rate of interest payable until July 2018 is 3.9797%.

For a pro forma statement of net liabilities that illustrates the effect on the Group’s net liabilities of the Offer and the refinancing, as if they had taken place on 30 April 2014, see Part 15: Unaudited Pro Forma Financial Information.

For a description of the material terms of our long-term financing arrangements, see Paragraph 13 of Part 18: Additional Information—Financing Arrangements.

Critical Accounting Policies

Our financial information has been prepared in accordance with IFRS. The preparation of this financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management continually evaluates its estimates and assumptions and bases its estimates and assumptions on historical experience and other factors, including expectations of future events that it believes are reasonable under the circumstances. Actual results may differ from these estimates, and such differences may be material. 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.

Revenue Recognition

Revenue is measured at the fair value of the consideration receivable provided net of discounts, value added tax and other sales related taxes. Roadside membership subscriptions and premiums receivable on underwritten

insurance products are apportioned on a time basis over the period where the Group is liable for risk cover. The unrecognised element of subscriptions and premiums receivable, relating to future periods, is held within liabilities as deferred income.

Commission income from insurers external to the Group, either third party insurers or insurers that are also part of the Acromas Holdings Limited group, is recognised at the commencement of the period of risk.

Income from credit products is recognised over the period of the loan in proportion to the outstanding loan balance.

Interest revenue in respect of trade receivables is accrued on a time basis, by reference to the principal outstanding and at the effective rate of interest applicable, which is the rate that discounts future estimated cash receipts through the expected life of the financial asset to the asset's net carrying amount.

For all other revenue, income is recognised at point of delivery of goods or on provision of service. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

Property, plant and equipment

Land and buildings held for use in the production of goods and services or for administrative purposes are stated in the balance sheet at cost or fair value for assets acquired in a business combination less any subsequent accumulated depreciation and impairment losses. No capitalised interest is included in the cost of items of property, plant and equipment.

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of property, plant and equipment less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows:

	Useful economic life *(years)*
Buildings, properties and related fixtures	
Buildings	50
Related Fittings	3-20
Leasehold properties	— (1)
IT Systems	3-5
Plant, vehicles and other equipment	3-10

(1) Over the period of the lease.

Assets held under finance leases are depreciated on a straight line basis over the lease term. The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Income taxes

The Group is subject to taxes in the UK and Ireland. At each financial period end, judgement is required in determining the provision for taxes. The Group recognises liabilities for anticipated tax issues based on the best estimates at the balance sheet date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Vacant property provisions

The Group makes a provision against the future lease costs of vacant properties for the remaining period of the lease, net of sub-letting income. The provision is calculated on a pre-tax discounted basis.

Retirement benefit obligation

The Group's retirement benefit obligation, which is assessed each period by actuaries 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating unit to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and apply an appropriate pre-tax discount rate.

Insurance contracts—Insurance technical provisions

The estimation of the ultimate liability from claims made under insurance contracts is not considered to be one of the Group's most critical accounting estimates. This is because the principal insurance claims costs for the Group relate to the provision of roadside recovery services. There is a very short period of time between the receipt of a claim, i.e. a breakdown, and the settling of that claim. Consequently there are no significant provisions for unsettled claims costs in respect of the roadside recovery services.

Changes to Accounting Policies

We have prepared our consolidated financial information at 31 January 2014 under International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Council (IFRIC) interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Company previously adopted IFRS in its financial information at 31 December 2006. However, following the Group's acquisition by Acromas Bid Co Limited during 2007, the Company prepared financial information under UK Generally Accepted Accounting Practice ("**UK GAAP**") for the periods ended 31 January 2008 to 31 January 2013. As such, we have applied IFRS 1 "First time adoption" in the preparation of our financial information.

The Group's deemed transition date to IFRS is 1 February 2011. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows for certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The exemptions applied by the Group on transition to IFRS are set out in note 38 to the consolidated financial information.

The consolidated financial information has been prepared under the historic cost convention as modified by the classification of derivatives and liabilities for contingent consideration in business combinations at fair value.

PART 12
CAPITALISATION AND INDEBTEDNESS STATEMENT

You should read this table together with Part 11: Operating and Financial Review of this Prospectus and Part 14: Historical Financial Information.

Consolidated capitalisation

The following table sets out the Group's unaudited consolidated capitalisation as at 30 April 2014:

	As at 30 April 2014
	(in millions of pounds)
Capitalisation and Indebtedness[1] [2]	
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	3,393.0
Unguaranteed/unsecured	
Shareholders' equity	
Share capital	1.0
Foreign currency translation reserve	(1.2)
Cashflow hedge reserve	(5.6)
Total	(5.8)

(1) This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparing the Historical Financial Information for the year ended 31 January 2014 as set out in Part 14: Historical Financial Information.

(2) The information is unaudited.

There has been no material change in the capitalisation of the Group since 30 April 2014.

Consolidated financial indebtedness

The following table sets out the Group's unaudited net consolidated financial indebtedness as at 30 April 2014:

	As at 30 April 2014
	(in millions of pounds)
A. Cash	272.2
B. Cash equivalent	—
C. Trading securities	5.0
D. Liquidity (A) + (B) + (C)	277.2
E. Current Financial Receivable	—
F. Current bank debt	—
G. Current portion of non-current debt	—
H. Other current financial debt	10.6
I. Current Financial Debt (F) + (G) + (H)	10.6
J. Net Current Financial Indebtedness (I) - (E) - (D)	(266.6)
K. Non-current bank loans	913.0
L. Bonds issued	2,480.0
M. Other non-current financial debt	7.8
N. Non-current Financial Indebtedness (K) + (L) + (M)	3,400.8
O. Net financial indebtedness (J) + (N)	3,134.2

The Group has no indirect or contingent indebtedness.

Other than the issuance of £250 million in principal amount of Class A Notes on 2 May 2014, all of which was used to partially repay the Initial Senior Term Facility, there has been no material change in the indebtedness of the Group since 30 April 2014. Further details relating to the Group's debt financing arrangements are set out in paragraph 8 of Part 7: Information on the Group and paragraph 13 of Part 18: Additional Information.

PART 13
DIRECTORS, PROPOSED DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

1. DIRECTORS

The Company's Directors (current and proposed) are:

Name	Age	Position
Bob Mackenzie[(1)] [(2)]	61	Proposed Executive Chairman
Chris Jansen	43	Chief Executive Officer
Andy Boland	44	Chief Financial Officer
Nick Hewitt	52	Proposed Executive Director
Martin Clarke	58	Proposed Executive Director
Margaret Young[(3)]	59	Proposed Non-Executive Director
John Leach	66	Proposed Non-Executive Director
Andrew Miller	47	Proposed Non-Executive Director

(1) Chair of the Remuneration Committee
(2) Chair of the Nomination Committee
(3) Chair of the Audit Committee

The business address for each of the Directors is Fanum House, Basing View, Basingstoke, Hampshire RG21 4EA.

Mr. Bob Mackenzie, Proposed Executive Chairman, will join the Company conditional on Admission.

Bob has extensive experience in leadership roles at consumer services businesses. In addition to his role as Proposed Executive Chairman of the AA, Bob currently serves as Chairman at Northgate PLC, the vehicle fleet management business. His previous experience includes having been Chairman and CEO of National Car Parks and its subsidiary Green Flag, a roadside services business.

In addition, he has been CEO of Sea Containers Ltd, Chairman of PHS Group PLC and has held senior executive board appointments with BET PLC, Storehouse PLC and Hanson PLC. Bob has also acted as senior adviser to a number of private equity funds. He qualified as a Chartered Accountant with KPMG in 1978.

Mr. Chris Jansen, Chief Executive Officer, joined the Company in January 2014.

Chris has over 20 years' experience in competitive consumer products and service businesses. Prior to The AA, Chris worked for six years at Centrica PLC, initially as the Group Commercial Director of British Gas. In early 2010, Chris was appointed Managing Director of British Gas Services, a business serving five million customers with 12,000 engineers.

Prior to Centrica PLC, Chris worked for seven years from 2000 to 2007 at British Airways PLC where he held a number of general management roles including responsibility for Concorde, global head of the Executive Club and Managing Director of Airmiles, a BA standalone subsidiary. Before British Airways, Chris worked for Procter & Gamble for seven years from 1993, joining on the graduate programme. At P&G Chris worked in a range of sales and marketing roles across the UK and Europe.

Mr. Andy Boland, has served as Chief Financial Officer of the Company since November 2008.

Prior to joining the Company, Andy was Group Finance Director at Taylor Nelson Sofres plc, a FTSE 250 market research company, which he joined in 2004. During his time at Taylor Nelson Sofres, Andy helped integrate acquisitions, strengthened the financial control environment, particularly around working capital and cash management, and was responsible for all external reporting and investor relations activities. Andy qualified as a Chartered Accountant in 1995 and qualified as an Associate Corporate Treasurer in 1998.

Mr. Nick Hewitt, Proposed Executive Director, will join the Company conditional on Admission.

Prior to his appointment as an Executive Director of the AA, Nick was a former Partner and Global Leader of PwC Strategy and a Partner in PwC's Transaction Services Division with extensive knowledge of the AA and its sector.

He has over 25 years' experience at PwC, The COBA Group (where he was a founder and Managing Director) and Bain & Co., advising on the commercial and operating strategies of major acquisitions in the consumer, retail, business services and motoring services sectors.

Dr. Martin Clarke, Proposed Executive Director, will join the Company conditional on Admission.

Martin has over 30 years of private equity experience, principally in the role of Partner and Global Head of Consumer for Permira which he joined in 2002.

Prior to Permira, he worked at Cinven and Silverfleet, the private equity arm of Prudential PLC. He has led a number of major transactions and has sat on the boards of several major companies including New Look, Gala Coral and Galaxy Entertainment Group, which is listed on the Hong Kong Stock Exchange.

Mr. Andrew Miller, Proposed Non-Executive Director, will join the Company conditional on Admission.

Andrew has extensive experience of successful digital transformation in consumer facing industries. As CEO of the Guardian Media Group since 2010 Andrew has reshaped the company's portfolio of businesses to support his transformation of the Guardian into one of the world's leading digital organisations with over 100 million readers each month. From 2002 to 2014 he carried out a similar transformation as CFO and non-executive director of Trader Media Group /Autotrader in its transition from magazines to a wholly digital company.

Prior to Autotrader, Andrew worked in finance and transformation roles across several organisations including Pepsico Europe, Procter and Gamble, Bass PLC and a start-up company. He is a member of the Institute of Chartered Accountants of Scotland qualifying in 1991, training with Price Waterhouse after completing his law degree at Edinburgh University.

Mr. John Leach, Proposed Non-Executive Director, will join the Company conditional on Admission.

John has served on public company boards as either chairman, CEO or CFO for the past 35 years. He has considerable experience in turnaround situations in the industrial and service sectors sitting on the boards of, among others, Brent Walker (including William Hill and Pubmaster), Myson Group and Luminar.

Most recently, John was CEO of Hermes UK Focus Funds and a supervisory board member of Dometic AB. John began his career as an articled clerk and subsequently as a Partner in a firm of chartered accountants. He is a Fellow of the Institute of Chartered Accountants and a Fellow of the Association of Corporate Treasurers.

Mrs. Margaret Young, Proposed Non-Executive Director, will join the Company conditional on Admission.

Margaret has over 15 years of board experience across the logistics, financial services, food manufacturing and fast-moving consumer goods sectors, most recently serving as a non-executive director of BNY Mellon International Asset Management. Margaret's previous board experience includes serving as executive chairman of Cattles plc, a consumer finance company, between 2009 and 2011, during which time she led the restructuring of the operations and balance sheet of the company.

Margaret has spent most of her executive career in investment banking, working for NatWest Markets, DLJ and Credit Suisse providing listed companies with corporate finance advice. She is a qualified Chartered Accountant with an MBA from London Business School.

2. SENIOR MANAGERS

In addition to the executive management appointed to the Board of the Company, the senior managers of the Company are as follows:

Name	Age	Position
Rob Scott	40	Financial Controller and Company Secretary
Steve Dewey	52	Operations Director
Simon Douglas	49	Pricing and Panel Director
Mark Huggins	49	Managing Director, AA Ventures
Edmund King	56	AA President
Jim Kirkwood	54	Managing Director, AA Driving Services
Michael Cutbill	52	Marketing Director
Kirsty Ross	30	Strategy & Innovations Director

Mr. Rob Scott. Rob has served as Financial Controller since 2012. Prior to joining the Company, Rob held a number of senior positions within the Acromas and Saga Group, including Finance Director at Titan Travel, Acromas Holdings Group Chief Accountant, Acromas Holdings Head of Risk and Saga Head of Internal Audit. Rob joined the Saga Group in 2003. Rob qualified as a Chartered Accountant in 1998.

Mr. Steve Dewey. Steve has served as Operations Director since 2004, having joined the AA in 1984 as a roadside patrolman. His key responsibility as Operations Director is for delivery of our service to Personal Members and B2B customers at the roadside. Steve is also a director of ACTA, an organisation that provides European Breakdown Assistance, a Trustee Director of the BEN charity and a Trustee of the AA pension scheme. Steve holds an MBA in International Business.

Mr. Simon Douglas. Simon has served as Pricing and Panel Director since 2007. Simon has over 25 years' experience in life assurance, pensions, healthcare and general insurance. Prior to joining the Company, Simon was employed by Munich Re as an actuary, having joined that business in 2006. Munich Re is a global reinsurance company. Before joining Munich Re, Simon was employed by Standard Life (a major UK life assurance company) since 1986. Simon is a fellow of the Faculty of Actuaries, having qualified in 1990.

Mr. Mark Huggins. Mark joined the AA in 2007 with responsibility for the AA's Financial Services. In April 2014, Mark was appointed Managing Director of AA Ventures and has responsibility for publishing, AA Hotels, AA Cars, warranties, glass and financial services. Prior to his most recent appointment, Mark served as Managing Director of Acromas Financial Services Ltd responsible for both the Saga and the AA brands. Mark has extensive experience in insurance and financial Services, having worked at Eagle Star, Royal SunAlliance, MBNA, CIS and Bank of America.

Mr. Edmund King. Edmund has served as AA President since 2008 and is a Trustee of the AA Charitable Trust for Road Safety and the Environment. He is also a Visiting Professor of Transport at Newcastle University. Edmund joined the AA in January 2008 from the RAC Foundation. Prior to the RAC, Edmund gained experience in roles within the government, media and automotive sectors. Edmund is responsible for AA Public Relations and Public Affairs as well as having the remit to protect the brand, particularly in new business ventures.

Mr. Jim Kirkwood. Jim joined the AA in 2009 following the acquisition of DriveTech UK Ltd and is Managing Director of AA Driving Services. Jim led the integration of DriveTech into the AA and the subsequent growth and development of the driving services business. Prior to this, Jim worked in commercial roles for the Eastman Kodak Company, LG, Infobank International, Barclays Insurance and Fujitsu Siemens before being appointed Managing Director of DriveTech in 2004.

Mr. Michael Cutbill. Michael has served as Marketing Director since 2007. Michael has over 15 years of marketing experience. Prior to joining the Company, Michael was Marketing Director at Saga Services, having joined that business in 1999. Michael holds degrees from Oxford University and the INSEAD business school in France.

Miss Kirsty Ross. Kirsty joined the AA in June 2014 as the Strategy & Innovations Director. In this role Kirsty has responsibility for the strategic planning function for the AA including looking at new sectors and new markets. Kirsty joined from Oliver Wyman management consultants where she spent seven years working with a broad range of organisations on strategy, commercial and general management. Kirsty graduated from Oxford University.

3. MANAGEMENT INCENTIVISATION ARRANGEMENTS

As part of the changes described in Paragraph 3: Board and Management of Part 7: Information on the Group, we have put in place a management value participation scheme. Management Value Participation Shares (which will be converted into Shares or redeemed for cash) entitle the holders to participate in the total shareholder return, subject to satisfaction of a performance condition which (except in the event of a change of control) is tested on the third, fourth and fifth anniversaries of Admission, with vesting of one third of a Manager's holding at each testing provided the performance condition is met. The performance condition is that on the relevant anniversary the total shareholder return equates to at least a 12% increase, compounded annually, in the Offer Price.

The Management Value Participation Shares accrue their redemption value such that the they receive 5% of the total shareholder return up to the performance condition of 12% total shareholder return, and an additional 10% of the value thereafter (subject to the overall shares resulting from conversion of the Management Value Participation Scheme not exceeding 5% of the issued number of shares in any 10 year period).

Bob Mackenzie, Nick Hewitt and Martin Clarke together will hold 40% of the Management Value Participation Shares which are intended to be issued. The remaining 60% will be awarded by the Remuneration Committee (upon the recommendation of the Proposed Executive Chairman) to senior divisional and executive management including, potentially, any of the Executive Directors. These arrangements are described in more detail in Paragraph 8 of Part 18: Additional Information.

4. COMPENSATION

In the financial year ended 31 January 2014, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Existing Executive Directors and Senior Managers by members of the Group was £3.5 million.

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 31 January 2014, the Existing Executive Directors were remunerated as set out below:

Name	Position	Salary for Period (£)	Other Benefits (£)	Date of Joining the Company
Chris Jansen	Chief Executive Officer	50,000	5,850	January 2014
Andy Boland	Chief Financial Officer	262,656	1,989,155	November 2008

The total amount set aside or accrued by the Group to provide pension, retirement or other similar benefits to the Directors and Senior Managers is £0.1 million.

5. CORPORATE GOVERNANCE

The Company is committed to, and recognises the value and importance of, high standards of corporate governance. The Company is required to comply with UK Corporate Governance Code published in September 2012 (the "**Corporate Governance Code**").

The Corporate Governance Code recommends that at least half the members of the board of directors (excluding the chairman) of a UK company listed on the Official List should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

On Admission, the Board will be composed of eight members, consisting of the Proposed Executive Chairman, the Executive Directors and the Proposed Non-Executive Directors (all of which will be independent). Accordingly, no individual or group of individuals will dominate the Board's decision-taking.

On Admission, the Board will not have an independent Chairman or a majority of independent non-executive directors. Accordingly, the Company will not comply with the provisions of the Corporate Governance Code that require that at least half of the Board (excluding the Chairman) should comprise independent non-executive directors.

It is the intention of the Board to appoint a further three independent non-executive directors within three months of Admission.

Except in respect of the requirement of the Corporate Governance Code to have an independent Chairman, the Board intends to otherwise comply with the requirements of the Corporate Governance Code in due course and in any event in advance of a move to the premium segment of the Official List, and will report to shareholders on compliance with the Corporate Governance Code.

6. BOARD COMMITTEES

As envisaged by the Corporate Governance Code, the Board has established an Audit Committee and intends, upon Admission, to establish Nomination and Remuneration Committees, each with formally delegated duties and responsibilities with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues, if the need arises.

6.1 Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Company's annual financial information, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Corporate Governance Code recommends that the audit committee should comprise of at least three members who should all be independent non-executive directors, and that at least one member should have recent and relevant financial experience.

The membership of the Company's Audit Committee will comprise the Proposed Non-Executive Directors (namely, Andrew Miller, John Leach and Margaret Young). Margaret Young is considered by the Board to have recent and relevant financial experience and has been appointed as the chairman of the Audit Committee. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Audit Committee.

The Audit Committee will meet formally at least four times a year and otherwise as required.

6.2 **Nomination Committee**

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and makeup of the Board. The Nominations Committee is responsible for evaluating the balance of skills, experience, independence and knowledge on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters. The Nomination Committee also considers succession planning, taking into account the skills and expertise that will be needed on the Board in the future.

The Corporate Governance Code provides that a majority of the members of the Nomination Committee should be independent non-executive directors.

The Company's Nomination Committee will comprise four members, the Proposed Non-Executive Directors (namely, Andrew Miller, John Leach and Margaret Young) and the Proposed Executive Chairman (namely Bob Mackenzie). The chairman of the Nomination Committee will be Bob Mackenzie, pending the appointment of additional non-executive directors. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Nomination Committee.

The Nomination Committee will meet formally at least twice a year and otherwise as required.

6.3 **Remuneration Committee**

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level.

The Corporate Governance Code provides that the Remuneration Committee should consist of at least three members who are all independent non-executive directors.

The membership of the Company's Remuneration Committee will comprise the Proposed Non-Executive Directors (namely, Andrew Miller, John Leach and Margaret Young). The chairman of the Remuneration Committee will be Bob Mackenzie, pending the appointment of additional non-executive directors. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Remuneration Committee.

The Remuneration Committee will meet formally at least twice a year and otherwise as required.

7. **SHARE DEALING**

Upon Admission, the Company will adopt a code of securities dealings in relation to the Shares which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Group.

PART 14
HISTORICAL FINANCIAL INFORMATION

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PART A

Consolidated Financial Information as at and for the years ended 31 January 2012, 2013 and 2014

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The Directors
AA plc
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

23 June 2014

Dear Sirs

AA Limited Historical Financial Information

We report on the financial information of AA plc set out on pages 102 to 144 (the "**Historical Financial Information**") for the years ended 31 January 2012, 2013 and 2014. This Historical Financial Information has been prepared for inclusion in the prospectus dated 23 June 2014 of AA plc (the "**Company**") on the basis of the accounting policies set out in Note 1.2. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

We have not audited the financial information for the three months ended 30 April 2013 and 2014 which has been included in the prospectus and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the prospectus dated 23 June, a true and fair view of the state of affairs of AA Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best

of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

ERNST & YOUNG LLP

PART A
Consolidated Financial Information as at and for the year ended 31 January 2012, 2013 and 2014

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 31 January		
		2014	2013	2012
		(in millions of pounds)		
Revenue	2	973.9	968.0	973.9
Cost of sales		(343.6)	(349.4)	(385.2)
Gross profit		**630.3**	**618.6**	**588.7**
Other operating income	3	0.3	1.4	2.4
Administrative and marketing expenses		(259.4)	(300.1)	(283.0)
Operating profit before share of profits of associates		**371.2**	**319.9**	**308.1**
Share of profits of associates, net of tax		0.4	0.7	0.4
Operating profit		**371.6**	**320.6**	**308.5**
Trading EBITDA	2	422.8	394.6	368.1
Items not allocated to a segment	2	5.2	(4.3)	(5.0)
Amortisation of intangible assets	11	(12.1)	(9.8)	(7.3)
Depreciation	13	(27.5)	(28.1)	(29.4)
Acquisition earn-out costs		(2.2)	(1.8)	(1.2)
Exceptional items	4	(14.6)	(30.0)	(16.7)
Operating profit	**4**	**371.6**	**320.6**	**308.5**
Profit on disposal of joint venture		0.4	3.1	0.6
Finance costs	5(a)	(179.5)	(49.0)	(44.6)
Finance income	5(b)	0.3	0.3	0.3
Profit before tax		**192.8**	**275.0**	**264.8**
Tax expense	8	(39.4)	(67.6)	(66.8)
Profit for the year		**153.4**	**207.4**	**198.0**
Earnings per share:				
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (pence)	9	76.1	102.9	98.2
Adjusted and diluted adjusted, underlying profit for the year attributable to ordinary equity holders of the parent (pence)	**9**	**88.6**	**115.2**	**106.6**

The notes on pages 108 to 145 form part of this consolidated financial information.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	For the year ended 31 January		
		2014	2013	2012
		(in millions of pounds)		
Profit for the year		153.4	207.4	198.0
Other comprehensive income on items that are or maybe reclassified to profit and loss in subsequent years				
Exchange differences on translation of foreign operations		(0.1)	(0.9)	(0.1)
Effective portion of changes in fair value of cash flow hedges	28	(7.8)	—	—
Tax effect	8	1.6	—	—
		(6.3)	**(0.9)**	**(0.1)**
Other comprehensive income on items that are not to be reclassified to profit and loss in subsequent years				
Remeasurement losses on defined benefit schemes	26	(122.7)	(21.2)	(24.7)
Tax effect	8	24.5	4.5	6.0
		(98.2)	(16.7)	(18.7)
Total other comprehensive income	25	**(104.5)**	**(17.6)**	**(18.8)**
Total comprehensive income for the year		**48.9**	**189.8**	**179.2**

The notes on pages 108 to 145 form part of this consolidated financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 January		
		2014	2013	2012
		(in millions of pounds)		
Non-current assets				
Goodwill and other intangible assets	11	1,245.7	1,237.3	1,230.9
Property, plant and equipment	13	77.3	86.5	98.2
Investments in associates	14	3.5	3.4	2.9
Deferred tax assets	8	36.4	48.0	47.0
Other receivables	16	6.4	9.6	24.7
		1,369.3	**1,384.8**	**1,403.7**
Current assets				
Inventories	15	4.9	5.3	5.3
Trade and other receivables	16	162.9	315.9	314.8
Amounts owed by fellow subsidiary undertakings	17	—	1,250.8	979.9
Cash and cash equivalents	18	203.2	31.9	29.1
		371.0	**1,603.9**	**1,329.1**
Total assets		**1,740.3**	**2,988.7**	**2,732.8**
Current liabilities				
Trade and other payables	19	(461.9)	(578.2)	(534.3)
Amounts owed to parent undertaking	17	—	(1,760.9)	(1,760.9)
Current tax payable		—	(7.0)	(20.9)
Provisions	22	(11.9)	(23.1)	(10.6)
		(473.8)	**(2,369.2)**	**(2,326.7)**
Non-current liabilities				
Borrowings and loans	20	(3,351.4)	(265.5)	(227.8)
Finance lease obligations	30	(7.9)	(13.6)	(17.1)
Defined benefit pension scheme liabilities	26	(265.5)	(165.7)	(138.2)
Provisions	22	(15.7)	(26.7)	(28.2)
Insurance technical provisions	23	(4.2)	(3.2)	(39.8)
		(3,644.7)	**(474.7)**	**(451.1)**
Total liabilities		**(4,118.5)**	**(2,843.9)**	**(2,777.8)**
Net (liabilities)/assets		**(2,378.2)**	**144.8**	**(45.0)**
Equity				
Share capital	24	0.2	0.2	0.2
Share premium	25	0.8	0.8	0.8
Foreign currency translation reserve	25	(1.1)	(1.0)	(0.1)
Cashflow hedge reserve	25	(6.2)	—	—
Retained earnings	25	(2,371.9)	144.8	(45.9)
Total equity attributable to equity holders of the parent		**(2,378.2)**	**144.8**	**(45.0)**

The notes on pages 108 to 145 form part of this consolidated financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent					
	Issued capital	**Share premium**	**Currency translation reserve**	**Cashflow hedging reserve**	**Retained earnings**	**Total**
			(in millions of pounds)			
At 1 February 2011	**0.2**	**0.8**	**—**	**—**	**(225.2)**	**(224.2)**
Profit for the year	—	—	—	—	198.0	198.0
Other comprehensive income	—	—	(0.1)	—	(18.7)	(18.8)
Total comprehensive income	—	—	(0.1)	—	179.3	179.2
At 31 January 2012	**0.2**	**0.8**	**(0.1)**	**—**	**(45.9)**	**(45.0)**
Profit for the year	—	—	—	—	207.4	207.4
Other comprehensive income	—	—	(0.9)	—	(16.7)	(17.6)
Total comprehensive income	—	—	(0.9)	—	190.7	189.8
At 31 January 2013	**0.2**	**0.8**	**(1.0)**	**—**	**144.8**	**144.8**
Profit for the year	—	—	—	—	153.4	153.4
Other comprehensive income	—	—	(0.1)	(6.2)	(98.2)	(104.5)
Total comprehensive income	—	—	(0.1)	(6.2)	55.2	48.9
Dividends	—	—	—	—	(2,571.9)	(2,571.9)
At 31 January 2014	**0.2**	**0.8**	**(1.1)**	**(6.2)**	**(2,371.9)**	**(2,378.2)**

The notes on pages 108 to 145 form part of this consolidated financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 January 2014	2013	2012
		(in millions of pounds)		
Net cash flows from operating activities before tax	**10**	**395.6**	**352.7**	**331.3**
Tax paid	10	(8.2)	(56.1)	(60.8)
Net cash flows from operating activities	10	387.4	296.6	270.5
Investing activities				
Software development expenditure	11	(19.9)	(15.3)	(13.1)
Purchase of property, plant and equipment		(9.7)	(6.6)	(13.5)
Acquisition of subsidiaries, net of cash acquired		(0.6)	(8.1)	(3.3)
Proceeds from disposal of joint venture		0.4	3.1	0.3
Proceeds from fixed term investments—restricted		4.6	15.1	—
Interest received		0.7	0.9	1.3
Net cash flows used in investing activities		**(24.5)**	**(10.9)**	**(28.3)**
Financing activities				
Proceeds from borrowings		4,266.4	—	—
Issue costs on borrowings		(100.3)	—	—
Repayment of borrowings	21	(862.0)	—	—
Dividends paid	25	(2,571.9)	—	—
Repayment of amounts owed to parent undertakings		(718.3)	—	—
Refinancing transaction		13.9	—	—
Interest paid on borrowings		(102.9)	—	—
Payment of finance lease capital and interest		(21.9)	(16.7)	(22.6)
Payments to group treasury		(82.2)	(270.9)	(248.9)
Net cash flows from financing activities		**(193.1)**	**(287.6)**	**(271.5)**
Net increase in cash and cash equivalents		**169.8**	**(1.9)**	**(29.3)**
Net foreign exchange differences		(0.6)	0.5	(0.4)
Cash and cash equivalents at the beginning of the year	18	34.0	35.4	65.1
Cash and cash equivalents at 31 January	**18**	**203.2**	**34.0**	**35.4**

The notes on pages 108 to 145 form part of this consolidated financial information.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

1.1 *General information*

The consolidated financial information for the three years ended 31 January 2014 comprises the financial statements of AA Limited ("**the Company**") and its subsidiaries (together referred to as "**the Group**"). AA Limited is a limited company incorporated and domiciled in the UK. The registered office is located at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA.

This financial information is presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

1.2 *Accounting policies*

The Group has prepared this infomation under International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Council (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group previously adopted IFRS in its consolidated financial information at 31 December 2006. However, following the Group's acquisition by Acromas Bid Co Limited during 2007, the Company prepared financial information in accordance with United Kingdom Generally Accepted Accounting Practice ("**UK GAAP**") for the periods ending 31 January 2008 to 31 January 2013. As such, the Company has applied IFRS 1 "First time adoption" in the preparation of this financial information.

The AA Group's deemed transition date to IFRS is 1 February 2011. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows for certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The exemptions applied by the AA Group on transition to IFRS are set out in note 38 to the consolidated financial information.

This consolidated financial information has been prepared under the historic cost convention as modified by the measurement of derivatives and liabilities for contingent consideration in business combinations at fair value.

The principal accounting policies are set out below.

a) ***Going concern***

The Group has long-term contracts with a number of suppliers across different industries and is strongly cash generative. The Group's borrowings are long-term in nature and in addition to the cash balances at the reporting date, the Group has agreed undrawn credit facilities. The Directors have reviewed projected cash flows for a period of one year from the date of signing of this financial information and have concluded that the Group has sufficient funds to continue trading for this period, and the foreseeable future. Therefore, the financial information has been prepared using the going concern basis.

The nature of the Group's operations means that for management's decision making and internal performance management the key performance metric is earnings before interest, tax, depreciation and amortisation (EBITDA) by trading segment which excludes certain unallocated items (referred to as Trading EBITDA). Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one-off in nature. Trading EBITDA is further analysed as part of the segmental analysis in note 2.

b) ***Basis of consolidation***

The consolidated financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c) ***Interests in associates and joint operations***

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participating in the financial and operating policy decisions of the investee.

The results, assets and liabilities of associates are incorporated in this financial information using the equity method of accounting except when classified as held for sale (see below). Investments in associates are carried in the Group balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets less any impairment in the value of individual investments.

Certain of the Group's activities were conducted through joint operations that are not entities and are included in the consolidated financial information in proportion to the Group's interest in the income, expenses, assets and liabilities of these joint operations.

d) ***Foreign currencies***

Transactions in currencies other than the functional currency of each consolidated undertaking 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 transferred to the Group's cumulative translation reserve in equity.

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to adopted IFRS (1 February 2011).

e) ***Business combinations and goodwill***

All business combinations are accounted for by applying the acquisition method.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identified assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset at cost less accumulated impairments and reviewed for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Any contingent consideration payable is recognised at fair value at the acquisition date, and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Any consideration paid to a former owner as part of the acquisition that is contingent on future service is excluded from goodwill and separately included within administrative & marketing expenses.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP carrying value subject to being tested for impairment at that date in accordance with the exemption in IFRS 1 (see note 38).

f) ***Software and development costs***

Software development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- 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 accumulated 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.

g) ***Intangible assets***

Intangible assets other than goodwill which are acquired separately are stated at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

h) ***Property, plant and equipment***

Land and buildings held for use in the production of goods and services or for administrative purposes are stated in the balance sheet at cost or fair value for assets acquired in a business combination less any subsequent accumulated depreciation and impairment losses. No capitalised interest is included in the cost of items of property, plant and equipment.

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of property, plant and equipment less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows:

Buildings	50 years
Related fittings	3–20 years
Leasehold properties	over the period of the lease
IT Systems (hardware)	3–5 years
Plant, vehicles and other equipment	3–10 years

Assets held under finance leases are depreciated on a straight line basis over the lease term.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

i) ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

j) ***Financial instruments***

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. They are classified according to the substance of the contractual arrangements entered into.

Trade receivables

Trade receivables are not interest bearing and are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank deposits with an original maturity greater than three months are excluded from cash and cash equivalents for the purpose of the cash flow statement. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Trade payables

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

Debt instruments

Debt is initially recognised in the balance sheet at fair value less transaction costs incurred directly in connection with the issue of the instrument. Finance costs in respect of the instruments, including discounts on issue, are capitalised at inception and charged to the income statement over the term of the instrument using the effective interest method.

Equity instruments (share capital issued by the Group)

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments are recognised at proceeds received less direct issue costs.

Derivative financial instruments

The Group's activities expose it to the financial risk of changes in interest rates. The Group uses interest rate swap contracts to hedge these exposures.

Derivative financial instruments are recorded in the balance sheet at fair value. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cashflow hedges

Changes in the fair value of derivative financial instruments that are designated and highly effective as hedges of future cash flows are recognised in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the profit or loss. Amounts recognised in other comprehensive income are reclassified from equity to profit and loss (within finance costs) in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the other comprehensive income at that time remains in equity and is reclassified when the forecast transaction is ultimately recognised in the income statement.

In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is performed at each period end to ensure that the hedge remains highly effective.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

k) ***Impairment of non-current assets***

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, goodwill and intangible assets not yet available for use are tested for impairment annually.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating units or "**CGUs**"). The goodwill acquired in a business combination is allocated to CGUs so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased

or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) ***Leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included on the balance sheet as a financial liability. Lease payments are apportioned between finance charges and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Rentals payable and receivable under operating leases are charged, or credited, to the income statement on a straight line basis over the term of the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight line basis over the lease term.

m) ***Provisions***

A provision is required when the Group has a present legal or constructive obligation as a result of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are discounted where the impact is material.

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

n) ***Retirement benefit obligation***

The Group's net obligation 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) are 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 that have 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, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, 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.

For defined contribution schemes, the amounts charged to the profit and loss account are the contributions payable in the year.

o) ***Revenue recognition***

Revenue is measured at the fair value of the consideration receivable provided net of discounts, value added tax and other sales-related taxes.

Roadside membership subscriptions and premiums receivable on underwritten insurance products are apportioned on a time basis over the period where the Group is liable for risk cover. The unrecognised element of subscriptions and premiums receivable, relating to future periods, is held within liabilities as deferred income.

Commission income from insurers external to the Group is recognised at the commencement of the period of risk.

Interest revenue in respect of trade receivables is accrued on a time basis, by reference to the principal outstanding and at the effective rate of interest applicable, which is the rate that discounts future estimated cash receipts through the expected life of the financial asset to the asset's net carrying amount. All other interest income is presented under the heading "*Finance income*".

For all other revenue, income is recognised at point of delivery of goods or on provision of service. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

p) ***Insurance contracts***

An insurance contract is a contract under which insurance risk is transferred to the issuer of the contract by another party. The Group accepts insurance risk from its customers under roadside recovery service contracts by agreeing to provide services whose frequency and cost is uncertain.

Such contracts continue to be measured and accounted for under existing accounting practices at the date of transition to IFRS.

The accounting policy for recognising revenue from these contracts is described in the 'revenue recognition' accounting policy. Claims and expenses arising from these contracts are recognised in profit or loss as incurred.

At the balance sheet date, a liability adequacy test is performed to ensure the adequacy of the insurance contract liabilities. In performing these tests, current estimates of future cash outflows arising under insurance contracts are considered and compared with the carrying amount of deferred income and other insurance contract liabilities. Any deficiency is immediately recognised in profit or loss and an onerous contract provision is established.

The estimation of the ultimate liability from claims made under insurance contracts is not considered to be one of the Group's most critical accounting estimates. This is because the principal insurance claims costs for the Group relate to the provision of roadside assistance services. There is a very short period of time between the receipt of a claim, i.e. a breakdown, and the settling of that claim. Consequently, there are no significant provisions for unsettled claims costs in respect of the roadside assistance services.

q) ***Exceptional items***

Exceptional items are events or transactions that fall within the activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial information. See note 4 for further information on the nature of exceptional items.

r) ***Financing income and costs***

Financing costs comprise interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions (including the net defined benefit obligations), and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy).

Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Foreign currency gains and losses are reported on a net basis.

s) ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 goodwill; 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.

t) ***Segmental analysis***

The Group reports its operations for segmental purposes under the headings roadside assistance, insurance services, driving services, Ireland, Insurance Underwriting and head office costs. These are the segments that are reported for management purposes. Segments are based on business operations because this is where Group risk and return is focussed, with the exception of Ireland which represents the Group's only material operations outside the UK.

u) ***Critical accounting estimates and judgements***

Estimates and judgements 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 Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

Income taxes

The Group is subject to taxes in the UK and Ireland. At each financial period end, judgement is required in determining the provision for taxes. The Group recognises liabilities for anticipated tax issues based on the best estimates at the balance sheet date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Vacant property provisions

The Group makes a provision against the future lease costs of vacant properties for the remaining period of the lease, net of sub-letting income. The provision is calculated on a pre-tax discounted basis.

Retirement benefit obligation

The Group'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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating unit to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and apply an appropriate pre-tax discount rate.

2. **Segmental information**

	2014	2013	2012
	(in millions of pounds)		
Trading revenue			
Roadside assistance	697.6	679.3	648.5
Insurance services	148.9	162.1	168.4
Driving services	87.5	91.3	93.7
Ireland	39.6	38.3	42.3
Insurance Underwriting	0.3	—	25.8
Total Trading revenue	**973.9**	**971.0**	**978.7**
Unallocated revenue	—	(3.0)	(4.8)
Total revenue	**973.9**	**968.0**	**973.9**
Trading EBITDA			
Roadside assistance	343.9	318.8	299.3
Insurance services	89.4	93.1	87.3
Driving services	19.9	18.4	14.7
Ireland	15.0	13.0	14.2
Insurance Underwriting	(0.1)	0.6	2.0
Head office costs	(45.3)	(49.3)	(49.4)
Total Trading EBITDA	**422.8**	**394.6**	**368.1**
Depreciation	(27.5)	(28.1)	(29.4)
Amortisation of intangible assets	(12.1)	(9.8)	(7.3)
Acquisition earn-out costs	(2.2)	(1.8)	(1.2)
Exceptional items	(14.6)	(30.0)	(16.7)
Other items not allocated to a segment	5.2	(4.3)	(5.0)
Operating profit	**371.6**	**320.6**	**308.5**
Profit on disposal of joint venture	0.4	3.1	0.6
Net finance costs	(179.2)	(48.7)	(44.3)
Profit before tax	**192.8**	**275.0**	**264.8**

With the exception of Ireland, all other segments operate wholly in the UK. Turnover by destination is not materially different from turnover by origin.

For management purposes, the Group is organised into business units based on their products and services, with the exception of Ireland, which represents a separate geographical area. The Group has six reportable operating segments as follows:

- ***Roadside assistance***: This segment is the largest part of the AA business. The AA provides a nationwide service, sending patrols out to members stranded at the side of the road, repairing their vehicles where possible and getting them back on their way quickly and safely.
- ***Insurance services***: This segment includes the insurance brokerage activities of the AA, primarily in arranging Motor and Home insurance for customers, its home emergency activities and its intermediary financial services business.
- ***Driving services***: This segment contains the AA Driving School and the British School of Motoring, which are the two largest driving schools in the UK, as well as AA Drivetech, which provides driver training and educative programmes. The driving services segment also includes the AA's publishing and related media activities.
- ***Ireland***: This segment competes in the same segment types as the AA UK business, with the largest part of its business being roadside assistance and insurance services.
- ***Insurance underwriting***: This segment consists of a reinsurance company, which historically reinsured certain private motor insurance business from the Acromas Group's dedicated underwriter, Acromas Insurance Company Limited (AICL).
- ***Head office costs***: This segment includes IT, finance, property and other back office support functions.

Segment performance is primarily evaluated using the Group's key performance measure of Trading EBITDA.

Trading EBITDA is profit after tax as reported adjusted for depreciation, amortisation, net finance costs, taxation, exceptional items, acquisition earn-out costs, items not allocated to a segment and profit on disposal of joint venture.

Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one-off in nature. In the year ended 31 January 2014 these principally relate to the difference between the cash contributions to the pension schemes for on-going service and the calculated annual service cost and include the benefit of the past service cost relating to the ROI pension scheme of £12.4m (see note 26). Unallocated revenue relates to a historic allocation to a fellow subsidiary undertaking that did not relate to the ongoing segment performance and ended in July 2012.

Depreciation, amortisation, net finance costs, profit on the disposal of joint ventures, exceptional items, net finance costs and tax expense, are not allocated to individual segments, as they are managed on a group basis.

3. Other operating income

	2014	2013	2012
	(in millions of pounds)		
Interest on restricted cash and cash equivalents	0.3	0.7	1.2
Interest on balances due from fellow subsidiary undertakings related to insurance underwriting	—	0.7	1.2
	0.3	**1.4**	**2.4**

See note 18 for information on restricted cash balances.

4. Operating profit

Operating profit is stated after charging:

	2014	2013	2012
	(in millions of pounds)		
Amortisation of owned intangible assets	12.1	9.8	7.3
Depreciation of owned tangible fixed assets	11.5	12.7	11.7
Depreciation of leased tangible fixed assets	16.0	15.4	17.7
Operating lease rentals payable—land and buildings	3.3	4.8	4.8
Operating lease rentals payable—plant and machinery	10.2	10.7	11.6
Exceptional items			
Exceptional items—cost of sales	—	—	7.4
Exceptional items—administrative and marketing expenses	14.6	30.0	9.3
Total exceptional items	**14.6**	**30.0**	**16.7**

Exceptional items under the cost of sales relate to onerous lease contract costs within the Group's driving services operations.

Exceptional items under the administrative and marketing expenses for the year ended 31 January 2014 include £13.8 million relating to the refinancing transaction. The remaining exceptional items in the year to 31 January 2014 as well as those incurred for the prior years relate mainly to restructuring expenditure costs in respect of redundancy payments and onerous property lease costs from the re-organising of Group operations.

5. (a) ***Finance costs***

	2014	2013	2012
	(in millions of pounds)		
Interest on external borrowings	(123.7)	(0.1)	(0.1)
Finance charges payable under finance leases	(2.8)	(4.5)	(4.4)
Total cash finance costs	**(126.5)**	**(4.6)**	**(4.5)**
Interest on shareholder loans	(16.6)	(37.7)	(32.3)
Amortisation of debt issue fees	(29.3)	—	—
Net finance expense on defined benefit pension schemes	(6.8)	(6.4)	(6.9)
Unwinding of discount and effect of changes in discount rate on provisions	(0.2)	(0.3)	(0.8)
Other finance charges	(0.1)	—	(0.1)
Total non—cash finance costs	**(53.0)**	**(44.4)**	**(40.1)**
Total finance costs	**(179.5)**	**(49.0)**	**(44.6)**

Cash at bank and in hand—restricted (see note 18) includes an amount of pre-funded interest to cover interest payments on the PIK notes until June 2015.

Amortisation of debt issue fees include £20.3 million that was immediately written off following the repayment of the Senior Term Facility (see note 21).

Shareholder loans were fully repaid on 2 July 2013 (see note 20) and no further interest was incurred after this date.

Other finance charges mainly relate to exchange differences.

5 (b) ***Finance income***

	2014	2013	2012
	(in millions of pounds)		
Interest receivable	0.3	—	—
Other finance income	—	0.3	0.3
Total finance income	**0.3**	**0.3**	**0.3**

Other finance income mainly relates to exchange differences.

6. **Staff costs**

	2014	2013	2012
	(in millions of pounds)		
Wages and salaries	235.9	248.6	250.9
Social security costs	23.0	23.1	23.3
Retirement benefit costs	25.8	24.8	18.9
	284.7	**296.5**	**293.1**

The average monthly number of persons employed under contracts of service during the year was:

	2014	2013	2012
	(in millions of pounds)		
Operational	6,694	7,115	7,313
Management and administration	1,455	1,546	1,428
	8,149	**8,661**	**8,741**

7. Directors' remuneration

	2014	2013	2012
	(in millions of pounds)		
Directors' emoluments	4.6	1.2	0.9
Company contributions to money purchase pension plans	—	—	—
Aggregate remuneration in respect of qualifying services	**4.6**	**1.2**	**0.9**
Members of defined pension schemes	2	2	2
The amounts paid in respect of the highest paid director were as follows:			
Remuneration	2.3	0.6	0.5

The accrued pension at 31 January 2014 of the highest paid director was £31,000 at 31 January 2014 (2013: £28,000; 2012: £25,000).

A K Boland served as a de facto director of the Company until the date of his formal appointment on 25 January 2013.

J A Goodsell and S M Howard are also directors of the ultimate holding company and fellow subsidiaries and received total remuneration for the year of £2.4 million (2013: £2.4 million; 2012: £2.4 million) all of which was paid by Saga Group Limited. Neither of these directors received any remuneration during the current or comparative years in respect of their services as directors of AA Limited or its subsidiaries and it would not be practicable to apportion their remuneration between their services as directors of the Acromas group and their services as directors of AA Limited and its subsidiaries.

8. Tax

The major components of the income tax expense are:

	2014	2013	2012
	(in millions of pounds)		
Consolidated income statement			
Current income tax			
Current income tax charge	1.3	63.1	60.0
Adjustments in respect of previous years	0.4	1.0	1.2
	1.7	**64.1**	**61.2**
Deferred tax			
Effect of tax rate change on opening balances	6.5	4.0	3.8
Relating to origination and reversal of temporary differences—current year	32.2	0.1	1.4
Relating to origination and reversal of temporary differences—prior years	(1.0)	(0.6)	0.4
	37.7	**3.5**	**5.6**
Tax expense in the income statement	**39.4**	**67.6**	**66.8**

	2014	2013	2012
	(in millions of pounds)		
Consolidated statement of comprehensive income			
Tax on the effective portion of changes in fair value of cash flow hedges	(1.6)	—	—
Tax on remeasurements of defined benefit pension liability	(24.5)	(4.5)	(6.0)
Income tax charged directly to other comprehensive income	**(26.1)**	**(4.5)**	**(6.0)**

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

	2014	2013	2012
	(in millions of pounds)		
Profit before tax	192.8	275.0	264.8
Tax at rate of 23.2% (2013: 24.3% and 2012: 26.3%)	44.7	66.9	69.6
Movement on unprovided deferred tax	(7.4)	(6.1)	(10.7)
Lower rate of foreign tax	(0.8)	(0.8)	(1.5)
Adjustments relating to prior years	(0.6)	0.4	1.6
Rate change adjustment on temporary differences	2.9	6.7	6.9
Expenses not deductible for tax purposes:			
—Fair value adjustments	—	—	0.1
—Other non-deductible expenses / non-taxed income	0.6	0.5	0.8
Income tax expense reported in the consolidated income statement at effective rate of 20.4% (2013: 24.6%; 2012: 25.2%)	**39.4**	**67.6**	**66.8**

Deferred tax by type of temporary difference

	Consolidated statement of financial position			Consolidated income statement		
	2014	2013	2012	2014	2013	2012
	(in millions of pounds)					
Accelerated depreciation for tax purposes	10.9	14.1	17.7	3.0	3.7	8.7
Revaluations of land and buildings to fair value	(1.2)	(1.4)	(1.5)	(0.2)	(0.1)	(0.2)
Rollover relief	(2.1)	(2.4)	(2.6)	(0.3)	(0.2)	(0.3)
Pension	8.1	29.7	25.6	46.3	0.4	1.8
Revaluation of cashflow hedges	1.6	—	—	—	—	—
Short-term temporary differences	3.5	4.8	4.1	1.3	(0.7)	(0.8)
Losses available for offsetting against future taxable income	15.6	3.2	3.7	(12.4)	0.4	(3.6)
Deferred tax expense				**37.7**	**3.5**	**5.6**
Net deferred tax assets	**36.4**	**48.0**	**47.0**			

Reconciliation of net deferred tax assets

	2014	2013	2012
	(in millions of pounds)		
At 1 February	48.0	47.0	46.6
Tax expense recognised in the income statement	(37.7)	(3.5)	(5.6)
Tax income recognised in OCI	26.1	4.5	6.0
At 31 January	**36.4**	**48.0**	**47.0**

The Group 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.

As a result of the borrowings outlined in note 21 and the asset-backed funding scheme for the AA UK pension scheme detailed in note 26, the Group has reduced its estimated liability for corporation tax for the year ended 31 January 2014. This has resulted in a £39.5 million release of the AA UK pension deferred tax asset which was partially used to offset current year taxable profits, and created carried forward losses available for offsetting against future taxable income.

Deferred tax has been recognised at 20 per cent. for the UK at 31 January 2014 (2013: 23 per cent.; 2012: 25 per cent.) and 12.5 per cent. for Ireland (2013 and 2012: 12.5 per cent.).

The Group has tax losses which arose in the UK of £194.4 million (2013: £148.9 million, 2012: £162.9 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of those losses that are not expected to be utilised within 12 months of the year-end. These unprovided losses may not be used to offset taxable profits elsewhere in the Group as they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by £23.3 million.

9. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. There is no difference between basic earnings per share and diluted earnings per share.

	2014	2013	2012
Basic earnings per share:			
Profit after tax (£m)	153.4	207.4	198.0
Weighted average number of shares outstanding (thousands)	2.015	2.015	2.015
Basic earnings per share (pence)	**76.1**	**102.9**	**98.2**

Reconciliation of reported earnings per share to adjusted earnings per share:

	2014	2013	2012
	(in millions of pounds)		
Profit after tax as reported	153.4	207.4	198.0
Adjusted for:			
Exceptional items	14.6	30.0	16.7
Acquisition earn-out costs	2.2	1.8	1.2
Items not allocated to a segment	(5.2)	4.3	5.0
Profit on disposal of joint venture	(0.4)	(3.1)	(0.6)
Amortisation of debt issue fees	20.3	—	—
Tax expense	39.4	67.6	66.8
Underlying profit before tax	224.3	308.0	287.1
Tax at the effective rate of 20.4% (2013: 24.6%; 2012: 25.2%)	(45.8)	(75.8)	(72.3)
Underlying profit	**178.5**	**232.2**	**214.8**
Weighted average number of shares outstanding (thousands)	2.015	2.015	2.015
Adjusted earnings per share (pence)	88.6	115.2	106.6

Amortisation of debt issue fees relates to the £20.3 million that was immediately written off following the repayment of the Senior Term Facility (see note 5(a)).

10. Cash flow from operating activities

	2014	2013	2012
	(in millions of pounds)		
Profit before tax	192.8	275.0	264.8
Amortisation of intangibles	12.1	9.8	7.3
Depreciation of tangible fixed assets	27.5	28.1	29.4
Finance costs	179.5	49.0	44.6
Finance income	(0.3)	(0.3)	(0.3)
Other operating income	(0.3)	(1.4)	(2.4)
Share of profit of associates	(0.4)	(0.7)	(0.4)
Profit on disposal of joint venture	(0.4)	(3.1)	(0.6)
Working capital adjustments:			
Decrease in inventories	0.4	—	0.5
Decrease/(increase) in trade and other receivables	36.9	2.4	(4.0)
(Decrease)/increase in trade and other payables	(11.4)	26.1	18.5
(Decrease)/increase in provisions	(22.2)	11.0	(3.8)
Increase/(decrease) in insurance technical provisions	1.0	(36.6)	(9.8)
(Decrease) in defined benefit pension scheme liabilities	(19.6)	(6.6)	(12.5)
Net cash flows from operating activities before tax	**395.6**	**352.7**	**331.3**
Tax paid	(8.2)	(56.1)	(60.8)
Net cash flows from operating activities	**387.4**	**296.6**	**270.5**

11. **Goodwill and other intangible fixed assets**

	Goodwill	Software	Total
	(in millions of pounds)		
Cost			
At 1 February 2011	1,193.7	52.4	1,246.1
Additions	3.2	13.1	16.3
Disposals	—	(0.2)	(0.2)
At 31 January 2012	**1,196.9**	**65.3**	**1,262.2**
Additions	0.9	15.3	16.2
Disposals	—	(0.3)	(0.3)
At 31 January 2013	**1,197.8**	**80.3**	**1,278.1**
Additions	0.7	19.9	20.6
Disposals	—	(0.1)	(0.1)
At 31 January 2014	**1,198.5**	**100.1**	**1,298.6**
Amortisation and impairment			
At 1 February 2011	—	24.0	24.0
Amortisation	—	7.3	7.3
At 31 January 2012	**—**	**31.3**	**31.3**
Amortisation	—	9.8	9.8
Disposals	—	(0.3)	(0.3)
At 31 January 2013	**—**	**40.8**	**40.8**
Amortisation	—	12.1	12.1
At 31 January 2014	**—**	**52.9**	**52.9**
Net book value			
At 31 January 2014	1,198.5	47.2	1,245.7
At 31 January 2013	1,197.8	39.5	1,237.3
At 31 January 2012	1,196.9	34.0	1,230.9

Additions relate to business combinations disclosed in note 12 below.

Within software, £12.0 million (2013: £7.9 million; 2012: £5.5 million) relates to assets under construction which are not amortised.

12. **Business combinations**

Acquisitions during the year ended 31 January 2014

On 16 January 2014 the Group acquired the entire share capital of VVCR Europe Holding B.V, a provider of driving services for a total consideration of £0.7 million.

Acquisitions during prior years

On 25 September 2012 the Group acquired the entire share capital of Peak Performance Management Limited, a provider of driving services for a total consideration of £0.9 million.

On 2 August 2011 the Group acquired the entire share capital of Intelligent Data Systems (UK) Limited, a provider of driving services, for a total consideration of £3.2 million.

Goodwill arising on all of these acquisitions represents the growth potential of the business to develop additional business opportunities.

13. **Property, plant and equipment**

	Freehold Land & Buildings	Long Leasehold Land & Buildings	Vehicles	Plant & equipment	Total
		(in millions of pounds)			
Cost or valuation					
At 1 February 2011	23.9	8.6	74.7	76.8	184.0
Additions	—	0.1	19.3	14.5	33.9
Disposals	—	—	(19.1)	(0.2)	(19.3)
Exchange adjustments	—	—	(0.1)	(0.3)	(0.4)
Reclassification adjustments	—	(0.3)	—	0.3	—
At 31 January 2012	**23.9**	**8.4**	**74.8**	**91.1**	**198.2**
Additions	—	—	10.6	6.4	17.0
Disposals	—	—	(16.1)	(0.9)	(17.0)
Exchange adjustments	—	—	0.1	0.4	0.5
Reclassification adjustments	—	(0.1)	—	0.1	—
At 31 January 2013	**23.9**	**8.3**	**69.4**	**97.1**	**198.7**
Additions	—	2.2	9.2	7.8	19.2
Disposals	—	—	(12.2)	(0.3)	(12.5)
Exchange adjustments	—	(0.1)	(0.1)	(0.6)	(0.8)
At 31 January 2014	**23.9**	**10.4**	**66.3**	**104.0**	**204.6**
Depreciation and impairment					
At 1 February 2011	3.7	2.1	39.2	44.2	89.2
Charge for the year	0.6	0.5	17.2	11.1	29.4
Disposals	—	—	(18.4)	—	(18.4)
Exchange adjustments	—	—	(0.1)	(0.1)	(0.2)
Reclassification adjustments	—	(0.2)	—	0.2	—
At 31 January 2012	**4.3**	**2.4**	**37.9**	**55.4**	**100.0**
Charge for the year	0.6	0.6	14.8	12.1	28.1
Disposals	—	—	(15.7)	(0.5)	(16.2)
Exchange adjustments	—	—	0.1	0.2	0.3
Reclassification adjustments	—	(0.1)	—	0.1	—
At 31 January 2013	**4.9**	**2.9**	**37.1**	**67.3**	**112.2**
Charge for the year	0.6	0.5	14.7	11.7	27.5
Disposals	—	—	(11.9)	(0.2)	(12.1)
Exchange adjustments	—	—	—	(0.3)	(0.3)
At 31 January 2014	**5.5**	**3.4**	**39.9**	**78.5**	**127.3**
Net book value					
At 31 January 2014	18.4	7.0	26.4	25.5	77.3
At 31 January 2013	19.0	5.4	32.3	29.8	86.5
At 31 January 2012	19.6	6.0	36.9	35.7	98.2

The net book amount of vehicles includes £24.8 million (2013: £30.0 million; 2012: £33.8 million) held under finance lease agreements. The accumulated depreciation on these assets is £38.5 million (2013: £36.2 million; 2012: £36.0 million).

The net book amount of other assets includes £1.9 million (2013: £3.3 million; 2012: £4.8 million) in respect of plant and machinery held under finance lease agreements. The accumulated depreciation on these assets is £6.1 million (2013: £4.5 million; 2012: £2.9 million).

14. **Investments in associates**

	2014	2013	2012
	(in millions of pounds)		
At 31 January	3.5	3.4	2.9

The principal associates of the Group which are indirectly held are listed below.

Company	Country of registration	Nature of business
ARC Europe S.A. (20% interest held)	Belgium	Roadside services
A.C.T.A. Assistance S.A. (22% interest held)	France	Roadside services

15. **Inventories**

	2014	2013	2012
	(in millions of pounds)		
Work in progress	0.1	0.1	1.2
Finished goods	4.8	5.2	4.1
	4.9	**5.3**	**5.3**

16. **Trade and other receivables**

	2014	2013	2012
	(in millions of pounds)		
Current			
Short-term deposits—restricted (see note 18)	—	2.1	6.3
Trade receivables	134.1	147.9	181.2
Prepayments and accrued income	21.9	28.0	26.9
Trade receivables from fellow subsidiary undertakings	0.8	121.9	90.3
Other receivables	6.1	16.0	10.1
	162.9	**315.9**	**314.8**
Non-current			
Interest rate swap derivatives (see note 28)	1.4	—	—
Fixed term investments—restricted (see note 18)	5.0	9.6	24.7
	6.4	**9.6**	**24.7**

Trade receivables from fellow subsidiary undertakings at 31 January 2014 are unsecured, payable within one month and bear no interest (2013 and 2012: unsecured, bear no interest and have no repayment terms).

17. **Amounts owed by/to other group undertakings**

	2014	2013	2012
	(in millions of pounds)		
Amounts owed by fellow subsidiary undertakings	—	1,250.8	979.9

Until the refinancing which took place in July 2013, amounts owed by fellow subsidiary undertakings mainly arose as the Group's cash balances were swept centrally to the Acromas group treasury in order to efficiently manage all of the Acromas Holdings Limited group cash balances. These amounts were settled as part of the refinancing in 2013.

Since the refinancing, the Group's cash balances are no longer swept by Acromas treasury.

	2014	2013	2012
	(in millions of pounds)		
Amounts owed to parent undertaking	—	(1,760.9)	(1,760.9)

Upon the acquisition of the Group by Acromas Bid Co Limited the external bank debt outstanding at the time was repaid using funds loaned by Acromas Bid Co Limited. These amounts were unsecured, had no repayment terms, bore no interest and were settled as part of the refinancing.

18. Cash and cash equivalents

	2014	2013	2012
	(in millions of pounds)		
Cash at bank and in hand—available	129.1	8.8	7.5
Cash at bank and in hand—restricted	74.1	23.1	21.6
Cash and cash equivalents per balance sheet	**203.2**	**31.9**	**29.1**
Short-term deposits—restricted	—	2.1	6.3
Cash and cash equivalents in the cash flow statement	**203.2**	**34.0**	**35.4**

Cash at bank and in hand—restricted includes £55.4 million (2013: £nil; 2012: £nil) held as pre-funded interest to cover interest payments on the PIK notes (see note 21) until June 2015 and cannot be used for any other purpose.

Cash at bank and in hand, short-term deposits and fixed-term investments (see note 16) include £23.7 million (2013: £34.8 million, 2012: £52.6 million) held by and on behalf of the Group's insurance businesses which are subject to contractual or regulatory restrictions. These amounts are not readily available to be used for other purposes within the Group.

19. Trade and other payables

	2014	2013	2012
	(in millions of pounds)		
Current			
Trade payables	102.3	112.0	152.0
Trade payables owed to group undertakings	12.8	123.7	30.0
Other taxes and social security costs	21.1	21.6	23.4
Accruals and deferred income	273.6	273.9	274.5
Other payables	40.0	29.2	38.0
Obligations under finance lease agreements (note 30)	12.1	17.8	16.4
	461.9	**578.2**	**534.3**

Trade payables owed to group undertakings as at 31 January 2014 arose under arrangements permitted by the financing transaction documents. These amounts are unsecured, are payable between one and three months and bear no interest (2013 and 2012: unsecured, bear no interest and had no repayment terms).

20. Borrowings and loans

	2014	2013	2012
	(in millions of pounds)		
Borrowings (see note 21)	3,342.2	—	—
Shareholder loans due to parent undertaking	—	265.5	227.8
Interest rate swap used for hedging (see note 28)	9.2	—	—
	3,351.4	**265.5**	**227.8**

As part of the acquisition of the Group, Acromas Bid Co Limited acquired the subordinated preference certificates that were previously held by third parties. The terms of these instruments were unchanged with interest charged at an effective rate of 16.5 per cent. per annum being added to the loan value each year. The certificates were unsecured and were repaid in full as part of the refinancing.

21. Borrowings

	Expected maturity date	Interest rate	Principal	Issue costs	Amortised issue costs	Total
				(in millions of pounds)		
Senior Term Facility	31 July 2018	Variable	913.0	(46.4)	26.4	893.0
Class A1 notes	31 July 2018	4.72%	475.0	(3.0)	0.4	472.4
Class A2 notes	31 July 2025	6.27%	500.0	(0.8)	0.1	499.3
Class A3 notes	31 July 2020	4.25%	500.0	(2.8)	0.1	497.3
Class B notes	31 July 2019	9.50%	655.0	(21.4)	2.1	635.7
PIK notes	6 November 2019	9.50%	350.0	(5.7)	0.2	344.5
		6.28%	**3,393.0**	**(80.1)**	**29.3**	**3,342.2**

A summary of the Group's refinancing transactions during the year to 31 January 2014 is shown below:

	Senior term facility	Class A1	Class A2	Class A3	Class B	PIK	Total
	(in millions of pounds)						
Issue date:							
2 July 2013	1,775.0	300.0	325.0	—	655.0	—	3,055.0
27 August 2013	(362.0)	175.0	175.0	—	—	—	(12.0)
7 November 2013	—	—	—	—	—	350.0	350.0
29 November 2013	(500.0)	—	—	500.0	—	—	—
Total	**913.0**	**475.0**	**500.0**	**500.0**	**655.0**	**350.0**	**3,393.0**

At 31 January 2014, the Senior Term Facility carried interest at a rate of LIBOR plus a margin of 3 per cent. The margin increases by 0.5 per cent. every six months from 1 July 2014. The variable element has been fully hedged using matching interest rate swap arrangements. All other borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 6.28 per cent. has been calculated using the effective interest rate and carrying values on 31 January 2014.

On 2 July 2013, the Group also entered into a Working Capital Facility of £150.0 million and a Liquidity Facility of £220.0 million incurring issue costs of £5.5 million and £3.8 million respectively. These costs were written off in July 2013.

In order to show the Group's net borrowing, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings.

All of the Class A Notes and Senior Term Facility are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co group's assets ranks ahead of the Class B Notes. The Class B Notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co group, AA Mid Co Limited. There are restrictions on the ability of the AA Mid Co Limited group to pay a dividend until certain net debt to EBITDA ratios have been achieved. The PIK notes are unsecured.

The Class B notes and the PIK notes have an initial non-call period of up to two years from the year end when no voluntary repayments can be made; after this there is a two-year period when any voluntary early repayments would incur a make-whole payment. The Class A notes do not have a non-call period. However, any voluntary early repayments would incur a make-whole payment.

Following the repayments of the Senior Term Facility, amortisation of the associated issue fees has been accelerated and an additional £20.3 million has been written off in the period.

As at 31 January 2013 and 2012, there were no external borrowings.

22. **Provisions**

	Property Leases	Restructuring	Other	Total
		(in millions of pounds)		
At 1 February 2011	37.9	0.8	3.3	42.0
Utilised during the year	(4.5)	(0.8)	(4.1)	(9.4)
Released unutilised during the year	—	(0.2)	—	(0.2)
Unwinding of discount rate	0.8	—	—	0.8
Charge for the year	0.1	2.8	2.7	5.6
At 31 January 2012	**34.3**	**2.6**	**1.9**	**38.8**
Utilised during the year	(4.4)	(1.9)	(1.3)	(7.6)
Released unutilised during the year	(3.6)	(0.6)	(0.6)	(4.8)
Unwinding of discount rate	0.3	—	—	0.3
Charge for the year	8.7	13.6	0.8	23.1
At 31 January 2013	**35.3**	**13.7**	**0.8**	**49.8**
Utilised during the year	(6.0)	(14.9)	(1.1)	(22.0)
Released unutilised during the year	(5.8)	(0.2)	—	(6.0)
Unwinding of discount rate	0.2	—	—	0.2
Charge for the year	1.3	2.9	1.4	5.6
At 31 January 2014	**25.0**	**1.5**	**1.1**	**27.6**
Current	9.3	1.5	1.1	11.9
Non-current	15.7	—	—	15.7
At 31 January 2014	**25.0**	**1.5**	**1.1**	**27.6**
Current	8.6	13.7	0.8	23.1
Non-current	26.7	—	—	26.7
At 31 January 2013	**35.3**	**13.7**	**0.8**	**49.8**
Current	6.1	2.6	1.9	10.6
Non-current	28.2	—	—	28.2
At 31 January 2012	**34.3**	**2.6**	**1.9**	**38.8**

The property lease provision relates to future onerous 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 not transferred to a third party. These sums are mainly expected to be paid out annually over the next 15 years. However, it will take 40 years to fully pay out all amounts provided for. The provision has been calculated on a pre-tax discounted basis.

The restructuring provision relates to redundancy and other related costs following the restructuring of operations in the current and prior periods.

Other provisions primarily comprise the provision for credit and rewards in the financial services business. These items are reviewed and updated annually.

23. **Insurance technical provisions**

	2014	2013	2012
	(in millions of pounds)		
Outstanding claims provisions	2.9	2.9	19.8
Other technical provisions—provisions for incurred but not reported claims	1.3	0.3	20.0
	4.2	**3.2**	**39.8**

Provision is made for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing the claims' provisions, it is likely that the final outcome will prove to be different than the original liability established.

In October 2012, a significant reinsurance contract was terminated and all associated assets (mainly amounts due from fellow subsidiary undertakings) and liabilities (mainly insurance technical provisions) were commuted back to the original insurer. No liabilities in respect of this class of business remain.

24. Called up share capital

	2014	2013	2012
	(in millions of pounds)		
Allotted, called up and fully paid			
1,000,000 'A' ordinary shares of £0.10 each	0.1	0.1	0.1
1,015,344 'B' ordinary shares of £0.10 each	0.1	0.1	0.1
	0.2	**0.2**	**0.2**

The voting rights of the holders of all ordinary shares are the same and all ordinary shares rank pari passu on a winding-up.

25. Reserves

	Share premium	Cash flow hedge reserve	Currency translation reserve	Retained earnings	Total
			(in millions of pounds)		
At 1 February 2011	0.8	—	—	(225.2)	(224.4)
Retained profit for the year	—	—		198.0	198.0
Other comprehensive income:					
Exchange differences on translation of net assets of foreign operations	—	—	(0.1)	—	(0.1)
Remeasurement losses recognised on defined benefit schemes (note 26)	—	—	—	(24.7)	(24.7)
Tax effect of remeasurement losses on defined benefit schemes (note 8)	—	—	—	6.0	6.0
At 31 January 2012	**0.8**	**—**	**(0.1)**	**(45.9)**	**(45.2)**
Retained profit for the year	—	—	—	207.4	207.4
Other comprehensive income:					
Exchange differences on translation of foreign operations	—	—	(0.9)	—	(0.9)
Remeasurement losses on defined benefit schemes (note 26)	—	—	—	(21.2)	(21.2)
Tax effect of remeasurement losses on defined benefit schemes (note 8)	—	—	—	4.5	4.5
At 31 January 2013	**0.8**	**—**	**(1.0)**	**144.8**	**144.6**
Retained profit for the year	—	—	—	153.4	153.4
Other comprehensive income:					
Exchange differences on translation of foreign operations	—	—	(0.1)	—	(0.1)
Remeasurement losses on defined benefit schemes (note 26)	—	—	—	(122.7)	(122.7)
Tax effect of remeasurement losses on defined benefit schemes (note 8)	—	—	—	24.5	24.5
Dividends paid	—	—	—	(2,571.9)	(2,571.9)
Effective portion of changes in fair value of cash flow hedges	—	(7.8)	—	—	(7.8)
Tax effect of effective portion of changes in fair value of cash flow hedges	—	1.6	—	—	1.6
At 31 January 2014	**0.8**	**(6.2)**	**(1.1)**	**(2,371.9)**	**(2,378.4)**

Currency translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 February 2011, the transition date to Adopted IFRS, from the translation of the financial information of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Cash flow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

In the year 31 January 2014, total dividends of £1,276 per qualifying ordinary share were paid.

No dividends have been proposed by the directors after the balance sheet date.

26. **Pensions**

The Group operates two funded defined benefit pension schemes: the AA UK Pension scheme (AAUK) and the AA Ireland Pension scheme (AAROI). The assets of the schemes are held separately from those of the Group in independently administered funds. New entrants to the AAUK scheme accrue benefits on a career average salary basis. The AAUK scheme has final salary sections that are closed to new entrants but open to future accrual for existing members. The AAROI scheme is closed to new entrants and future accrual of benefits. The Group also operates an unfunded post-retirement Private Medical Plan scheme (AAPMP), which is a defined benefit scheme that is not open to new entrants.

On 29 November 2013, the Group completed the AAUK pension scheme triennial valuations, agreeing a deficit of £202 million with the pension trustees and implementing an asset backed funding scheme. The asset backed funding scheme provides a long-term deficit reduction plan where the Group has an annual deficit reduction contribution of £12.2 million increasing with inflation, over a period of up to 25 years secured on the Group's brands and gives a one-off £198.0 million tax deduction that the Group can utilise within the next two years. This compares with the traditional unsecured deficit reduction plan requiring the deficit to be removed over a substantially shorter period and would have resulted in significantly higher annual deficit contributions.

The valuations have been based on a full assessment of the liabilities of the schemes which have been updated where appropriate to 31 January 2014 by independent qualified actuaries.

The Group expects to pay £24.0 million in on-going employer contributions and £13.2 million in deficit reduction employer contributions to its defined benefit plans (AAUK and AAROI) in the year ending 31 January 2015.

The amounts recognised in the balance sheet are as follows:

	As at 31 January 2014			
	AAUK	AAROI	AAPMP	Total
	(in millions of pounds)			
Present value of the defined benefit obligation in respect of pension plans	(1,759.7)	(42.0)	(44.0)	(1,845.7)
Fair value of plan assets	1,546.8	33.4	—	1,580.2
Deficit	**(212.9)**	**(8.6)**	**(44.0)**	**(265.5)**

	As at 31 January 2013			
	AAUK	AAROI	AAPMP	Total
	(in millions of pounds)			
Present value of the defined benefit obligation in respect of pension plans	(1,598.5)	(55.1)	(47.5)	(1,701.1)
Fair value of plan assets	1,501.7	33.7	—	1,535.4
Deficit	**(96.8)**	**(21.4)**	**(47.5)**	**(165.7)**

	As at 31 January 2012			
	AAUK	AAROI	AAPMP	Total
	(in millions of pounds)			
Present value of the defined benefit obligation in respect of pension plans	(1,473.3)	(43.5)	(44.8)	(1,561.6)
Fair value of plan assets	1,393.1	30.3	—	1,423.4
Deficit	**(80.2)**	**(13.2)**	**(44.8)**	**(138.2)**

The analysis of amounts recognised in the income statement is as follows:

	During the year ended 31 January 2014			
	AAUK	**AAROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Current service cost	25.0	0.6	0.2	25.8
Past service cost	—	(12.4)	—	(12.4)
Net interest on the net defined benefit liability	4.1	0.5	2.2	6.8
	29.1	**(11.3)**	**2.4**	**20.2**

	During the year ended 31 January 2013			
	AAUK	**AAROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Current service cost	23.9	0.7	0.2	24.8
Net interest on the net defined benefit liability	3.7	0.6	2.1	6.4
	27.6	**1.3**	**2.3**	**31.2**

	During the year ended 31 January 2012			
	AAUK	**AAROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Current service cost	18.0	0.7	0.2	18.9
Net interest on the net defined benefit liability	4.2	0.4	2.3	6.9
	22.2	**1.1**	**2.5**	**25.8**

A benefit change exercise was carried out within the AAROI scheme during the year, with effect from 31 August 2013 future accrual for employed members ceased and guaranteed post-retirement pension increases became discretionary. The impact of this benefit change was a past service credit of £12.4 million in relation to the AAROI scheme.

The analysis of amounts recognised in the statement of other comprehensive income is as follows:

	During the year ended 31 January 2014			
	AAUK	**AAROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Loss due to changes in demographic assumptions	2.1	—	—	2.1
Loss due to changes in financial assumptions	73.5	0.6	1.9	76.0
Experience (gain)/loss arising during the year	27.0	—	(6.8)	20.2
Asset (gain)/loss during the year	24.5	(0.1)	—	24.4
	127.1	**0.5**	**(4.9)**	**122.7**
Foreign exchange gain	—	(0.6)	—	(0.6)
	127.1	**(0.1)**	**(4.9)**	**122.1**

	During the year ended 31 January 2013			
	AAUK	**AAROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Loss due to changes in demographic assumptions	—	—	—	—
Loss due to changes in financial assumptions	73.4	7.8	1.4	82.6
Experience (gain)/loss arising during the year	(2.9)	0.1	—	(2.8)
Asset gain during the year	(58.0)	(0.6)	—	(58.6)
	12.5	**7.3**	**1.4**	**21.2**
Foreign exchange loss	—	1.0	—	1.0
	12.5	**8.3**	**1.4**	**22.2**

	During the year ended 31 January 2012			
	AAUK	AAROI	AAPMP	Total
	(in millions of pounds)			
Loss due to changes in demographic assumptions	—	—	—	—
Loss due to changes in financial assumptions	109.3	5.0	2.4	116.7
Experience (gain)/loss arising during the year	6.0	(3.1)	—	2.9
Asset (gain)/loss during the year	(97.9)	3.0	—	(94.9)
	17.4	**4.9**	**2.4**	**24.7**
Foreign exchange gain	—	(0.5)	—	(0.5)
	17.4	**4.4**	**2.4**	**24.2**

The amounts recognised in the statement of financial position are reconciled as follows:

Defined benefit obligation

	AAUK	AAROI	AAPMP	Total
	(in millions of pounds)			
Balance at 1 February 2011	1,301.0	41.5	41.1	1,383.6
Current service cost	18.0	0.7	0.2	18.9
Interest cost	73.8	1.9	2.3	78.0
Contribution from scheme participants	1.3	0.3	—	1.6
Effect of changes in financial assumptions	109.3	5.0	2.4	116.7
Effect of experience adjustment	6.0	(3.1)	—	2.9
Benefits paid from scheme assets	(36.1)	(1.4)	(1.2)	(38.7)
Foreign exchange gain	—	(1.4)	—	(1.4)
Balance at 31 January 2012	**1,473.3**	**43.5**	**44.8**	**1,561.6**
Current service cost	23.9	0.7	0.2	24.8
Interest cost	67.5	1.8	2.1	71.4
Contribution from scheme participants	1.2	0.3	—	1.5
Effect of changes in financial assumptions	73.4	7.8	1.4	82.6
Effect of experience adjustment	(2.9)	0.1	—	(2.8)
Benefits paid from scheme assets	(37.9)	(1.3)	(1.0)	(40.2)
Foreign exchange loss	—	2.2	—	2.2
Balance at 31 January 2013	**1,598.5**	**55.1**	**47.5**	**1,701.1**
Current service cost	25.0	0.6	0.2	25.8
Past service cost	—	(12.4)	—	(12.4)
Interest cost	74.2	1.7	2.2	78.1
Contribution from scheme participants	1.2	—	—	1.2
Effect of changes in demographic assumptions	2.1	—	—	2.1
Effect of changes in financial assumptions	73.5	0.6	1.9	76.0
Effect of experience adjustment	27.0	—	(6.8)	20.2
Benefits paid from scheme assets	(41.8)	(1.7)	(1.0)	(44.5)
Foreign exchange gain	—	(1.9)	—	(1.9)
Balance at 31 January 2014	**1,759.7**	**42.0**	**44.0**	**1,845.7**

Plan Assets

	AAUK	AAROI	AAPMP	Total
		(in millions of pounds)		
Balance at 1 February 2011	1,236.7	32.3	—	1,269.0
Interest income on scheme assets	69.6	1.5	—	71.1
Return on plan assets excluding interest income	97.9	(3.0)	—	94.9
Ongoing employer contributions	18.7	0.8	1.2	20.7
Deficit reduction employer contributions	5.0	0.7	—	5.7
Contribution from scheme participants	1.3	0.3	—	1.6
Benefits paid from scheme assets	(36.1)	(1.4)	(1.2)	(38.7)
Foreign exchange gain	—	(0.9)	—	(0.9)
Balance at 31 January 2012	**1,393.1**	**30.3**	**—**	**1,423.4**
Interest income on scheme assets	63.8	1.2	—	65.0
Return on plan assets excluding interest income	58.0	0.6	—	58.6
Ongoing employer contributions	18.5	0.8	1.0	20.3
Deficit reduction employer contributions	5.0	0.6	—	5.6
Contribution from scheme participants	1.2	0.3	—	1.5
Benefits paid from scheme assets	(37.9)	(1.3)	(1.0)	(40.2)
Foreign exchange loss	—	1.2	—	1.2
Balance at 31 January 2013	**1,501.7**	**33.7**	**—**	**1,535.4**
Interest income on scheme assets	70.1	1.2	—	71.3
Return on plan assets excluding interest income	(24.5)	0.1	—	(24.4)
Ongoing employer contributions	18.0	0.4	1.0	19.4
Deficit reduction employer contributions	22.1	1.0	—	23.1
Contribution from scheme participants	1.2	—	—	1.2
Benefits paid from scheme assets	(41.8)	(1.7)	(1.0)	(44.5)
Foreign exchange gain	—	(1.3)	—	(1.3)
Balance at 31 January 2014	**1,546.8**	**33.4**	**—**	**1,580.2**

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

	AAUK			AAROI		
	2014	2013	2012	2014	2013	2012
		(in millions of pounds)				
Equities	467.2	440.1	465.3	14.5	19.0	16.7
Bonds	653.5	648.7	562.8	12.5	13.6	11.9
Property	133.5	105.1	108.7	—	—	—
Hedge funds	263.7	292.8	214.5	6.1	1.1	1.8
Cash/net current assets	28.9	15.0	41.8	0.3	—	(0.1)
Total plan assets	**1,546.8**	**1,501.7**	**1,393.1**	**33.4**	**33.7**	**30.3**
Actual return on plan assets	**45.6**	**121.8**	**167.5**	**1.3**	**1.8**	**(1.5)**

Detail of plan assets quoted in an active market

The table below shows the AAUK plan assets split between those that have a quoted market price and those that are unquoted. Of the AAROI scheme, 18.1 per cent. of assets do not have a quoted market price.

	Assets with a quoted market price	Assets without a quoted market price	Total
		(in millions of pounds)	
Equities	312.3	154.9	467.2
Bonds	587.0	66.5	653.5
Property	16.2	117.3	133.5
Hedge funds	—	263.7	263.7
Cash/net current assets	23.3	5.6	28.9
Total plan assets at 31 January 2014	**938.8**	**608.0**	**1,546.8**

Pension plan assumptions

The principal actuarial assumptions at the January year end were as follows:

	AAUK			AAROI			AAPMP		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
					(%)				
Pensioner discount rate	4.2	4.7	4.6	2.9	3.5	4.3	4.2	4.7	4.6
Non-pensioner discount rate	4.5	4.7	4.6	3.6	3.5	4.3	4.5	4.7	4.6
Pensioner RPI	3.2	3.4	3.0	—	—	—	3.2	3.4	3.0
Non-pensioner RPI	3.4	3.4	3.0	—	—	—	3.4	3.4	3.0
Pensioner CPI	2.2	2.4	2.0	2.0	2.0	2.0	2.2	—	—
Non-pensioner CPI	2.4	2.4	2.0	2.0	2.0	2.0	2.4	—	—
Rate of increases in salaries	3.4	3.4	3.0	—	2.0	2.0	—	3.4	3.0
Rate of increase of pensions in payment—pensioner	2.9	—	—	—	2.0	2.0	—	—	—
Rate of increase of pensions in payment—non-pensioner	3.0	—	—	—	2.0	2.0	—	—	—
Pensioner increase for deferred benefits	2.4	2.4	2.0	2.0	2.0	2.0	—	—	—
Medical premium inflation rate	—	—	—	—	—	—	7.2	7.4	7.0

Mortality assumptions are set using standard tables based on scheme specific experience where available. Each scheme's mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The AA schemes' assumptions are that an active male retiring in normal health currently aged 60 will live on average for a further 28 years and an active female retiring in normal health currently aged 60 will live on average for a further 30 years.

Sensitivity analysis

The Scheme exposes the Group to actuarial risks such as longevity, interest rate risk and market (investment) risk.

The AA Pension Scheme Trustees have hedged around 50 per cent. of interest rate risk and 75 per cent. of inflation risk as part of a policy to reduce financial risks to the Scheme.

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

	For the year ending 31 January 2014		
	AAUK	AAROI	AAPMP
	(in millions of pounds)		
Increase of 0.25% in discount rate	(81.4)	(2.4)	(1.6)
Increase of 0.25% in Inflation rate	79.7	1.0	—
Increase of 1% in medical claims inflation	—	—	5.8
Increase of one year of life expectancy	47.4	1.3	—

An equivalent decrease in the assumptions at 31 January 2014 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 plan liabilities at 31 January 2014 is 22 years.

27. **Impairment of intangible assets**

Goodwill acquired through business combinations has been allocated to cash-generating units on initial recognition and for subsequent impairment testing.

The carrying value of goodwill by CGU is as follows:

	2014	2013	2012
	(in millions of pounds)		
Roadside assistance	874.2	874.2	874.2
Insurance services	240.2	240.2	240.2
Driving services	58.5	57.8	56.9
Ireland	25.6	25.6	25.6
	1,198.5	**1,197.8**	**1,196.9**

The Group has performed impairment testing at 31 January 2014, 31 January 2013 and 31 January 2012. The impairment test compares the recoverable amount of the CGU to its carrying value.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's three-year plan up to 31 January 2017 and a reasonable expectation of growth in the subsequent two years. For the purposes of the impairment test, terminal values have been calculated using the Gordon growth model and a nil growth assumption which is lower than the expected long term average growth rate of the UK economy. Cash flows have been discounted at a pre-tax rate reflecting the time value of money and the risk specific to these cash flows. This has been determined as a pre-tax rate of 12.2 per cent. (2013: 12.2 per cent.; 2012: 12.2 per cent.).

The value in use calculation used is most sensitive to the assumptions used for growth and for the discount rate. Accordingly, stress testing has been performed on these key assumptions as part of the impairment test to further inform the consideration of whether any impairment is evident. Further to this, management believes that no reasonably foreseeable change in any of the key assumptions would cause the recoverable amount of the CGU to be lower than its carrying amount, and consequently no impairment has been recognised.

28. Financial assets and financial liabilities

The carrying amount of all financial assets and financial liabilities by class are as follows:

Financial assets

	2014	2013	2012
	(in millions of pounds)		
Measured at fair value through other comprehensive income			
Interest rate swaps used for hedging	1.4	—	—
Loans and receivables			
Cash and cash equivalents	203.2	31.9	29.1
Short-term deposits	—	2.1	6.3
Trade receivables	134.1	147.9	181.2
Trade receivables from fellow subsidiary undertakings	0.8	121.9	90.3
Other receivables and accrued income	18.4	38.0	28.8
Fixed term investments	5.0	9.6	24.7
Amounts owed by fellow subsidiary undertakings	—	1,250.8	979.9
Total financial assets	**362.9**	**1,602.2**	**1,340.3**

Financial liabilities

	2014	2013	2012
	(in millions of pounds)		
Measured at fair value through other comprehensive income			
Interest rate swaps used for hedging	9.2	—	—
Loans and borrowings			
Trade payables	102.3	112.0	152.0
Trade payables owed to group undertakings	12.8	123.7	30.0
Other payables	68.3	55.4	59.3
Obligations under finance lease agreements	20.0	31.4	33.5
Borrowings	3,342.2	—	—
Shareholder loans	—	265.5	227.8
Amounts owed to parent undertaking	—	1,760.9	1,760.9
Total financial liabilities	**3,554.8**	**2,348.9**	**2,263.5**

Fair values

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and market-observable inputs used in valuation techniques include interest rates.

The objective of using valuation techniques is to arrive at a fair value that reflects the price of the financial instrument at each year end at which the asset or liability would have been exchanged by market participants acting at arm's length.

Observable inputs are those that have been seen either from counterparties or from market pricing sources and are publicly available. The use of these depends upon the liquidity of the relevant market. When measuring the fair value of an asset or a liability, the Group uses observable inputs as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation as follows:

Level 1—Quoted market prices in an actively traded market for identical assets or liabilities. These are the most reliable.

Level 2—Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. The models incorporate various inputs including interest rate curves and forward rate curves of the underlying instrument.

Level 3—Inputs for assets or liabilities that are not based on observable market data.

If the inputs used to measure the fair values of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety at the same level as the lowest input that is significant to the entire measurements.

The fair values are periodically reviewed by the Group Treasury function. The following tables provide the quantitative fair value hierarchy of the Group's interest rate swaps, obligations under finance leases, loan notes and shareholder loans. The carrying values of all other financial assets and liabilities approximate to their fair values:

At 31 January 2014:

		Fair value measurement using		
		Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**
	Carrying value	**(Level 1)**	**(Level 2)**	**(Level 3)**
		(in millions of pounds)		
Financial assets measured at fair value				
Interest rate swaps (note 16)	1.4	—	1.4	—
Financial liabilities measured at fair value				
Interest rate swaps (note 20)	9.2	—	9.2	—
Liabilities for which fair values are disclosed				
Obligations under finance leases (note 30)	20.0	—	—	20.2
Loan notes (note 21)	2,449.2	2,649.7	—	—

At 31 January 2013:

		Fair value measurement using		
		Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**
	Carrying value	**(Level 1)**	**(Level 2)**	**(Level 3)**
		(in millions of pounds)		
Liabilities for which fair values are disclosed				
Obligations under finance leases (note 30)	31.4	—	—	32.0
Shareholder loans (note 20)	265.5	—	—	313.2

At 31 January 2012:

		Fair value measurement using		
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	Carrying value	(Level 1)	(Level 2)	(Level 3)
		(in millions of pounds)		
Liabilities for which fair values are disclosed				
Obligations under finance leases (note 30)	33.5	—	—	34.1
Shareholder loans (note 20)	227.8	—	—	285.9

There have been no transfers between the levels and no non-recurring fair value measurements of assets and liabilities during three years to 31 January 2014.

In arriving at the fair value measurement of the finance lease obligations and the shareholder loan notes disclosed above, management utilised an income approach (2013 and 2012: income approach) as it deemed it to be the most appropriate for this specific liability. The key assumption used in the valuation of the shareholder loan was a discount rate of 9.5 per cent. (2013 and 2012: 9.5 per cent.) and the valuation of the finance lease obligation was a discount rate of 5.7 per cent. (2013: 5.3 per cent.; 2012: 4.8 per cent.), which is management's estimate of a market rate of return expected for a similar cash flow.

29. Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include deposits with financial institutions, money market funds and trade receivables.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks, supported by the Group Treasury function. The Group Treasury function ensures that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group Treasury function. It is the Group's policy not to trade in derivatives for speculative purposes.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices set by the market. The key market risk that the Group is exposed to is interest rate risk. The Group has policies and limits approved by the Board for managing the interest rate risk exposure. The Group's policy is to fully hedge all of its exposure to variable interest rates. The Group has therefore taken out interest rate swaps to the value of its variable rate instruments.

The interest rate profile of the Group's interest bearing financial instruments is as follows:

	2014	2013	2012
	(in millions of pounds)		
Fixed rate instruments			
Financial assets	2.0	8.7	26.0
Financial liabilities	(2,469.2)	(296.9)	(261.3)
	(2,467.2)	(288.2)	(235.3)
Effect of interest rate swaps	(913.0)	—	—
Net exposure to fixed rate instruments	**(3,380.2)**	**(288.2)**	**(235.3)**
Variable rate instruments			
Financial assets	3.0	3.0	5.0
Financial liabilities	(893.0)	—	—
	(890.0)	3.0	5.0
Effect of interest rate swaps	913.0	—	—
Net exposure to variable rate instruments	**23.0**	**3.0**	**5.0**

Sensitivity of fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss and does not use derivative instruments in fair value hedges. Consequently, having regard to fixed rate instruments, a change in market interest rates at the reporting date would not affect profit or loss.

Sensitivity of variable rate instruments

An increase of 50 basis points in interest rates at 31 January 2014 would have increased equity by £13.8 million and had no impact on profit or cash. A decrease to interest rates of the same magnitude will have an equal and opposite effect on equity and profit. This calculation assumes that the change occurred at the year end and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant and considers the effect of financial instruments with variable interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for all comparative periods.

As the entity's exposure to variable rate instruments as at 31 January 2013 and 2012 was insignificant, a reasonable change in interest rates would have had an insignificant effect on the Group's profit or loss and equity.

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 Group is exposed to credit risk in relation to its financial assets, outstanding derivatives and trade and other receivables. The Group assesses its counterparty exposure in relation to the investment of surplus cash and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty, in accordance with approved treasury policies.

The credit risk for the Group is limited as payment from customers is generally required before services are provided.

Credit risk in relation to deposits and derivative counterparties is managed by the Group's treasury function in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to mitigate financial loss through any potential counterparty failure.

The Group's maximum exposure to credit risk for the components of the statement of financial position at each reporting date is the carrying amount except for derivative financial instruments. The Group's maximum exposure for financial derivative instruments is noted under liquidity risk.

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**60+ days**
			(in millions of pounds)		
2014	134.1	128.2	5.3	0.3	0.3
2013	147.9	139.2	7.8	0.7	0.2
2012	181.2	163.0	11.8	3.3	3.1

The movements in the provision for the collective impairment of receivables are as follows:

	2014	**2013**	**2012**
	(in millions of pounds)		
At 1 February	4.4	4.9	3.9
Charge for the year	2.7	3.4	3.7
Utilised	(3.5)	(3.6)	(1.9)
Unused amounts reversed	—	(0.3)	(0.8)
At 31 January	**3.6**	**4.4**	**4.9**

Liquidity risk

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and headroom on its working capital facilities.

The table below analyses the maturity of the Group's financial liabilities on a contractual undiscounted cash flow basis and includes any associated debt service costs. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date.

At 31 January 2014:

	On demand	Less than 1 year	1 to 2 years	2-5 years	over 5 years	Total
			(in millions of pounds)			
Loans and borrowings	—	204.5	218.5	2,039.9	2,297.2	4,760.1
Obligation under finance leases	—	13.5	5.5	3.0	—	22.0
Other payables and accruals	—	68.3	—	—	—	68.3
Trade payables	—	114.1	—	—	—	114.1
	—	400.4	224.0	2,042.9	2,297.2	4,964.5
Interest rate swaps used for hedging						
Assets (inflow)	—	(7.5)	(0.4)	(40.1)	—	(48.0)
Liabilities	—	19.4	4.9	24.3	—	48.6
		11.9	4.5	(15.8)	—	0.6
	—	**412.3**	**228.5**	**2,027.1**	**2,297.2**	**4,965.1**

At 31 January 2013:

	On demand	Less than 1 year	1 to 2 years	2-5 years	over 5 years	Total
			(in millions of pounds)			
Shareholder loan notes	—	—	—	399.0	—	399.0
Obligation under finance leases	—	19.7	11.6	3.3	—	34.6
Amounts owed to parent company	1,760.9	—	—	—	—	1,760.9
Other payables and accruals	—	55.4	—	—	—	55.4
Trade payables	123.7	112.0	—	—	—	235.7
	1,884.6	**187.1**	**11.6**	**402.3**	**—**	**2,485.6**

The Group has not presented a liquidity risk analysis for the year ended 31 January 2012 as management do not have such information reasonably available and do not consider it to be relevant to the current position of the Group.

Capital management

The Group considers its capital to be shareholders' equity adjusted for the foreign currency translation reserve, the cashflow hedge reserve and long-term borrowings. The Directors seek to maintain a balance between the higher return that is possible with borrowings and the advantages and security of equity funding.

In the year to 31 January 2014 the Group took out external debt facilities (see note 21) which were initially used to repay the inter-company balances due to the Acromas group. The Company then paid a dividend of £2,571.9 million to the Acromas group and these funds were ultimately used to partially repay existing borrowings of the Acromas group. The Senior Term Facility, Class A notes and Class B notes have interest cover covenants attached to them. The Group was in compliance with all covenants throughout the year and as at 31 January 2014.

The Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on the relevant regulator's requirements (see note 18). There are no other externally imposed capital requirements.

30. **Commitments and contingencies**

Operating lease commitments

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

	Land and Buildings			Plant and Machinery		
	2014	2013	2012	2014	2013	2012
	(in millions of pounds)					
Leases expiring:						
Within one year	0.8	1.1	0.6	3.0	3.3	1.7
Between one and five years	16.9	18.0	19.2	1.5	1.5	1.8
After five years	35.6	45.3	46.3	—	—	—
	53.3	**64.4**	**66.1**	**4.5**	**4.8**	**3.5**
Income from operating sub-leases	(9.3)	(6.9)	(10.7)	—	—	—
Amounts included in onerous lease provisions	(17.9)	(25.8)	(23.2)	—	—	—
	26.1	**31.7**	**32.2**	**4.5**	**4.8**	**3.5**

Where a property is no longer used by the Group for operational purposes, tenants are sought to reduce the Group's exposure to lease payments. Where the future minimum lease payments are in excess of any expected rental income due, a provision is made.

Finance lease commitments

The Group has finance lease contracts for various items of plant and machinery. Future minimum lease payments under finance lease contracts, together with the present values of the net minimum lease payments are as follows:

	2014		2013		2012	
	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments
	(in millions of pounds)					
Within one year	12.1	13.5	17.8	19.7	16.4	18.2
Between one and five years	7.9	8.5	13.6	14.9	17.1	18.6
Total minimum lease payments	**20.0**	**22.0**	**31.4**	**34.6**	**33.5**	**36.8**
Less amounts representing finance charge	—	(2.0)	—	(3.2)	—	(3.3)
Present value of minimum lease payments	20.0	20.0	31.4	31.4	33.5	33.5

Commitments

Amounts contracted for but not provided in the financial information amounted to £0.6 million (2013: £1.3 million, 2012: £2.9 million).

Contingent liabilities and cross-company guarantees

As part of the refinancing which took place in the year, see note 21. The Company along with certain of its key subsidiaries and other substantial companies across the Group was released from their obligations under the bank loans made to Acromas Mid Co Limited. There are no contingent liabilities or cross-company guarantees as at 31 January 2014 as the new debt is all held within the Group. As at 31 January 2013, the principal, accrued interest, guarantees and other facilities outstanding on the Acromas group bank loans was £5,132.1 million.

31. **Principal subsidiary undertakings**

The principal operating subsidiary undertakings of AA Limited, all of which are wholly-owned except where stated, are listed below. There is no difference between the percentage holding and percentage voting rights in ordinary shares. All of the principal subsidiary undertakings of AA Limited are indirectly held by the Company, with the exception of AA Mid Co Limited and AA PIK Co Limited which are directly held and Acromas Reinsurance Company Limited which has been directly held since 2 July 2013.

Company	Country of registration	Nature of business
Principal subsidiary undertakings		
The Automobile Association Limited	Jersey	Roadside services
Automobile Association Insurance Services Limited	England	Roadside & insurance services
AA Financial Services Limited	England	Insurance Services
Automobile Association Developments Limited	England	Roadside & driving services
Drivetech (UK) Limited	England	Driving services
AA Media Limited	England	Driving services
AA Ireland Limited	Ireland	Roadside & insurance services
AA Corporation Limited	England	Head office functions
Acromas Reinsurance Company Limited	Guernsey	Insurance underwriting
AA Mid Co Limited	England	Holding company
AA Intermediate Co Limited	England	Holding company
AA Acquisition Co Limited	England	Holding company
AA Senior Co Limited	England	Holding company and group borrowings
AA PIK Co Limited	Jersey	Group borrowings
AA Bond Co Limited	Jersey	Group borrowings

32. **Auditor's remuneration**

Auditor's remuneration:

	2014	2013	2012
	(in millions of pounds)		
Audit of this financial information	0.1	0.1	0.1
Amounts receivable by the Company's auditor and its associates in respect of:			
Audit of financial information of subsidiaries of the Company	0.7	0.5	0.5
Corporate finance services	2.1	—	—

Other fees payable to the auditors of the Group are disclosed in the accounts of Acromas Holdings Limited.

33. **Related-party transactions**

Acromas and Saga entities previously provided the Group with certain services and the Group provided some Acromas and Saga entities with certain services. Following the refinancing, some of these services continue to be provided to the Group in accordance with the Umbrella Services Agreement. Under the Umbrella Services Agreement, the Group and Saga agree to procure that their respective groups provide specified services to the other, including fleet management, sales and marketing services relating to certain AA financial products, and IT services. There are also a number of specific additional contracts in place for the provision of services between various members of the respective groups including the provision of underwriting by Acromas Insurance Company Limited ("**AICL**"), for various AA Group products, such as motor insurance, home insurance and home emergency cover.

The following table provides the total value of transactions that have been entered into with related parties during each financial year.

Transactions with other Acromas group companies:

	2014	2013	2012
	(in millions of pounds)		
Sales to the Saga group			
Insurance underwriting-related	14.8	16.6	12.4
Non-insurance underwriting-related	0.8	1.0	0.7
Purchases from the Saga group			
Insurance underwriting-related	52.7	52.7	63.1
Non-insurance underwriting-related	14.4	13.6	13.3
Reinsurance transactions with the Saga group			
Reinsurance premium receipts	0.3	6.2	32.7
Reinsurance claims payments	0.8	—	25.8

Transactions with associates:

		2014	2013	2012
		(in millions of pounds)		
A.C.T.A. S.A.	Call handling fees paid	2.2	1.9	2.2
	Amounts payable at 31 January	—	0.1	—
A.R.C. Europe S.A.	Registration fees paid	0.5	0.5	0.5
	Amounts payable at 31 January	0.2	0.2	0.3

34. **Compensation of key management personnel of the Group**

The amounts recognised as an expense during the financial year in respect of key management personnel are as follows:

	2014	2013	2012
	(in millions of pounds)		
Short-term employee benefits	6.9	3.6	3.2
Post-employment pension and medical benefits	0.2	0.2	0.2
Termination payments	—	0.1	—
Total compensation paid to key management personnel	**7.1**	**3.9**	**3.4**
Number of key management identified	**14**	**15**	**13**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Chief Executive Officer, Chief Financial Officer and the heads of major business units and administrative functions.

35. **Ultimate parent undertaking and controlling party**

The Company is a wholly-owned subsidiary of Acromas Bid Co Limited, a company registered in England and Wales.

The ultimate parent undertaking, which is also the parent of the smallest and largest group to consolidate this financial information is Acromas Holdings Limited, whose registered office is at Enbrook Park, Folkestone, Kent CT20 3SE. Copies of the financial information of Acromas Holdings Limited is available from the Company Secretary at this address.

The Directors consider the ultimate controlling party to be funds advised by Charterhouse Capital Partners, CVC Capital Partners and Permira Advisers LLP acting in concert.

36. **Events after the reporting period**

Subsequent to the year end, the AA Intermediate Co Limited group issued £250 million of Class A4 notes with an interest rate of 3.78% and an expected maturity date of 31 July 2019. The proceeds from this note issuance were used to partially repay the Initial Senior Term Facility.

Contemporaneously, a New Senior Term Facility and New Working Capital Facility were put in place with the Group's key relationship banks replacing the Initial Senior Term Facility and Initial Working Capital Facility respectively.

The margin on the New Facilities has been set at 2% per annum over LIBOR with a maturity date of 31 January 2019.

Additional interest rate swaps have been entered into, fixing the rate of LIBOR at 1.9797% until 31 July 2018 and then at 2.9985% until 31 July 2019.

The roadside assistance contract with Lloyds Banking group (which makes up almost 10% of Group revenue) has now been renewed for five years from April 2014.

37. **Standards issued but not yet effective**

The following is a list of standards that are in issue but are not effective as at 31 January 2014 but have been endorsed for use in the EU. Accordingly, they have been adopted by the Group for the purpose of preparing the consolidated financial information:

- IFRS 10: Consolidated financial statements (effective 1 January 2014);
- IFRS 11: Joint arrangements (effective 1 January 2014);
- IFRS 12: Disclosure of interests in other entities (effective 1 January 2014);
- IAS 27: Amendment: Separate financial statements (effective 1 January 2014);
- IAS 28: Amendment: Investments in associates and joint ventures (effective 1 January 2014);
- IAS 32: Amendment: Offsetting financial assets and financial liabilities (effective 1 January 2014);
- IAS 36: Amendment: Recoverable amount disclosures for non-financial assets (effective 1 January 2014); and
- IAS 39: Amendment: Novation of derivatives and continuation of hedge accounting (effective 1 January 2014).

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial information is disclosed below. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

IFRS 9, "*Financial Instruments*" will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets and financial liabilities and hedge accounting. The timing of IFRS 9 is still uncertain and as such, the Group is monitoring developments and considering the associated impact on the Group's financial information.

The following standards are not expected to have a significant effect on the financial information:

- IAS 19: Amendment: Defined benefit plans: Employee contributions (effective 1 July 2014)
- IFRIC 21: Levies
- IFRS 14: Regulatory deferral accounts
- Amendments to IFRS 10, 12 and IAS 27: Investment entities

38. **Explanation of transition to Adopted IFRS**

As stated in note 1, the Group has applied IFRS 1 "*First-time adoption of International Financial Reporting Standards*" as the Group's most recent consolidated financial information was not prepared in accordance with Adopted IFRS.

The accounting policies set out in note 1 have been applied in preparing the financial information for the year ended 31 January 2014, the comparative information presented in this financial information for the years ended 31 January 2013 and 31 January 2012 and in the preparation of an opening IFRS balance sheet at 1 February 2011 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial information prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity at 1 February 2011 (transition date)

	Note	UK GAAP	Effect of transition to Adopted IFRS	Adopted IFRS
		(in millions of pounds)		
Non-current assets				
Goodwill	*a,b*	1,280.4	(86.7)	1,193.7
Other intangible assets	*e*	—	28.4	28.4
Property, plant and equipment	*e*	123.2	(28.4)	94.8
Investments in associates		2.5	—	2.5
Deferred tax assets	*f,g,j*	—	46.6	46.6
Other receivables	*h,n*	1.0	23.7	24.7
		1,407.1	**(16.4)**	**1,390.7**
Current assets				
Inventories		5.8	—	5.8
Trade and other receivables	*f,h,n*	330.0	(22.4)	307.6
Amounts owed by fellow subsidiary undertakings		731.0	—	731.0
Cash and cash equivalents	*n*	89.8	(31.0)	58.8
		1,156.6	**(53.4)**	**1,103.2**
Total assets		**2,563.7**	**(69.8)**	**2,493.9**
Current liabilities				
Trade and other payables	*a,m*	(523.0)	(11.7)	(534.7)
Amounts owed to parent undertaking		(1,760.9)	—	(1,760.9)
Current tax payable		(0.2)	—	(0.2)
Provisions	*i*	—	(9.8)	(9.8)
		(2,284.1)	**(21.5)**	**(2,305.6)**
Non-current liabilities				
Borrowings and loans		(195.5)	—	(195.5)
Finance lease obligations		(20.6)	—	(20.6)
Other liabilities	*a*	(9.9)	9.9	—
Defined benefit pension scheme liabilities	*j*	(93.1)	(21.5)	(114.6)
Provisions	*i*	(42.0)	9.8	(32.2)
Insurance technical provisions		(49.6)	—	(49.6)
		(410.7)	**(1.8)**	**(412.5)**
Total liabilities		**(2,694.8)**	**(23.3)**	**(2,718.1)**
Net liabilities		**(131.1)**	**(93.1)**	**(224.2)**
Equity				
Share capital		0.2	—	0.2
Share premium		0.8	—	0.8
Foreign currency translation reserve	*k*	0.4	(0.4)	—
Retained earnings	*a,b,g,k,m*	(132.5)	(92.7)	(225.2)
Total equity attributable to equity holders of the parent		**(131.1)**	**(93.1)**	**(224.2)**

Reconciliation of equity at 31 January 2013

	Note	UK GAAP	Effect of transition to Adopted IFRS	Adopted IFRS
		(in millions of pounds)		
Non-current assets				
Goodwill	*a,b,c,d*	1,100.5	97.3	1,197.8
Other intangible assets	*e*	0	39.5	39.5
Property, plant and equipment	*e*	126.0	(39.5)	86.5
Investments in associates		3.4	—	3.4
Deferred tax assets	*f,g,j*	—	48.0	48.0
Other receivables	*h,n*	1.0	8.6	9.6
		1,230.9	**153.9**	**1,384.8**
Current assets				
Inventories		5.3	—	5.3
Trade and other receivables	*f,h,n*	334.8	(18.9)	315.9
Amounts owed by fellow subsidiary undertakings		1,250.8	—	1,250.8
Cash and cash equivalents	*n*	43.6	(11.7)	31.9
		1,634.5	(30.6)	1,603.9
Total assets		**2,865.4**	**123.3**	**2,988.7**
Current liabilities				
Trade and other payables	*d,m*	(574.0)	(4.2)	(578.2)
Amounts owed to parent undertaking		(1,760.9)	—	(1,760.9)
Current tax payable		(7.0)	—	(7.0)
Provisions	*i*	—	(23.1)	(23.1)
		(2,341.9)	**(27.3)**	**(2,369.2)**
Non-current liabilities				
Borrowings and loans		(265.5)	—	(265.5)
Finance lease obligations		(13.6)	—	(13.6)
Other liabilities	*d*	(1.3)	1.3	—
Defined benefit pension scheme liabilities	*j*	(135.9)	(29.8)	(165.7)
Provisions	*i*	(49.8)	23.1	(26.7)
Insurance technical provisions		(3.2)	—	(3.2)
		(469.3)	(5.4)	(474.7)
Total liabilities		**(2,811.2)**	**(32.7)**	**(2,843.9)**
Net assets		**54.2**	**90.6**	**144.8**
Equity				
Share capital		0.2		0.2
Share premium		0.8		0.8
Foreign currency translation reserve	*k*	(0.6)	(0.4)	(1.0)
Retained earnings	*b,c,d,g,k,m*	53.8	91.0	144.8
Total equity attributable to equity holders of the parent		**54.2**	**90.6**	**144.8**

Reconciliation of profit for the year ended 31 January 2013

	Note	UK GAAP	Effect of transition to Adopted IFRS	Adopted IFRS
		(in millions of pounds)		
Revenue		968.0	—	968.0
Cost of sales		(349.4)	—	(349.4)
Gross profit		618.6	—	618.6
Other operating income		1.4	—	1.4
Administrative and marketing expenses	*c,d*	(391.3)	91.2	(300.1)
Operating profit before share of profits of associates		228.7	91.2	319.9
Share of profits in associates, net of tax		0.7	—	0.7
Operating profit		229.4	91.2	320.6
Profits on disposal of joint venture		3.1	—	3.1
Finance costs	*j,l*	(43.0)	(6.0)	(49.0)
Finance income	*l*	—	0.3	0.3
Profit before tax		189.5	85.5	275.0
Tax expense	*g,j*	(69.0)	1.4	(67.6)
Profit for the year		**120.5**	**86.9**	**207.4**

Explanation of reconciling items between UK GAAP and IFRS

(a) On transition to IFRS, the Group has taken full advantage of the exemption from IFRS 3 "*Business Combinations*" provided in IFRS 1 "*First-time adoption of International Financial Reporting Standards*". Any unamortised goodwill at 1 February 2011 has been carried forward at cost, subject to impairment testing on transition to IFRS. Goodwill originally reported under UK GAAP of £1,280.4 million has been adjusted to recognise contingent consideration at fair value on transition to IFRS of £1.5 million and impairment on transition to IFRS of £85.2 million as described below.

(b) Under IFRS, goodwill is allocated to segments and certain business units. At the date of transition to IFRS, the Group performed an impairment test on goodwill and wrote off goodwill totalling £85.2 million related to the Personal Finance joint venture (£72.5 million), the glass business unit (£5.8 million) and the travel insurance business unit (£6.9 million).

(c) Under UK GAAP, goodwill arising on business combinations (including the acquisition of the AA Group in 2004) was amortised. Goodwill has been increased by £185.9 million at 31 January 2013 to eliminate this amortisation. In the income statement for the year ended 31 January 2013, amortisation of intangible assets decreased by £93.0 million.

(d) Business combinations after the transition date have been restated in accordance with IFRS 3. Goodwill has reduced by £3.4 million at 31 January 2013, with a decrease in other liabilities of £0.4 million at 31 January 2013. In the income statement for the year ended 31 January 2013, acquisition earn-out costs increased by £1.8 million.

(e) In accordance with IFRS, capitalised software costs have been reclassified from plant and equipment to intangible assets. The impact of the reclassification on transition was £28.4 million (31 January 2013: £39.5 million). The software depreciation charge of £9.8 million under UK GAAP for the year ended 31 January 2013 has been reclassified as amortisation with no net effect on the Group's income statement.

(f) Under UK GAAP, a deferred tax asset (excluding that relating to the pension scheme liability) is shown within current assets but is separately disclosed as an asset greater than one year. Under IFRS, this asset is shown as a non-current asset. At 1 February 2011, £29.7 million has been reclassified (January 2013: £22.0 million).

(g) The adoption of IAS 12 has decreased the deferred tax asset by £4.5 million (January 2013: decreased by £3.8 million). The impact on the income statement in 2013 is a reduction in the tax charge of £0.3 million.

(h) Under UK GAAP, other fixed asset investments included £1.0 million (January 2013: £1.0 million) that have been reclassified as current other receivables under IFRS.

(i) In accordance with IFRS, provisions have been split between current and non-current on the face of the balance sheet. At 1 February 2011, £9.8 million (31 January 2013: £23.1 million) has been reclassified as a current provision.

(j) Accounting for pensions in accordance with IAS 19 "*Employee Benefits*" is different from FRS 17 "*Retirement benefits*". The main differences are:

- Under IFRS 17, pension balances are presented net of deferred tax on the face of the balance sheet. Under IFRS these balances are shown separately, as a liability for the pension scheme and as an asset for deferred tax. As a result, the Group's retirement benefit obligation at 1 February 2011 increased by £21.5 million (31 January 2013: £29.8 million) and the non-current deferred tax asset increased by £21.5 million (31 January 2013: £29.8 million).
- In the income statement for the year ended 31 January 2013, finance costs increased by £5.7 million and remeasurement gains/(losses) on defined benefit plans in the statement of other comprehensive income decreased by £5.7 million. The associated deferred tax of £1.1 million has been reclassified from the income statement and the statement of other comprehensive income.

(k) The Group has taken advantage of the relief available in IFRS 1 to deem cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRS.

(l) Under UK GAAP, finance income and finance costs are presented net in the profit and loss accounts. For the year ended 31 January 2013, £0.3 million has been reclassified from finance costs to finance income.

(m) Other adjustments on transition to IFRS include £3.3 million relating to adjustments to accruals and deferred income.

(n) Balances included in cash under UK GAAP have been reclassified under IFRS as non-current fixed term investments (1 February 2011: £24.7 million; 31 January 2013: £9.6 million) and current short-term deposits (1 February 2011: £6.3 million; 31 January 2013: £2.1 million).

PART B
Consolidated Financial Information as at and for the three month periods ended 30 April 2013 and 2014

CONSOLIDATED INCOME STATEMENT

	Note	Three months ended April 2014	Three months ended April 2013
		(in millions of pounds)	
Revenue	2	239.3	238.2
Cost of sales		(84.0)	(85.3)
Gross profit		155.3	152.9
Other operating income		0.1	—
Administrative & marketing expenses		(65.4)	(68.6)
Share of profits of associates, net of tax		—	—
Operating profit		90.0	84.3
Trading EBITDA	2	103.0	98.9
Items not allocated to a segment	2	(0.8)	(3.3)
Amortisation of intangible assets	7	(3.4)	(2.8)
Depreciation	8	(7.0)	(6.8)
Acquisition earn-out costs		—	(0.5)
Exceptional items	2	(1.8)	(1.2)
Operating profit		90.0	84.3
Finance costs	3(a)	(60.9)	(13.0)
Finance income	3(b)	0.1	—
Profit before tax		29.2	71.3
Tax expense	4	(5.7)	(16.9)
Profit for the period		**23.5**	**54.4**

Earnings per share:

	Note	Three months ended April 2014	Three months ended April 2013
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (pence)	9	**11.7**	27.0
Adjusted and diluted adjusted, underlying profit for the period attributable to ordinary equity holders of the parent (pence)	9	**12.7**	28.9

The notes on pages 151 to 159 form part of this condensed financial information.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	Three months ended April 2014	Three months ended April 2013
		(in million of pounds)	
Profit for the period		23.5	54.4
Other comprehensive income on items that are or maybe reclassified to profit and loss in subsequent years			
Exchange differences on translation of foreign operations		(0.1)	—
Effective portion of changes in fair value of cash flow hedges		0.6	—
		0.5	—
Other comprehensive income on items that are not to be reclassified to profit and loss in subsequent years			
Remeasurement losses on defined benefit schemes		(27.0)	(84.2)
Tax effect		5.4	19.2
		(21.6)	(65.0)
Total other comprehensive income		(21.1)	(65.0)
Total comprehensive income for the period		**2.4**	**(10.6)**

The notes on pages 151 to 159 form part of this condensed financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2014	As at 30 April 2013	As at 31 January 2014
			(in millions of pounds)	
Non-current assets				
Goodwill and other intangible assets	7	1,247.7	1,237.5	1,245.7
Property, plant and equipment	8	73.2	82.0	77.3
Investments in associates		3.5	3.4	3.5
Deferred tax assets	4	38.9	67.9	36.4
Other receivables	9	9.9	9.6	6.4
		1,373.2	1,400.4	1,369.3
Current assets				
Inventories		5.2	5.0	4.9
Trade and other receivables	9	166.2	181.2	162.9
Amounts owed by fellow subsidiary undertakings	10	—	1,329.8	—
Cash and cash equivalents	11	272.2	41.3	203.2
		443.6	1,557.3	371.0
Total assets		1,816.8	2,957.7	1,740.3
Current liabilities				
Trade and other payables	12	(504.0)	(477.6)	(461.9)
Amounts owed to parent undertaking	10	—	(1,760.9)	—
Current tax payable		(0.2)	(0.3)	—
Provisions		(11.2)	(14.8)	(11.9)
		(515.4)	(2,253.6)	(473.8)
Non-current liabilities				
Borrowings and loans	13	(3,357.6)	(275.6)	(3,351.4)
Finance lease obligations		(7.8)	(10.7)	(7.9)
Defined benefit pension scheme liabilities	15	(292.7)	(254.3)	(265.5)
Provisions		(14.9)	(26.3)	(15.7)
Insurance technical provisions		(4.2)	(3.0)	(4.2)
		(3,677.2)	(569.9)	(3,644.7)
Total liabilities		(4,192.6)	(2,823.5)	(4,118.5)
Net (liabilities)/assets		(2,375.8)	134.2	(2,378.2)
Equity				
Share capital		0.2	0.2	0.2
Share premium		0.8	0.8	0.8
Foreign currency translation reserve		(1.2)	(1.0)	(1.1)
Cashflow hedge reserve		(5.6)	—	(6.2)
Retained earnings		(2,370.0)	134.2	(2,371.9)
Total equity attributable to equity holders of the parent		**(2,375.8)**	**134.2**	**(2,378.2)**

The notes on pages 151 to 159 form part of this condensed financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent					
	Issued capital	Share premium	Currency translation reserve	Cashflow hedging reserve	Retained earnings	Total
	(in millions of pounds)					
At 1 February 2013	0.2	0.8	(1.0)	—	144.8	144.8
Profit for the period	—	—	—	—	54.4	54.4
Other comprehensive income	—	—	—	—	(65.0)	(65.0)
Total comprehensive income	—	—	—	—	(10.6)	(10.6)
At 30 April 2013	0.2	0.8	(1.0)	—	134.2	134.2
At 1 February 2014	0.2	0.8	(1.1)	(6.2)	(2,371.9)	(2,378.2)
Profit for the period	—	—	—	—	23.5	23.5
Other comprehensive income	—	—	(0.1)	0.6	(21.6)	(21.1)
Total comprehensive income	—	—	(0.1)	0.6	1.9	2.4
At 30 April 2014	0.2	0.8	(1.2)	(5.6)	(2,370.0)	(2,375.8)

The notes on pages 151 to 159 form part of this condensed financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Three months ended April 2014	Three months ended April 2013
		(in millions of pounds)	
Net cash flows from operating activities before tax	6	91.4	105.6
Tax paid		—	(7.0)
Net cash flows from operating activities		91.4	98.6
Investing activities			
Software development expenditure		(5.4)	(3.0)
Purchase of property, plant and equipment		(2.1)	(2.5)
Acquisition of subsidiaries, net of cash acquired		(0.2)	—
Interest received		0.2	—
Net cash flows used in investing activities		(7.5)	(5.5)
Financing activities			
Interest paid on borrowings		(12.2)	—
Payment of finance lease capital and interest		(2.7)	(6.7)
Payments to group treasury		—	(79.0)
Net cash flows from financing activities		(14.9)	(85.7)
Net increase in cash and cash equivalents		69.0	7.4
Net foreign exchange differences		—	(0.1)
Cash and cash equivalents at the beginning of the period		203.2	34.0
Cash and cash equivalents	**11**	**272.2**	**41.3**

The notes on pages 151 to 159 form part of this condensed financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. **Basis of preparation**

(a) **Accounting policies**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34). Accordingly, they do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 January 2014.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 January 2014 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have been applied consistently across all periods.

(b) **Going concern**

The Group has long-term contracts with a number of suppliers across different industries and is strongly cash generative. The Group's borrowings are long-term in nature and in addition to the cash balances at the reporting date the Group has agreed undrawn credit facilities. The Directors have considered this along with projected cash flows and have concluded that the Group has sufficient funds to continue trading for the foreseeable future. Therefore, the interim condensed consolidated financial statements have been prepared using the going concern basis.

(c) **Segmental analysis**

The nature of the Group's operations means that for management's decision making and internal performance management the key performance metric is earnings before interest, tax, depreciation and amortisation (EBITDA) by trading segment which excludes certain unallocated items (referred to as Trading EBITDA). Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one-off in nature. Trading EBITDA is further analysed as part of the segmental analysis in note 2.

(d) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. **Segmental information**

	Three months ended April 2014	Three months ended April 2013
	(in millions of pounds)	
Revenue		
Roadside assistance	171.3	171.4
Insurance services	37.0	37.5
Driving services	21.6	19.6
Ireland	9.2	9.7
Insurance underwriting	0.2	—
Total Revenue	239.3	238.2
Trading EBITDA		
Roadside assistance	85.4	83.0
Insurance services	22.1	21.1
Driving services	4.2	3.7
Ireland	2.9	3.1
Insurance underwriting	—	—
Head office costs	(11.6)	(12.0)
Total Trading EBITDA	103.0	98.9
Amortisation of intangible assets	(3.4)	(2.8)
Depreciation	(7.0)	(6.8)
Acquisition earn-out costs	—	(0.5)
Exceptional items	(1.8)	(1.2)
Other items not allocated to a segment	(0.8)	(3.3)
Operating profit	**90.0**	**84.3**
Net finance costs	(60.8)	(13.0)
Profit before tax	**29.2**	**71.3**

With the exception of Ireland, all other segments operate wholly in the UK. Turnover by destination is not materially different from turnover by origin.

For management purposes, the Group is organised into business units based on their products and services, with the exception of Ireland, which represents a separate geographical area. The Group has six reportable operating segments as follows:

- Roadside assistance: This segment is the largest part of the AA business. The AA provides a nationwide service, sending patrols out to members stranded at the side of the road, repairing their vehicles where possible and getting them back on their way quickly and safely.
- Insurance services: This segment includes the insurance brokerage activities of the AA, primarily in arranging motor and home insurance for customers, its home emergency activities and its intermediary financial services business.
- Driving services: This segment contains the AA Driving School and the British School of Motoring, which are the two largest driving schools in the UK, as well as AA Drivetech, which provides driver training and educative programmes. The driving services segment also includes the AA's publishing and related media activities.
- Ireland: This segment competes in the same segment types as the AA UK business, with the largest part of its business being Roadside Assistance and Insurance Services.
- Insurance underwriting: This segment consists of a reinsurance company, which historically reinsured certain private motor insurance business from the Acromas group's dedicated underwriter, Acromas Insurance Company Limited (AICL).
- Head office costs: This segment includes IT, finance, property and other back office support functions.

Segment performance is primarily evaluated using the Group's key performance measure of Trading EBITDA.

Trading EBITDA is profit after tax as reported adjusted for depreciation, amortisation, net finance costs, taxation, exceptional items, acquisition earn-out costs, items not allocated to a segment and profit on disposal of joint venture.

Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one–off in nature. In the three months ended 30 April 2014 these principally relate to the difference between the cash contributions to the pension schemes for on-going service and the calculated annual service cost.

Depreciation, amortisation, net finance costs, profit on disposal of joint venture, exceptional items, net finance costs and tax expense are not allocated to individual segments as they are managed on a group basis.

3.

(a) **Finance costs**

	Three months ended April 2014	**Three months ended April 2013**
	(in millions of pounds)	
Interest on external borrowings	54.1	—
Finance charges payable under finance leases	0.5	0.7
Total cash finance costs	54.6	0.7
Interest on shareholder loans	—	10.0
Amortisation of debt issue fees	3.5	—
Net finance expense on defined benefit pension schemes	2.8	2.2
Unwinding of discount and effect of changes in discount rate on provisions	—	0.1
Total non-cash finance costs	6.3	12.3
Total finance costs	**60.9**	**13.0**

Cash at bank and in hand—restricted (see note 11) includes an amount of pre-funded interest to cover interest payments on the PIK notes until June 2015.

Shareholder loans were fully repaid on 2 July 2013 (see note 13) and no further interest was incurred after this date.

(b) **Finance income**

	Three months ended April 2014	**Three months ended April 2013**
	(in millions of pounds)	
Interest receivable	0.1	—
Total finance income	**0.1**	**—**

4. **Tax**

The major components of the income tax expense are:

	Three months ended April 2014	**Three months ended April 2013**
	(in millions of pounds)	
Consolidated income statement		
Current income tax		
Current income tax charge	**2.9**	**17.2**
Deferred tax		
Relating to origination and reversal of temporary differences—current year	2.8	(0.3)
Tax expense in the income statement at an effective rate of 19.5% (April 2013: 23.7%)	5.7	16.9

Tax for the period has been calculated by applying the forecast effective tax rate for the full year to the profit before tax result for the period.

Following the asset-backed funding arrangements on the AA UK pension scheme detailed in note 15, there was a £39.5 million release of the AA UK pension deferred tax asset during the year to 31 January 2014. Of this, the Group had a deferred tax asset for losses carried forward of £12.9 million which are expected to be fully utilised in the year ending 31 January 2015.

5. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. There is no difference between basic earnings per share and diluted earnings per share.

	Three months ended April 2014	Three months ended April 2013
Basic earnings per share:		
Profit after tax (£m)	23.5	54.4
Weighted average number of shares outstanding (thousands)	2,015	2,015
Basic earnings per share (pence)	**11.7**	**27.0**

Reconciliation of reported earnings per share to adjusted earnings per share:

	Three months ended April 2014	Three months ended April 2013
	(in millions of pounds)	
Profit after tax as reported	23.5	54.4
Adjusted for:		
Exceptional items	1.8	1.2
Acquisition earn-out costs	—	0.5
Items not allocated to a segment	0.8	3.3
Tax expense	5.7	16.9
Underlying profit before tax	31.8	76.3
Tax at the effective rate of 19.5% (April 2013: 23.7%)	(6.2)	(18.1)
Underlying profit	25.6	58.2
Weighted average number of shares outstanding (thousands)	2,015	2,015
Adjusted earnings per share (pence)	12.7	28.9

6. Cash flow from operating activities

	Three months ended April 2014	Three months ended April 2013
	(in millions of pounds)	
Profit before tax	29.2	71.3
Amortisation of intangibles	3.4	2.8
Depreciation of tangible fixed assets	7.0	6.8
Finance costs	60.9	13.0
Finance income	(0.1)	—
Other operating income	(0.1)	—
Working capital adjustments:		
(Increase)/decrease in inventories	(0.2)	0.3
(Increase)/decrease in trade and other receivables	(3.8)	16.6
(Decrease)/increase in trade and other payables	(0.7)	1.7
(Decrease) in provisions	(1.5)	(8.8)
(Decrease) in insurance technical provisions	—	(0.2)
Difference between pension charge and cash contributions	(2.7)	2.1
Net cash flows from operating activities before tax	91.4	105.6
Tax paid	—	(7.0)
Net cash flows from operating activities	91.4	98.6

7. **Goodwill and other intangible fixed assets**

	Goodwill	Software	Total
	(in millions of pounds)		
Cost			
At 1 February 2013	1,197.8	80.3	1,278.1
Additions	—	3.0	3.0
Disposals	—	—	—
At 30 April 2013	**1,197.8**	**83.3**	**1,281.1**
Cost			
At 1 February 2014	1,198.5	100.1	1,298.6
Additions	—	5.4	5.4
Disposals	—	—	—
At 30 April 2014	**1,198.5**	**105.5**	**1,304.0**
Amortisation and impairment			
At 1 February 2013	—	40.8	40.8
Amortisation	—	2.8	2.8
Disposals	—	—	—
At 30 April 2013	**—**	**43.6**	**43.6**
At 1 February 2014	—	52.9	52.9
Amortisation	—	3.4	3.4
Disposals	—	—	—
At 30 April 2014	**—**	**56.3**	**56.3**
Net book value			
At 30 April 2014	**1,198.5**	**49.2**	**1,247.7**
At 30 April 2013	1,197.8	39.7	1,237.5
At 31 January 2014	1,198.5	47.2	1,245.7

8. Property, plant and equipment

	Freehold Land & Buildings	Long Leasehold Land & Buildings	Vehicles	Plant & equipment	Total
	(in millions of pounds)				
Cost or valuation					
At 1 February 2013	23.9	8.3	69.4	97.1	198.7
Additions	—	0.1	—	2.2	2.3
Disposals	—	—	(0.1)	(0.1)	(0.2)
Exchange adjustments	—	—	—	(0.1)	(0.1)
At 30 April 2013	**23.9**	**8.4**	**69.3**	**99.1**	**200.7**
At 1 February 2014	23.9	10.4	66.3	104.0	204.6
Additions	—	0.3	0.5	2.1	2.9
Disposals	—	—	(5.4)	—	(5.4)
Exchange adjustments	—	—	—	—	—
At 30 April 2014	**23.9**	**10.7**	**61.4**	**106.1**	**202.1**
Depreciation and impairment					
At 1 February 2013	4.9	2.9	37.1	67.3	112.2
Charges for the period	0.2	0.1	3.6	2.9	6.8
Disposals	—	—	(0.1)	(0.1)	(0.2)
Exchange adjustments	—	—	—	(0.1)	(0.1)
At 30 April 2013	5.1	3.0	40.6	70.0	118.7
At 1 February 2014	5.5	3.4	39.9	78.5	127.3
Charge for the period	0.2	0.1	3.8	2.9	7.0
Disposals	—	—	(5.4)	—	(5.4)
Exchange adjustments	—	—	—	—	—
At 30 April 2014	**5.7**	**3.5**	**38.3**	**81.4**	**128.9**
Net book value					
At 30 April 2014	18.2	7.2	23.1	24.7	73.2
At 30 April 2013	18.8	5.4	28.7	29.1	82.0
At 31 January 2014	**18.4**	**7.0**	**20.4**	**25.5**	**77.3**

9. Trade and other receivables

	April 2014	April 2013	January 2014
	(in millions of pounds)		
Current			
Trade receivables	141.1	144.7	134.1
Prepayments and accrued income	19.0	20.0	21.9
Trade receivables from fellow subsidiary undertakings	0.3	1.9	0.8
Other receivables	5.8	14.6	6.1
	166.2	**181.2**	**162.9**
Non-current			
Interest rate swap derivatives	4.9	—	1.4
Fixed term investments—restricted (see note 11)	5.0	9.6	5.0
	9.9	**9.6**	**6.4**

Trade receivables from fellow subsidiary undertakings at April 2014 and January 2014 are unsecured, payable within one month and bear no interest (April 2013: unsecured, bear no interest and have no repayment terms).

10. **Amounts owed by/to other group undertakings**

	April 2014	April 2013	January 2014
	(in millions of pounds)		
Amounts owed by fellow subsidiary undertakings	—	1,329.8	—

Until the refinancing which took place in July 2013, amounts owed by fellow subsidiary undertakings mainly arose as the Group's cash balances were swept centrally to the Acromas group treasury in order to efficiently manage all of the Acromas Holdings Limited group cash balances. These amounts were settled as part of the refinancing in 2013.

Since the refinancing, the Group's cash balances are no longer swept by Acromas treasury.

	April 2014	April 2013	January 2014
	(in millions of pounds)		
Amounts owed to parent undertaking	—	(1,760.9)	—

Upon the acquisition of the Group by Acromas Bid Co Limited the external bank debt outstanding at the time was repaid using funds loaned by Acromas Bid Co Limited. These amounts were unsecured, had no repayment terms, bore no interest and were settled as part of the refinancing.

11. **Cash and cash equivalents**

	April 2014	April 2013	January 2014
	(in millions of pounds)		
Cash at bank and in hand—available	197.4	17.7	129.1
Cash at bank and in hand—restricted	74.8	23.6	74.1
Cash and cash equivalents	**272.2**	**41.3**	**203.2**

Cash at bank and in hand—restricted includes £55.4m (April 2013: £nil; January 2014: £55.4m) held as pre-funded interest to cover interest payments on the PIK notes (see note 14) until June 2015 and cannot be used for any other purpose.

Cash at bank and in hand, short term deposits and fixed term investments (see note 9) include £24.4m (April 2013: £33.2m; January 2014: £23.7m) held by and on behalf of the Group's insurance businesses which are subject to contractual or regulatory restrictions. These amounts are not readily available to be used for other purposes within the Group.

12. **Trade and other payables**

	April 2014	April 2013	January 2014
	(in millions of pounds)		
Current			
Trade payables	106.1	111.9	102.3
Trade payables owed to group undertakings	15.3	35.4	12.8
Other taxes and social security costs	20.9	23.9	21.1
Accruals and deferred income	266.8	257.7	273.6
Other payables	30.5	34.0	28.2
Interest payable	53.8	—	11.8
Obligations under finance lease agreements	10.6	14.7	12.1
	504.0	477.6	461.9

Trade payables owed to group undertakings as at April 2014 and January 2014 arose under arrangements permitted by the financing transaction documents. These amounts are unsecured, are payable between one and three months and bear no interest (April 2013: unsecured, bear no interest and had no repayment terms).

13. **Borrowings and loans**

	April 2014	April 2013	January 2014
	(in millions of pounds)		
Borrowings (see note 14)	3,345.7	—	3,342.2
Shareholder loans due to parent undertaking	—	275.6	—
Interest rate swap used for hedging	11.9	—	9.2
	3,357.6	275.6	3,351.4

As part of the acquisition of the Group, Acromas Bid Co Limited acquired the subordinated preference certificates that were previously held by third parties. The terms of these instruments were unchanged with interest charged at an effective rate of 16.5% per annum being added to the loan value each year. The certificates were unsecured and were repaid in full as part of the refinancing.

14. **Borrowings**

	Expected maturity date	Interest rate	Principal	Issue costs	Amortised issue costs	Total as at 30 April 2014	Total as at 31 January 2014
Senior Term Facility	31 July 2018	Variable	913.0	(46.4)	28.5	895.1	893.0
Class A1 notes	31 July 2018	4.72%	475.0	(3.0)	0.6	472.6	472.4
Class A2 notes	31 July 2025	6.27%	500.0	(0.8)	0.1	499.3	499.3
Class A3 notes	31 July 2020	4.25%	500.0	(2.8)	0.2	497.4	497.3
Class B notes	31 July 2019	9.50%	655.0	(21.4)	2.9	636.5	635.7
PIK notes	6 November 2019	9.50%	350.0	(5.7)	0.5	344.8	344.5
		5.97%	**3,393.0**	**(80.1)**	**32.8**	**3,345.7**	**3,342.2**

A summary of the Group's refinancing transactions since July 2013 is shown below:

	Senior term facility	Class A1	Class A2	Class A3	Class B	PIK	Total
	(in millions of pounds)						
Issue date:							
2 July 2013	1,775.0	300.0	325.0	—	655.0	—	3,055.0
27 August 2013	(362.0)	175.0	175.0	—	—	—	(12.0)
29 November 2013	(500.0)	—	—	500.0	—	—	—
7 November 2013	—	—	—	—	—	350.0	350.0
Total	**913.0**	**475.0**	**500.0**	**500.0**	**655.0**	**350.0**	**3,393.0**

At 30 April 2014, the Senior Term Facility carried interest at a rate of LIBOR plus a margin of 3%. The margin increases by 0.5% every six months from 1 July 2014. The variable element has been fully hedged using matching interest rate swap arrangements. All other borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 5.97% has been calculated using the effective interest rate and carrying values on 30 April 2014.

In order to show the Group's net borrowing, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings.

All of the Class A notes and Senior Term Facility are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co group's assets ranks ahead of the Class B notes. The Class B notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co group, AA Mid Co Limited. There are restrictions on the ability of the AA Mid Co Limited group to pay a dividend until certain net debt to EBITDA ratios have been achieved. The PIK notes are unsecured.

The Class B notes and the PIK notes have an initial non-call period of up to two years from the period end when no voluntary repayments can be made, after this there is a two year period when any voluntary early repayments would incur a make-whole payment. The Class A notes do not have a non-call period, however any voluntary early repayments would incur a make-whole payment.

As at 30 April 2013, there were no external borrowings.

15. **Pensions**

The Group operates two funded defined benefit pension schemes: the AA UK Pension scheme (AAUK) and the AA Ireland Pension scheme (AAROI). The assets of the schemes are held separately from those of the Group in independently administered funds. New entrants to the AAUK scheme accrue benefits on a career average salary basis. The AAUK scheme has final salary sections that are closed to new entrants but open to future accrual for existing members. The AAROI scheme is closed to new entrants and future accrual of benefits. The Group also operates an unfunded post-retirement Private Medical Plan scheme (AAPMP), which is a defined benefit scheme that is not open to new entrants.

In November 2013, the Group completed the AAUK pension scheme triennial valuations agreeing a deficit of £202m with the pension trustees and implementing an asset backed funding scheme. The asset backed funding scheme provides a long-term deficit reduction plan where the Group has an annual deficit reduction contribution of £12.2m increasing with inflation, over a period of up to 25 years secured on the Group's brands and gave a one-off £198.0m tax deduction that the Group will finish utilising this year.

The amounts recognised in the balance sheet are as follows:

	As at 30 April 2014			
	AAUK	**AA ROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Present value of the defined benefit obligation in respect of pension plans	(1,823.9)	(44.3)	(45.1)	(1,913.3)
Fair value of plan assets	1,586.9	33.7	—	1,620.6
Deficit	**(237.0)**	**(10.6)**	**(45.1)**	**(292.7)**

	As at 30 April 2013			
	AAUK	**AAROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Present value of the defined benefit obligation in respect of pension plans	(1,750.0)	(60.0)	(50.0)	(1,860.0)
Fair value of plan assets	1,570.0	35.7	—	1,605.7
Deficit	**(180.0)**	**(24.3)**	**(50.0)**	**(254.3)**

	As at 31 January 2014			
	AAUK	**AAROI**	**AAPMP**	**Total**
	(in millions of pounds)			
Present value of the defined benefit obligation in respect of pension plans	(1,759.7)	(42.0)	(44.0)	(1,845.7)
Fair value of plan assets	1,546..8	33.4	—	1,580.2
Deficit	**(212.9)**	**(8.6)**	**(44.0)**	**(265.5)**

16. **Events after the reporting period**

Subsequent to the period end, AA Intermediate Co Limited group issued £250 million of Class A4 notes with an interest rate of 3.781% and an expected maturity date of 31 July 2019. The proceeds from this note issuance were used to partially repay the Initial Senior Term Facility.

Contemporaneously, a New Senior Term Facility and New Working Capital Facility were put in place with the Group's key relationship banks replacing the Initial Senior Term Facility and Initial Working Capital Facility respectively.

The margin on the New Facilities has been set at 2% per annum over LIBOR with a maturity date of 31 January 2019.

Additional interest rate swaps have been entered into, fixing the rate of LIBOR at 1.9797% until 31 July 2018 and then at 2.9985% until 31 July 2019.

PART 15
UNAUDITED PRO FORMA FINANCIAL INFORMATION

Part A: Accountants Report

The Directors
AA plc
Fanum House
Basing View
Basingstoke
Hampshire
RG21 4EA

23 June 2014

Dear Sirs

We report on the pro forma financial information (the "Pro Forma Financial Information") set out in Part 15: Unaudited Pro Forma Financial Information of the Prospectus dated 23 June 2014, which has been prepared on the basis described in notes 1 to 6, for illustrative purposes only, to provide information about how the Offer, the redemption of existing financing and proceeds of new financing might have affected the financial information presented on the basis of the accounting policies adopted by AA plc being those adopted in preparing the AA Limited historical financial information for the three months ended 30 April 2014 included in the Prospectus. This report is required by item 7 of Annex II of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of AA plc to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex II of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of AA plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of AA plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a. the Pro Forma Financial Information has been properly compiled on the basis stated; and

b. such basis is consistent with the accounting policies of AA plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

Part B: Unaudited Pro Forma Financial Information

The unaudited pro forma statement of net liabilities set out below has been prepared to illustrate the effect on the Group's net liabilities of the Offer, the redemption of existing financing and proceeds of new financing, as if they had taken place on 30 April 2014. This unaudited pro forma statement of net liabilities has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma statement of net liabilities is compiled on the basis set out below from the IFRS consolidated statement of the financial position of the Group as at 30 April 2014, as set out in Part 14: Historical Financial Information. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II of Commission Regulation (EC) No. 809/2004.

	As at 30 April 2014 (note 1)	Adjustments: IPO net proceeds (note 2)	Adjustments: Refinancing (notes 3, 4, 5 and 6)	Unaudited Proforma Total
		(in millions of pounds)		
Non-current assets				
Goodwill and other intangible assets	1,247.7			1,247.7
Property, plant and equipment	73.2			73.2
Investments in associates	3.5			3.5
Deferred tax assets	38.9			38.9
Other receivables	9.9			9.9
	1,373.2			1,373.2
Current assets				
Inventories	5.2			5.2
Trade and other receivables	166.2			166.2
Cash and cash equivalents	272.2	184.7	(5.9)	451.0
	443.6	**184.7**	**(5.9)**	622.4
Total assets	1,816.8	**184.7**	**(5.9)**	1,995.6
Current liabilities				
Trade and other payables	(504.0)			(504.0)
Amounts owed to parent undertaking	—			—
Current tax payable	(0.2)		3.8	3.6
Provisions	(11.2)			(11.2)
	(515.4)		**3.8**	(511.6)
Non-current liabilities				
Senior Term Facility	(913.0)		250.0	(663.0)
Interest Rate Hedges	(11.9)			(11.9)
Class A Notes	(1,475.0)		(250.0)	(1,725.0)
Class B Notes	(655.0)			(655.0)
PIK Notes	(350.0)			(350.0)
Unamortised Issue Costs	47.3		(12.0)	35.3
Finance lease obligations	(7.8)			(7.8)
Defined benefit pension scheme liabilities	(292.7)			(292.7)
Provisions	(14.9)			(14.9)
Insurance technical provisions	(4.2)			(4.2)
	(3,677.2)		**(12.0)**	(3,689.2)
Total liabilities	(4,192.6)		**(8.2)**	(4,200.8)
Net liabilities	(2,375.8)	**184.7**	**(14.1)**	(2,205.2)

Notes:

(1) The financial information has been extracted without material adjustment from the Statement of Financial Position for AA Limited as at 30 April 2014, as set out in Part 14: Historical Financial Information

(2) The Offer will raise net proceeds to the Company of approximately £184.7 million after the deduction of estimated cash fees and expenses in connection with the offer of £17.1 million.

(3) Adjustments have been made to reflect the recently completed refinancing of the Initial Senior Term Facility, where a new £663 million facility was entered into, with the remainder of the Initial Senior Term Facility being repaid with the proceeds of a further issuance of Class A Notes (see note 4 for details). The refinancing resulted in the unamortised issue costs relating to the Initial Senior Term Facility of £17.9 million being written off and the £5.9 million of estimated issue costs relating to the New Senior Term Facility and Class A Notes issue being included within the unamortised issue costs.

(4) The Group issued £250 million of Class A4 Fixed Rate Notes with a coupon of 3.781% and an expected maturity date of 31 July 2019 and a final maturity date of 31 July 2043. The first coupon is due on this instrument in July 2014.

(5) The Group also entered into an interest rate swap to reduce the existing hedging of the floating rate debt to reflect the reduced New Senior Term Facility exposure. This swap has a notional amount of £250 million, a termination date of 31 July 2018 and a fixed rate of 1.6352%. The impact of these swaps is to fix the rate of LIBOR at 1.9797% until 31 July 2018.

(6) The tax benefit of £3.8 million relating to the write off of unamortised issue costs has been recognised at the UK corporation tax rate for the year ending 31 January 2015. The tax deduction relating to the issue costs of the new facilities will be recognised over the term of the relevant borrowings.

Other than the adjustments detailed above, no other adjustments have been made for events occurring after 30 April 2014.

PART 16
TAXATION

1. UNITED KINGDOM TAXATION

1.1 General

The following is a summary of certain UK tax considerations relating to an investment in the Company's Shares. The following statements are only a guide to the general position and are based on current UK taxation legislation and published practice of UK HM Revenue & Customs ("**HMRC**"), both of which are subject to change, possibly with retrospective effect. Except where the position of non-UK residents is expressly referred to, these statements relate solely to persons who are resident (and, in the case of individuals, domiciled) solely in the UK for UK tax purposes, who do not have a permanent establishment or fixed base outside the UK with which the holding of shares is connected, who are the beneficial owners of Shares, who hold their Shares as an investment (other than under an individual savings account) and not as trading stock and who have not (and are not deemed to have) acquired their Shares by reason of an office or employment. The comments below may not apply to certain classes of shareholders such as (but not limited to) dealers in securities, insurance companies and collective investment schemes. If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction other than the UK, you should consult your own professional advisers.

1.2 Dividends

Under current UK taxation legislation, no tax will be withheld at source from dividend payments by the Company.

1.2.1 *Individuals*

UK-resident individual shareholders who receive a dividend from the Company will generally be entitled to a tax credit, which can be set off against the individual's income tax liability on the dividend payment. The rate of tax credit on dividends paid by the Company will be 10 per cent. of the total of the dividend payment and the tax credit (the "gross dividend"), or one-ninth of the dividend payment. UK-resident individual shareholders will generally be taxable on the gross dividend, which will be regarded as the top slice of the shareholder's income. UK-resident individual shareholders who are not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit. In the case of a UK-resident individual shareholder who is liable to income tax only at the basic rate (taking account of the gross dividend he or she receives), the tax credit will satisfy in full such shareholder's liability to income tax. To the extent that a UK-resident individual shareholder's income (including the gross dividend) exceeds the threshold for higher rate income tax, such shareholder will be subject to income tax on the gross dividend at 32.5 per cent. but will be able to set the tax credit off against this liability. An individual shareholder who is liable to income tax on the dividend wholly at the higher rate will therefore be liable to income tax equal to 22.5 per cent. of the gross dividend (or 25 per cent. of the dividend payment). To the extent that a UK-resident individual shareholder's income (including the gross dividend) exceeds the threshold for additional rate income tax, such shareholder will be subject to income tax on the gross dividend at 37.5 per cent. but will be able to set the tax credit off against this liability. An individual shareholder who is liable to income tax on the dividend wholly at the additional rate will therefore be liable to income tax equal to 27.5 per cent. of the gross dividend (or approximately 30.6 per cent. of the dividend payment).

1.2.2 *Companies*

In general, a corporate shareholder resident in the UK for tax purposes should not normally be subject to corporation tax on any dividend payments by the Company. A broad tax exemption applies, with separate conditions for shareholders that are small companies. If the conditions for exemption are failed or, in the case of shareholders who are not small companies, specific anti-avoidance provisions apply, a corporate shareholder will be subject to corporation tax on income on the dividend payment at the corporation tax main rate (although lower rates may apply). Where a dividend payment qualifies for exemption, it is possible for the shareholder to elect for the dividend to be taxable. Companies should seek specific professional advice on whether a dividend payment qualifies for exemption.

Where a dividend payment is taxable, corporate shareholders are not entitled to set off the tax credit attaching to the dividend payment against the shareholder's corporation tax liability. Where a dividend payment is exempt, corporate shareholders will not be entitled to reclaim any part of the tax credit.

1.2.3 *Non-Residents*

In general, the right of non-UK-resident shareholders to reclaim tax credits attaching to dividend payments by the Company which constitute income will depend upon the existence and the terms of an applicable double tax treaty between their jurisdiction of residence and the UK. In most cases, the amount that can be claimed by non-UK-resident shareholders will be nil as a result of the terms of the relevant treaty. They may also be liable to tax on the dividend income under the tax law of their jurisdiction of residence. Non-UK-resident shareholders should consult their own tax advisers in respect of their liabilities on dividend payments, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

1.2.4 *Pension Funds and other exempt persons*

UK-resident shareholders who are not liable to income tax, including pension funds, charities and individuals holding shares through an individual savings account, are not entitled to reclaim the tax credits on dividends paid by the Company.

1.3 Chargeable Gains

A disposal of the Shares by a shareholder who is resident for tax purposes in the UK, or a shareholder who is not resident in the UK for tax purposes, but who carries on a trade in the UK through a permanent establishment (where the shareholder is a company) or a trade, profession or vocation in the UK through a branch or agency (where the shareholder is not a company) and has used, held or acquired the Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains. An individual shareholder who acquired Shares while UK-resident and for a period of five years or less either has ceased to be resident for tax purposes in the UK or has become resident in a territory outside the UK for purposes of double taxation relief arrangements and who disposes of the Shares during that period, may be liable on his or her return to the UK to UK capital gains tax on any chargeable gain realised. Nothing in any double taxation relief arrangements prevents such an individual from being subject to UK capital gains tax in those circumstances.

For an individual shareholder within the charge to capital gains tax, a disposal of Shares may give rise to a chargeable gain or allowable loss for the purposes of capital gains tax. The rate of capital gains tax is 18 per cent. for individuals who are subject to income tax at the basic rate and 28 per cent. to the extent that an individual shareholder's chargeable gains, when aggregated with his or her income chargeable to income tax, exceeds the basic rate band for income tax purposes. An individual shareholder is entitled to realise an exempt amount of gains (currently £11,000 for tax year 2014/15) each tax year without being liable to tax.

For a shareholder within the charge to corporation tax, a disposal of Shares may give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax. Corporation tax is charged on chargeable gains at the rate applicable to that company, subject to any available exemption or relief. Indexation allowance may reduce the amount of chargeable gain (but may not give rise to or increase an allowable loss) that is subject to corporation tax.

1.4 UK Inheritance and Gift Taxes

Shares beneficially owned by an individual shareholder may be subject to UK inheritance tax on the death of the shareholder or, in certain circumstances, on a gift by the shareholder (even if the shareholder is not domiciled or deemed domiciled in the UK). For UK inheritance tax purposes, a transfer of assets to another individual or trust could potentially be subject to UK inheritance tax, based on the loss of value to the donor. Particular rules apply to gifts where the donor reserves or retains some benefit. Special rules apply to close companies and to trustees of settlements who hold shares, which could bring them within the charge to UK inheritance tax.

Shareholders should consult an appropriate professional adviser if they intend to make a gift of any kind or intend to hold any Shares through trust arrangements. They should also seek professional advice in a situation where there is a potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

1.5 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The statements in this section are intended as a general guide to the current UK stamp duty and SDRT position. Investors should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

1.5.1 *The Offer*

In relation to the New Shares being issued by the Company, no liability to stamp duty or SDRT will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by the Company other than in circumstances involving depositary receipts or clearance services referred to below.

The transfer of, or agreement to transfer, Existing Shares sold by the Selling Shareholder under the Offer or the Conditional Placing Commitment will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholder has agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

1.5.2 *Subsequent transfers*

The transfer on sale of Shares held in certificated form will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration for the Shares (rounded up if necessary to the nearest multiple of £5). Stamp duty is normally paid by the purchaser of the Shares. As noted above, an exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

An unconditional agreement to transfer Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the Shares. However, where within six years of the date of the agreement an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid may be reclaimed. SDRT is normally the liability of the purchaser of the Shares.

1.5.3 *Shares held through CREST*

Paperless transfers of Shares within CREST are generally subject to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of Shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of the consideration.

1.5.4 *Market intermediaries*

Special rules apply to agreements made by market intermediaries in the ordinary course of their business.

1.5.5 *Shares held through clearance services or depositary receipt arrangements*

Where Shares are transferred (in the case of stamp duty) or issued or transferred (in the case of SDRT) (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT may be payable at a rate of 1.5 per cent. (rounded up if necessary, in the case of stamp duty, to the nearest multiple of £5) of the amount or value of the consideration payable or, in certain circumstances, the value of the Shares. This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be,

but will in practice generally be reimbursed by participants in the clearance service or depositary receipt scheme. Transactions within a clearance service and transfers and agreements to transfer depository receipts are not normally subject to stamp duty or SDRT. Clearance service providers may opt under certain circumstances for the normal rates of SDRT (0.5 per cent. of the consideration paid) to apply to transfers of Shares into and to transactions within the service instead of the higher rate applying to an issue or transfer of Shares into the clearance service, in which case a liability to SDRT would arise (at the rate of 0.5 per cent. of the consideration paid) on any subsequent transfers of Shares whilst in the service.

Following litigation, HMRC has confirmed that it will no longer seek to apply the 1.5 per cent. stamp duty or SDRT charge on the issue of shares into a clearance service or depositary receipt system on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent charge will however apply on the transfer of shares into a clearance service or depositary receipts system where the transfer is not an integral part of the issue of share capital. This view is currently being challenged in further litigation. Accordingly, it may be appropriate to seek specific professional advice before incurring the 1.5 per cent. stamp duty or SDRT charge.

Prospective purchasers of Shares should consult their own tax advisers with respect to the tax consequences to them of acquiring, holding and disposing of Shares.

PART 17
DETAILS OF THE OFFER

1. The Offer

Pursuant to the Offer, the Company will issue 84,720,001 New Shares. The balance of Shares available under the Offer will be Existing Shares.

The number of Existing Shares being sold by the Selling Shareholder pursuant to the Offer is 446,012,000 Existing Shares. This excludes the sale of Conditional Offer Shares that will be acquired by certain funds managed by CRMC subject, inter alia, to the receipt of certain regulatory approvals at the Offer Price pursuant to the Conditional Placing Commitment. Further details of the Conditional Placing Commitment are set out in paragraph 4 of this Part 17: Details of the Offer.

The aggregate number of Shares that will be available under the Offer will be 554,000,001 Shares.

The New Shares being issued by the Company will rank *pari passu* in all respects with the Existing Shares, including the right to vote and the right to receive all dividends and other distributions declared, made or paid on the Company's share capital after Admission. The Shares will, immediately following Admission, be freely transferable under the Articles of Association.

Immediately following Admission, it is expected that 63.4 per cent. of the Shares will be held in public hands.

Pursuant to the Offer, Shares will be offered only outside the United States to certain institutional investors and other investors in the UK and elsewhere in reliance on Regulation S. Certain restrictions that apply to the distribution of this Prospectus and the Shares being issued and sold pursuant to the Offer in certain jurisdictions are described in paragraphs 9 and 10 of this Part 17: Details of the Offer.

The Company, the Selling Shareholder and Cenkos Securities expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer will lapse and any monies received in respect of the Offer will be returned to investors without interest.

2. Amount and Use of Proceeds

The gross proceeds the Company expects to receive from the issue of New Shares pursuant to the Offer are £201.8 million. After deducting commissions and other estimated fees and expenses incurred in connection with the Offer, the Company expects to receive net proceeds of £184.7 million. The Company will not receive any of the proceeds in respect of Existing Shares sold by the Selling Shareholder.

The Company intends to use the net proceeds received by it pursuant to the Offer to reduce the overall net leverage of the Group and for general corporate purposes.

3. Dealing Arrangements

The Offer is subject to the satisfaction of certain conditions contained in the placing agreement between the Company, the Directors, the Selling Shareholder and Cenkos Securities (the "**Placing Agreement**"), including Admission occurring and becoming effective by 8.00 a.m. (London time) on 26 June 2014 (or such later date as may be determined in accordance with such agreement), and to the Placing Agreement not having been terminated. Further details of the Placing Agreement are set out in paragraph 6 of this Part 17: Details of the Offer and also in paragraph 14.2 of Part 18: Additional Information.

Application has been made to the London Stock Exchange for the Shares to be admitted to trading on the Main Market of the London Stock Exchange.

It is expected that dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 26 June 2014.

It is expected that the Shares allocated to investors in the Offer will be delivered in certificated or uncertificated form and, for those delivered in uncertificated form, settlement will take place through CREST ("**CREST**") on Admission. All Shares issued or sold pursuant to the Offer will be issued or sold payable in full at the Offer Price. It is intended that, if applicable, definitive share certificates in respect of the Offer will be distributed as soon as is reasonably practicable. No temporary documents of title will be issued.

4. Commitments to Acquire Shares

Cenkos Securities, acting as Sole Co-ordinator and Bookrunner to the Company, has received placing commitments from institutional investors to acquire Shares under the terms of conditional placing letters. These commitments value the Existing Shares at £1,150 million (prior to any further issuance of Shares

under the Offer and net of placing commissions in respect of the Existing Shares of a maximum amount of approximately £23 million). The commitments are subject to certain conditions, including Admission. Cenkos Securities, as agent for each of the Company and the Selling Shareholder in relation to the issue of New Shares and sale of the Existing Shares respectively, has entered into placing letters with institutional investors. The placing letters comprise the investors' placing commitments, which are conditional on the Placing Agreement becoming unconditional and not having been terminated.

In addition, Cenkos Securities has received a conditional placing commitment from certain funds managed by CRMC (the "**Conditional Placing Commitment**") to acquire up to a further 23,268,000 Existing Shares, each at the Offer Price, from the Selling Shareholder (the "**Conditional Offer Shares**"). The Conditional Placing Commitment is subject to the satisfaction of a number of conditions including, but not limited to, Admission having taken place and the receipt of all necessary consents from the FCA, the PRA, the Jersey Financial Services Commission, the Guernsey Financial Services Commission and the Central Bank of Ireland to those funds acquiring an indirect holding of up to, but not including, 20 per cent. of the issued share capital in AAUSL, AAUL, TAAL, AA Ireland Limited and ARCL. Applications have been made to the FCA and the PRA, and are in the process of being made to the Jersey Financial Services Commission, the Guernsey Financial Services Commission and the Central Bank of Ireland, in respect of the Conditional Placing Commitment and it is expected that, subject to the relevant consents being received and the other necessary conditions being satisfied, completion of the sale and purchase of the Conditional Offer Shares will take place after Admission and, in any event, by no later than 31 December 2014.

5. **CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and to be transferred otherwise than by a written instrument. With effect from Admission, the Articles will permit the holding of the Shares under the CREST system. The Company has applied for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of the Shares who wish to receive and retain share certificates will be able to do so. An investor applying for the Shares in the Offer may, however, elect to receive the Shares in uncertificated form if that investor is a system-member (as defined in the Uncertificated Securities Regulations) in relation to CREST.

6. **Offer Arrangements**

The Company, the Selling Shareholder, the Directors and Cenkos Securities have entered into the Placing Agreement, pursuant to which Cenkos Securities has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers or purchasers for the New Shares, Existing Shares and the Conditional Offer Shares. All such subscriptions or purchases will be at the Offer Price. The Placing Agreement contains provisions entitling Cenkos Securities to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any monies received in respect of the Offer will be returned to applicants without interest. The Placing Agreement provides for Cenkos Securities to be paid fees and commissions in respect of the Shares issued or sold pursuant to the Offer and the Conditional Placing Commitment and also provides that a proportion of such commissions shall be satisfied by the isssue of Shares to Cenkos Securities at the Offer Price. Any commissions received by Cenkos Securities may be retained, and any Shares acquired by Cenkos Securities may be retained or dealt in by Cenkos Securities, for their own benefit. The Offer is conditional upon, *inter alia*, Admission becoming effective and the Placing Agreement becoming unconditional in accordance with its terms. The Offer and the Conditional Placing Commitment are not underwritten by Cenkos Securities or any other person; however arrangements have been put in place to ensure that the New Shares are issued fully-paid up.

7. **Lock-Up Arrangements**

Pursuant to the terms of the Placing Agreement, the Company has undertaken for a period of 180 days after the date of Admission, the Directors have undertaken for a period of 365 days after the date of Admission and the Selling Shareholder has undertaken for a period of 180 days after the date of Admission, without the prior consent of Cenkos Securities (such consent not to be unreasonably withheld or delayed), not to issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, any Share or any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right

to receive Shares, except for (i) customary exceptions as provided in the Placing Agreement; and (ii) the ability to issue or sell shares upon admission to the premium segment of the Official List.

8. **Other relationships**

In connection with the Offer, Cenkos Securities, Greenhill or Deutsche Bank (whose engagement is described in paragraph 14.3.2 of Part 18: Additional Information below) and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by Cenkos Securities, Greenhill or Deutsche Bank or any of their affiliates acting as an investor for its or their own account(s). Cenkos Securities, Greenhill and Deutsche Bank do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Cenkos Securities, Greenhill, Deutsche Bank or any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and the Selling Shareholder, for which they would have received customary fees. Cenkos Securities, Greenhill, Deutsche Bank or any of their respective affiliates may provide such services to the Company and the Selling Shareholder or any of their respective affiliates in the future. In addition, Cenkos Securities, Greenhill, Deutsche Bank or any of their respective affiliates may enter into funding or financing arrangements (including swaps or contracts for differences) with investors in connection with which any of Cenkos Securities, Greenhill or Deutsche Bank (or their affiliates) may from time to time acquire, hold or dispose of Shares.

9. **Securities laws**

9.1 ***General***

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Canada, Japan, the Republic of South Africa or the United States.

The distribution of this Prospectus and the offer and sale of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Shares, or possession or distribution of this Prospectus (or any other offering or publicity material relating to the Shares), in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Shares may be offered for subscription, sale or purchase or be delivered, and this Prospectus and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

9.2 ***United States***

The Shares have not been and will not be registered under the Securities Act or the applicable securities laws and regulations of any state or other jurisdiction of the United States and may not be offered or sold in the United States. The Shares will be offered only outside the United States in reliance on Regulation S.

9.3 ***Notice to all prospective subscribers and purchasers of the Shares***

Each subscriber or purchaser of the Shares will be deemed by its acceptance of the Shares to have represented and agreed, on its own behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Shares, that neither the Company or any of the Company's affiliates nor Cenkos Securities, nor any person representing the Company, any of its affiliates or Cenkos Securities, has made any representation to it with respect to the offering or sale of any Shares, other than the information contained in this Prospectus, which document has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Shares, it has had access to such financial and other

information concerning the Company and the Shares as it has deemed necessary in connection with its decision to purchase any of the Shares, and that (terms defined in Regulation S shall have the same meanings when used in this section):

(a) the subscriber or purchaser understands and acknowledges that the Shares have not been and will not be registered under the Securities Act, or the applicable securities laws and regulations of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws and regulations;

(b) the subscriber or purchaser, and the person, if any, for whose account or benefit the subscriber or purchaser is acquiring the Shares, is acquiring the Shares in an "offshore transaction" as defined in Regulation S, and otherwise in accordance with the requirements of Regulation S and was located outside the United States at the time the buy order for the Shares was originated;

(c) the subscriber or purchaser is aware of the restrictions on the offer and sale of the Shares pursuant to Regulation S described in this Prospectus;

(d) the Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S; and

(e) the Company shall not recognise any offer, sale, assignment, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

Each subscriber or purchaser acknowledges that the Company and Cenkos Securities will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by such subscriber or purchaser by its subscription for or purchase of Shares are no longer accurate, it shall promptly notify the Company and Cenkos Securities; if they are acquiring Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that they have sole investment discretion with respect to each such account and full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each subscriber or purchaser of the Shares will be deemed by its acceptance of the Shares to have represented and agreed that it is purchasing the Shares for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control.

10. Transfer restrictions

10.1 *UK*

In the UK, this Prospectus is only addressed to and directed to Qualified Investors who are (a) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FP Order**"); (b) high net worth companies and other persons falling within Article 49(2)(a) to (d) of the FP Order; or (c) other persons who fall within an exemption in the FP Order and to whom this Prospectus can lawfully be communicated. The persons specified in (a), (b) and (c) above are collectively referred to as "**Relevant Persons**". The Shares are only available in the UK to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Shares in the UK will be engaged in only with, Relevant Persons. Any person in the UK who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

10.2 *European Economic Area*

In relation to each Member State of the European Economic Area (the "**Relevant Member State**"), an offer to the public of any Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the EC Council Directive 2003/71/EU (the "**2010 PD Amending Directive**"), 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of Cenkos Securities; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the Company, or Cenkos Securities to publish a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Cenkos Securities and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an **offer to the public** in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

10.3 ***Australia***

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for the purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation may be made to investors without a disclosure document under Part 6D 2 of the Corporations Act 2001 (the "**Corporations Act**").

Any person to whom Shares are issued or sold pursuant to this Prospectus must not, within 12 months after the issue, offer (or transfer, assign or otherwise alienate) those Shares to persons in Australia except in circumstances where disclosure is not required under the Corporations Act.

This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Shares in Australia.

This Prospectus has not been prepared for an Australian audience. Australian investors should therefore note that this Prospectus:

- may contain references to dollar amounts which are not Australian dollars;
- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.

10.4 ***Canada***

The Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada, except with the prior approval of Cenkos Securities on a basis exempt from any requirement to prepare and file a prospectus with or to obtain clearances from the relevant securities regulatory authorities of any province or territory in Canada.

10.5 ***South Africa***

This Prospectus will not be registered as a prospectus in terms of the Companies Act 1973 in South Africa and as such, any offer of Shares in the Republic of South Africa may only be made if it shall not be capable of being construed as an offer to the public as envisaged by section 144 of such Act. Furthermore, any offer or sale of the Shares shall be subject to compliance with the Republic of South Africa's exchange control regulations.

10.6 ***Japan***

The Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. Accordingly, Shares may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant regulations, applicable laws and ministerial guidelines of Japan.

PART 18
ADDITIONAL INFORMATION

1. Responsibility

The Company and its Directors (whose names and principal functions appear on page 94 of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

2. Incorporation and Registered Office

2.1 The Company was incorporated in England and Wales on 9 June 2004 with registered number 05149111 under the Companies Act 1985 as a private company limited by shares with the name Fizzbay Limited.

2.2 The Company changed its name to Beta Top Co Limited on 25 June 2004. The Company further changed its name to AA Top Co Limited on 5 October 2004 and to AA Limited on 22 December 2006.

2.3 The Company was re-registered with the name AA plc as a public limited company on 19 June 2014.

2.4 The principal legislation under which the Company operates is the Companies Act 2006 (as amended) (the "**Companies Act**"). The Company is domiciled in the UK.

2.5 The registered office of the Company is at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA (telephone number 08705 448866).

3. Share Capital

3.1 The issued and fully paid share capital of the Company as at 20 June 2014 (being the last practicable date prior to publication of this Prospectus) is as follows:

	Issued and fully paid		
Class	**Nominal Value**	**Number**	**Amount (£)**
Ordinary	£0.001 each	469,280,000	469,280

The Company does not have an authorised share capital.

3.2 The issued and fully paid share capital of the Company immediately following Admission is expected to be as follows:

	Issued and fully paid		
Class	**Nominal Value**	**Number**	**Amount (£)**
Ordinary	£0.001 each	554,000,001	554,000.00
A Shares	£0.001 each	8,000,000	8,000
B Shares	£0.001 each	8,000,000	8,000
C Shares	£0.001 each	8,000,000	8,000

None of the capital of the Company has been paid for with assets other than cash within the period covered by the Historical Financial Information included in this Prospectus.

3.3 On incorporation, the issued share capital of the Company was £2 divided into two Shares of £1 each, one issued to Clifford Chance Nominees Limited and one issued to Clifford Chance Secretaries Limited, the subscribers to the memorandum of association of the Company.

3.4 Since 1 February 2011 (being the period from which historical financial information is provided in this Prospectus), the issued share capital of the Company, which was 1,000,000 A Ordinary Shares of £0.10 each and 1,015,344 B Ordinary Shares of £0.10 each, has been changed as follows:

3.4.1 on 19 June 2014, each of the 1,000,000 A Ordinary Shares of £0.10 each and each of the 1,015,344 B Ordinary Shares of £0.10 each was converted into an Ordinary Share of £0.10 each and each of those Ordinary Shares of £0.10 each was then split into 100 Ordinary Shares of £0.001 each, resulting in an issued share capital of 201,534,400 Ordinary Shares; and

3.4.2 on 20 June 2014, the Company issued 267,745,600 Ordinary Shares of £0.001 each to the Selling Shareholder by way of a bonus issue, resulting in an issued share capital of 469,280,000 Ordinary Shares prior to the Offer.

3.5 The shareholder of the Company resolved on 19 June 2014, and in place of all existing authorities and/or powers, that:

3.5.1 the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act to allot equity securities up to an aggregate nominal amount of (i) £380,000 ordinary shares of £0.001 each (i.e. 380,000,000 ordinary shares), (ii) £8,000 A1 Shares of £0.001 each (i.e. 8,000,000 A1 Shares), (iii) £12,000 A2 Shares of £0.001 each (i.e. 12,000,000 A2 Shares), (iv) £8,000 B1 Shares of £0.001 each (i.e. 8,000,000 B1 Shares), (v) £12,000 B2 Shares of £0.001 each (i.e. 12,000,000 B2 Shares), (vi) £8,000 C1 Shares of £0.001 each (i.e. 8,000,000 C1 Shares) and (vii) £12,000 C2 Shares of £0.001 each (i.e. 12,000,000 C2 Shares), such authority to expire on the earlier of the end of the next annual general meeting of the Company and 31 July 2015 (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the Directors may allot relevant securities pursuant to that offer or agreement as if this authority has not expired);

3.5.2 the Directors be generally empowered pursuant to section 570 of the Companies Act to allot equity securities within the meaning of section 560 of the Companies Act for cash, pursuant to the authority referred to above as if sub-section (1) of section 561 of the Companies Act did not apply to any such allotment, such power to expire on the earlier of the end of the next annual general meeting of the Company and 31 July 2015 (save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities pursuant to such offer or agreement as if this power had not expired); and

3.5.3 the Company may capitalise £267,745.60 of the Company's share premium account by way of applying such amount to the issue of 267,745,600 ordinary shares of £0.001 each in the Company and allotting those shares to the Selling Shareholder credited as fully paid up.

3.6 The shareholder of the Company resolved on 20 June 2014 that:

3.6.1 in addition to all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot Shares in the Company or grant rights to subscribe for or to convert any security into Shares in the Company:

(a) up to an aggregate nominal amount of £180,000 (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (b) of this resolution in excess of £180,000); and

(b) comprising equity securities (as defined in section 560(1) of the Companies Act) up to an aggregate nominal amount of £360,000 (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (a) of this resolution) in connection with an offer by way of a rights issue:

(i) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply until the end of the Company's next annual general meeting after the resolution is passed (or, if earlier, until the close of business on 31 July 2015) but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might, require Shares to be allotted or rights to subscribe for or to convert any security into Shares to be granted after the authority expires and the directors may allot Shares or grant such rights under any such offer or agreement as if the authority had not expired. References in the resolution to the nominal amount of rights to subscribe for or to convert any security into Shares (including where such rights are referred to as equity securities as defined in section 560(1) of the Companies Act) are to the nominal amount of Shares that may be allotted pursuant to the rights.

3.6.2 in addition to all existing powers and subject to the passing of the previous resolution, the Directors be generally empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560(1) of the Companies Act) for cash pursuant to the authority granted by the previous resolution and/or pursuant to section 573 of the Companies Act to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Companies Act, such power to be limited:

(a) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or an invitation to apply for, equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of the previous resolution, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) to the allotment of equity securities pursuant to the authority granted by paragraph (a) of the previous resolution and/or sale of treasury shares for cash (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution) up to a nominal amount of £27,000 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights.

such power to apply until the end of the Company's next annual general meeting after the resolution is passed (or, if earlier, until the close of business on 31 July 2015) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

3.7 The Company remains subject to section 561 of the Companies Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) which applies to the balance of the unissued share capital of the Company which is not the subject of the disapplication referred to in paragraph 3.5 above.

3.8 The Shares are in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

3.9 The Shares will have the rights and will be subject to the restrictions referred to in paragraph 4.1.3 of this Part 18: Additional Information. The A Shares, B Shares and C Shares additionally have the rights described in paragraph 8 of this Part 18: Additional Information.

3.10 Other than as provided by the City Code on Takeovers and Mergers (the "**Takeover Code**") and Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

3.10.1 *Mandatory bid*

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the

previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

3.10.2 *Squeeze-out*

Under the Companies Act, if an offeror were to make an offer to acquire all of the shares in the Company not already owned by it and were to acquire 90 per cent. of the shares to which such offer related, it could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration to the Company which would hold the consideration on trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

3.10.3 *Sell-out*

The Companies Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

3.11 There has been no public takeover bid by a third party for all or a part of any of the Company's equity share capital during the period from incorporation of the Company up to and including the date immediately prior to the date of this Prospectus.

4. ARTICLES OF ASSOCIATION

4.1 The Articles of Association adopted pursuant to a resolution passed at a general meeting of the Company held on 19 June 2014 contain provisions to the following effect:

4.1.1 **Objects**

The objects of the Company, in accordance with Section 31(1) of the Companies Act, are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by applicable law.

4.1.2 **Limited Liability**

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

4.1.3 **Rights Attaching to Shares**

(a) Voting Rights of Members

Subject to special rights or restrictions as to voting attached to any class of shares by or in accordance with the Articles, on a vote on a resolution:

(i) on a show of hands at a meeting:

(A) every qualifying person (not being a proxy) present and entitled to vote on the resolution has one vote; and

(B) every proxy present who has been appointed by a member entitled to vote on the resolution has one vote, except where:

(1) that proxy has been appointed by more than one member entitled to vote on the resolution; and

(2) the proxy has been instructed:

(I) by one or more of those members to vote for the resolution and by one or more of those members to vote against the resolution; or

(II) by one or more of those members to vote in the same way on the resolution (whether for or against) and one or more of those members has permitted the proxy discretion as to how to vote,

in which case, the proxy has one vote for and one vote against the resolution; and

(ii) on a poll taken at a meeting, every qualifying member present and entitled to vote on the resolution has one vote in respect of each share held by the relevant member.

(iii) The Management Value Participation Shares do not carry any voting rights save in respect of the passing of a resolution to approve a voluntary winding up of the Company or on a resolution to authorise the directors to issue more than 8,000,000 A1 Shares, 12,000,000 A2 Shares, 8,000,000 B1 Shares, 12,000,000 B2 Shares, 8,000,000 C1 Shares or 12,000,000 C2 Shares Management Value Participation Shares in aggregate.

(b) *Dividends*

(i) Subject to the Companies Act and the Articles, the Company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends. A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors. Unless the members' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each member's holding of shares on the date of the resolution or decision to declare or pay it. The directors may pay any dividend (including any dividend payable at a fixed rate) if it appears to them that the profits available for distribution justify the payment.

(ii) Except as otherwise provided by the Articles or the rights attached to or the terms of issue of shares, all dividends must be declared and paid according to the amount of the nominal value paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amount of the nominal value paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

(iii) All dividends or other sums which are payable in respect of shares and unclaimed after having been declared or become payable, may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. The payment of an unclaimed dividend or other sum into a separate account does not make the Company a trustee in respect of it. If 12 years have passed from the date on which a dividend or other sum became due for payment and the distribution recipient has not claimed it, the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

(iv) Subject to the terms of issue of the share in question, the Company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including shares or other securities in any company).

(v) The Management Value Participation Shares do not entitle their holders to receive dividends.

(c) *Return of Capital*

On a voluntary winding-up of the Company, the liquidator may, on obtaining any sanction required by law divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he, with the like sanction, shall determine. For this purpose the liquidator may set the value he deems fair on a class or classes of property and determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between

members or classes of members. The liquidator may not, however, distribute to a member, without his consent, an asset to which there is attached a liability or potential liability for the owner.

4.1.4 **Transfer of Shares**

(a) Shares of the Company are free from any restriction on transfer. In exceptional circumstances approved by the FCA, the directors may refuse to register a transfer of certificated shares provided that such refusal would not disturb the market in those shares.

(b) Certificated shares may be transferred by means of an instrument of transfer in writing in any usual form or any other form approved by the directors, which is executed by or on behalf of:

(i) the transferor; and

(ii) (if any of the shares is partly paid) the transferee.

(c) The Company (at its option) may or may not charge a fee for registering:

(i) the transfer of a share;

(ii) the renunciation of a renounceable letter of allotment or other document or instructions relating to or affecting the title to a share or the right to transfer it; or

(iii) for making any other entry in the register.

(d) Subject to the Regulations, the transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it

(e) Subject to the requirements of the Listing Rules, the directors may, in their absolute discretion, refuse to register the transfer of a certificated share which is not fully paid or the transfer of a certificated share on which the Company has a lien.

(f) The directors may also, in their absolute discretion, refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment of a share unless all of the following conditions are satisfied:

(i) it is in respect of only one class of shares;

(ii) it is in favour of (as the case may be) a single transferee or renouncee or not more than four joint transferees or renouncees;

(iii) it is duly stamped (if required); and

(iv) it is delivered for registration to the registered office of the Company or such other place as the directors may decide, accompanied by the certificate for the shares to which it relates (except in the case of a person to whom the Company is not required by sections 769, 776, 777 or 778 of the Companies Act to issue a certificate, or in the case of a renunciation) and such other evidence as the directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

(g) If the directors refuse to register the transfer of a certificated share or renunciation of a renounceable letter of allotment, the instrument of transfer or renunciation must be returned to the transferee or renouncee as soon as practicable and in any event within two months after the date on which the transfer or renunciation was lodged with the Company with the notice of refusal and reasons for refusal unless they suspect that the proposed transfer or renunciation may be fraudulent.

(h) In accordance with and subject to the provisions of the Regulations, the Operator (as defined in the Regulations) of the relevant system shall register a transfer of:

(i) title to any uncertificated share; or

(ii) any renounceable right of allotment of a share which is a participating security held in uncertificated form,

unless the Regulations permit the Operator of the relevant system to refuse to register such a transfer in certain circumstances in which case the Operator of the relevant system may refuse such registration in such circumstances.

(i) In accordance with the Regulations, if the Operator of the relevant system refuses to register the transfer of:

(i) an uncertificated share; or

(ii) any uncertificated renounceable right of allotment of a share,

it must, as soon as practicable and in any event within two months after the date on which the relevant system-member instruction or issuer instruction (as the case may be) was received by the Operator, send notice of the refusal to the relevant system-member or participating issuer (as the case may be).

(j) In accordance with and subject to the provisions of the Regulations, where title to an uncertificated share is transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, the Company as participating issuer must register the transfer in accordance with the relevant Operator-instruction, but so that the Company may refuse to register such a transfer in any circumstance permitted by the Regulations.

(k) In accordance with the Regulations, if the Company as participating issuer refuses to register the transfer of title to an uncertificated share transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, it must, as soon as practicable and in any event within two months after the date on which the Operator instruction was received by the Company, send notice of the refusal to the transferee.

(l) In the event that a holder of Management Incentive Shares is a Bad Leaver, the Company may acquire his Management Incentive Shares for £0.01 in aggregate.

4.1.5 **Variation of Rights**

(a) Subject to the Companies Act, the rights attached to a class of shares may be varied or abrogated (whether or not the Company is being wound up) either with the consent in writing of the holders of at least three quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles.

(b) The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Companies Act.

4.1.6 **Company's Lien on Partly Paid Shares**

(a) The Company has a lien (the "company's lien") over every share which is partly paid for any part of:

(i) that share's nominal value; and

(ii) any premium at which it was issued,

which has not been paid to the Company, and which is payable immediately or at some time in the future, whether or not a call notice has been sent in respect of it.

(b) The company's lien over a share:

(i) takes priority over any third party's interest in that share; and

(ii) extends to any dividend or other money payable by the Company in respect of that share and (if the lien is enforced and the share is sold by the Company) the proceeds of sale of that share.

(c) The directors may at any time decide that a share which is or would otherwise be subject to the Company's lien shall not be subject to it, either wholly or in part. Unless otherwise agreed with the transferee, the registration of a transfer of a share operates as a waiver of the Company's lien (if any) on that share solely for the purposes of the transfer.

4.1.7 **Forfeiture**

(a) If a person is liable to pay the Company a specified sum of money which is payable in respect of shares held (a "call") and fails to do so by the due date for payment the directors may issue a

notice of intended forfeiture to that person and until the call is paid, that person must pay the Company interest on the call from the due date for payment to the actual date of payment (both dates inclusive) at the relevant rate.

(b) A notice of intended forfeiture must be in writing, may be sent in respect of any share in respect of which a call has not been paid as required by a call notice; must be sent to the holder of that share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise; must require payment of the call and any accrued interest (and all costs, charges and expenses incurred by the Company by reason of non-payment) by a date which is not less than 14 days after the date of the notice, must state how the payment is to be made and must state that if the notice is not complied with, the shares in respect of which the call is payable will be liable to be forfeited.

(c) If a notice of intended forfeiture is not complied with before the date by which payment (including interest, costs, charges and expenses) of the call is required in the notice of intended forfeiture, the directors may decide that any share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

(d) If a person's shares have been forfeited, that person remains liable to the Company for all sums payable by that person under the Articles at the date of forfeiture in respect of those shares, including any interest at the relevant rate (whether accrued before or after the date of forfeiture) and costs, charges and expenses.

4.1.8 **Redeemable Shares**

Subject to the Companies Act, the Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

In circumstances where the Company has the right to convert Management Value Participation Shares into Shares or where a holder of Management Value Participation Shares has the right to have his Management Value Participation Shares converted into Shares, the Company may instead elect to redeem the relevant Management Value Participation Shares for a cash amount equivalent to the value of the Shares into which the relevant Management Value Participation Shares would be converted.

4.1.9 **General Meetings**

At least 21 clear days' notice must be given to call an annual general meeting. Subject to the Companies Act, at least 14 clear days' notice must be given to call all other general meetings.

Notice of a general meeting must be given to the members (other than any who, under the provisions of the Articles or the terms of allotment or issue of shares, are not entitled to receive notice), the directors, beneficial owners nominated to enjoy information rights under the Companies Act and the auditors. The accidental omission to give notice of a general meeting or to send, supply or make available any document or information relating to a meeting to, or the non-receipt of any such notice, document or information by, a person entitled to receive any such notice, document or information will not invalidate the proceedings at that meeting.

A member may appoint another person as his proxy to exercise all (or any) of his rights to attend and to speak and to vote (both on a show of hands and on a poll) on a resolution, an amendment of a resolution or on other business arising at a general meeting of the Company. A proxy need not be a member.

4.1.10 **Notices and Communications**

(a) Save where the Articles expressly require otherwise, any notice, document or information to be sent or supplied by, on behalf of or to the Company may be sent or supplied in accordance with the Companies Act (whether authorised or required to be sent or supplied by the Companies Act or otherwise) in hard copy form, in electronic form or by means of a website.

(b) In the case of joint holders of a share, a notice, document or information shall be validly sent or supplied to all joint holders if sent or supplied to whichever of them is named first in the register in respect of the joint holding. Anything to be agreed or specified in relation to a notice, document or information to be sent or supplied to joint holders, may be agreed or specified by the joint holder who is named first in the register in respect of the joint holding.

(c) A notice, document or information sent by post and addressed to a member at his registered address or address for service in the United Kingdom is deemed to be given to or received by the intended recipient 24 hours after it was put in the post if pre-paid as first class post and 48 hours after it was put in the post if pre-paid as second class post, and in proving service it is sufficient to prove that the envelope containing the notice, document or information was properly addressed, pre-paid and posted.

(d) A notice, document or information sent or supplied by electronic means to an address specified for the purpose by the member is deemed to have been given to or received by the intended recipient 24 hours after it was sent, and in proving service it is sufficient to prove that the communication was properly addressed and sent.

(e) A notice, document or information sent or supplied by means of a website is deemed to have been given to or received by the intended recipient when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notification of the fact that the material was available on the website.

4.1.11 **Directors**

(a) *Number of Directors*

Unless and until otherwise decided by the Company by ordinary resolution the number of directors (other than alternate directors) must not be less than two.

(b) *Appointment*

Subject to the Companies Act, a person can be appointed (or remain) a director regardless of his age.

Subject to the Articles, any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director by ordinary resolution, at a general meeting or by a decision of the directors.

(c) *Remuneration*

Directors may undertake any services for the Company that the directors decide. Unless otherwise determined by ordinary resolution, directors (but not alternate directors) are entitled to such total fees for their services as the directors determine. But the total fees paid to directors must not exceed £750,000 a year or any other sum decided by ordinary resolution.

Subject to the Companies Act and the Articles, directors' fees may be payable in any form and, in particular, the directors may arrange for part of a fee payable to be provided in the form of fully paid shares of the Company. The amount of the fee payable in this way is at the directors' discretion. The amount of the fee will be applied to purchase or subscribe for shares on behalf of the director.

The directors can pay additional remuneration (whether by way of salary, percentage of profits or otherwise) and expenses to any director who at the request of the directors makes a special journey for the Company, performs a special service for the Company or works abroad in connection with the Company's business.

The directors may decide whether to pay or provide (by insurance or otherwise) pensions, retirement or superannuation benefits; death, sickness or disability benefits; gratuities; or other allowances, to any person who is or who was a director of the Company; a subsidiary undertaking of the Company; any company which is or was allied to or associated with the Company or any of its subsidiary undertakings; or a predecessor in business of the Company or any of its subsidiary undertakings, or to a member of his family including a spouse, former spouse or a person who is (or was) dependent on him. The directors may establish, maintain, subscribe and contribute to any scheme trust or fund and pay premiums. The directors may arrange for this to be done either by the Company alone or in conjunction with another person.

(d) *Indemnity*

To the extent permitted by the Companies Act and without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a director or other officer of the Company or an associated company (other than any person (whether or not an officer of the

Company or an associated company) engaged by the Company or an associated company as auditor) shall be and shall be kept indemnified out of the assets of the Company against all costs, charges, losses and liabilities incurred by him (whether in connection with any negligence, default, breach of duty or breach of trust by him or otherwise as a director or such other officer of the Company or an associated company) in relation to the Company or an associated company or its/their affairs provided that such indemnity shall not apply in respect of any liability incurred by him:

(i) to the Company or to any associated company;

(ii) to pay a fine imposed in criminal proceedings;

(iii) to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (howsoever arising);

(iv) in defending any criminal proceedings in which he is convicted;

(v) in defending any civil proceedings brought by the Company, or an associated company, in which judgment is given against him; or

(vi) in connection with any application under any of the following provisions in which the court refuses to grant him relief, namely section 661(3) or (4) of the Companies Act (acquisition of shares by innocent nominee), or section 1157 of the Companies Act (general power to grant relief in case of honest and reasonable conduct).

(e) *Removal of Directors*

In addition to any power of removal under the Companies Act, the Company can by ordinary resolution remove a director even though his time in office has not ended (without prejudice to a claim for damages for breach of contract or otherwise) and, subject to the Articles, by ordinary resolution appoint a person to replace a director who has been removed in this way.

(f) *Retirement by Rotation*

At every annual general meeting one third of the current directors who are subject to retirement by rotation must retire. If one third is not a whole number, the number of directors to retire is the number which is nearest to (but not less than) one third. If there are fewer than three directors who are subject to retirement by rotation, one must retire. Any directors retiring in this way continue to be directors until the end of the meeting at which they retire.

If any director was appointed by the directors since the last annual general meeting, was last appointed (or reappointed) three or more years prior to the meeting, was not last appointed (or reappointed) at one of the preceding two annual general meetings, or at the time of the meeting will have served more than eight years as a non-executive director of the Company (excluding as chairman), he must retire from office.

Subject to the Companies Act and the Articles, the directors required to retire at an annual general meeting (as necessary to obtain the required number) are first, any director who wants to retire and who does not want to be reappointed, and second, those directors who have been directors longest since they were last appointed or reappointed. If there are directors who were last appointed or reappointed on the same date they can agree on who is to retire. If they do not agree, they must draw lots to decide.

The number and identity of directors to retire will be determined based on the composition of the board of directors at the start of business on the date of notice calling the annual general meeting, disregarding a change in the number or identity of the directors after that time but before the end of the meeting.

A director who retires at an annual general meeting can be reappointed by the members. If he is not reappointed (or deemed to be reappointed), he may remain a director until the meeting appoints someone in his place or, if it does not appoint anyone, until the end of the meeting.

If the Company does not fill the vacancy of a director who retires at an annual general meeting, the retiring director (if willing) will be deemed reappointed unless it is expressly resolved not to fill the vacancy, or a resolution for reappointment of the director is put to the meeting and lost.

(g) *Directors' Interests*

The directors may authorise any matter proposed to them which would, if not so authorised, involve a breach of duty by a director under section 175 of the Companies Act. Any authorisation will be effective only if any requirement as to the quorum at the meeting or part of the meeting at

which the matter is considered is met without counting the director in question or any other director interested in the matter under consideration and the matter was agreed to without such directors voting or would have been agreed to if such directors' votes had not been counted.

A director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a director of the Company and in respect of which he owes a duty of confidentiality to another person.

A director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company must declare the nature and extent of his interest to the other directors before the Company enters into the transaction or arrangement. Such declaration required may (but need not) be made at a meeting of the directors, by notice in writing in accordance with section 184 of the Companies Act, or by general notice in accordance with section 185 of the Companies Act.

A director who is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company must declare the nature and extent of his interest to the other directors as soon as is reasonably practicable, unless the interest has already been declared. Any such declaration must be made at a meeting of the directors, by notice in writing in accordance with section 184 of the Companies Act, or by general notice in accordance with section 185 of the Companies Act.

Subject to the Companies Act and provided that he has declared to the directors the nature and extent of any direct or indirect interest of his, a director notwithstanding his office may be a party to, or otherwise be interested in, any transaction or arrangement with the Company or in which the Company is directly or indirectly interested, may act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor), and in any such case on such terms as to remuneration and otherwise as the directors may decide, or may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise be interested in, any body corporate in which the Company is directly or indirectly interested.

A director shall not, by reason of his office, be accountable to the Company for any remuneration or other benefit which he derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate the acceptance, entry into or existence of which has been authorised by the directors (subject, in any such case, to any terms and conditions upon which such authorisation was given), or which he is permitted to hold or enter into by virtue of the Articles.

The Company may by ordinary resolution suspend or relax the provisions in the Articles relating to directors' interests to any extent. Subject to the Companies Act, the Company may by ordinary resolution ratify any transaction or arrangement not properly authorised by reason of a contravention of the provisions in the Articles relating to directors' interests.

(h) *General Voting and Quorum Requirements*

Save as otherwise provided by the Articles, a director shall not vote on or be counted in the quorum in relation to a resolution of the directors or committee of the directors concerning a matter in which he has a direct or indirect interest which is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company), but this prohibition does not apply to a resolution concerning any of the following matters:

(I) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(II) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(III) a transaction or arrangement concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(IV) a transaction or arrangement to which the Company is or is to be a party concerning another company (including a subsidiary undertaking of the Company) in which he or any person

connected with him is interested (directly or indirectly) whether as an officer, shareholder, creditor or otherwise (a "**relevant company**"), if he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Companies Act) representing one per cent. or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) in the relevant company or of the voting rights available to members of the relevant company;

(V) a transaction or arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings (including any pension fund or retirement, death or disability scheme) which does not award him a privilege or benefit not generally awarded to the employees to whom it relates; or

(VI) a transaction or arrangement concerning the purchase or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

A director shall not vote on or be counted in the quorum in relation to a resolution of the directors or committee of the directors concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of an office or place of profit with the Company or any body corporate in which the Company is directly or indirectly interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or a body corporate in which the Company is directly or indirectly interested, such proposals may be divided and a separate resolution considered in relation to each director. In that case, each of the directors concerned (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(i) *Executive Directors*

Subject to the Companies Act, the directors may appoint one or more directors to hold an executive office with the Company for such term and on such other terms and conditions as (subject to the Companies Act) the directors think fit. The directors may revoke or terminate an appointment, without prejudice to a claim for damages for breach of the contract of service between the director and the Company or otherwise.

The salary or remuneration of a director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum, wholly or partly governed by business done or profits made or as the directors decide. This salary or remuneration may be in addition to or instead of a fee payable to him for his services as a director under the Articles.

4.1.12 **Failure to Disclose Interests in Shares**

Where notice is served by the Company under section 793 of the Companies Act (a "**section 793 notice**") on a member, or another person appearing to be interested in shares held by that member, and the member or other person has failed in relation to any shares (the "**default shares**", which expression includes any shares allotted or issued after the date of the section 793 notice in respect of those shares) to give the Company the information required within the prescribed period from the date of service of the section 793 notice, the following sanctions apply, unless the directors otherwise decide:

(a) the member shall not be entitled in respect of the default shares to be present or to vote (either in person, by proxy or by corporate representative) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll; and

(b) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class (excluding any shares of their class held as treasury shares) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it, and the member shall not be entitled to elect, under the Articles, to receive shares instead of a dividend; and no transfer of any certificated default shares shall be registered unless the transfer is an excepted transfer, or the member is not himself in default in supplying the information required; and the member proves to the satisfaction of the directors that no person in default in supplying the information required is interested in any of the shares the subject of the transfer.

5. OTHER DIRECTORSHIPS

5.1 The companies and partnerships of which the Executive Directors and Senior Managers are, or have been, within the past five years, members of the administrative, management or supervisory bodies or partners (excluding the Company and its subsidiaries and also excluding the subsidiaries of the companies listed below) are as follows:

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
Directors		
Chris Jansen	St George's Weybridge	British Gas Direct Employment Limited Incorporated Society of British Advertisers Limited British Gas Trading Limited British Gas Services Limited
Andy Boland		Acromas Healthcare Trust Limited Acromas Financial Services Limited
Bob Mackenzie	Northgate Plc	DHAB I SA DHAB II SA DHAB III SA GNER Holdings Limited GNER Railways Services Limited Sea Container Inc Sea Containers Railway Services Limited Sea Containers Services Limited Sea Containers Treasury Limited Periandros S.A Dometic Holdings AB
Nick Hewitt	Aston Martin Heritage Trust	COBA Group Limited PricewaterhouseCoopers LLP
Martin Clarke	Oceanbridge Advisors (UK) Limited Oceanbridge Advisors (UK) LLP Rose Management (Bromptons) Limited Shakespeare Globe Trading Limited The Shakespeare Globe Trust	Galaxy Entertainment Group Hadrian Bidco Limited Hadrian Bidco 1 Limited New Look Retail Group Limited Pedalgreen Limited Permira Advisers LLP Permira Holdings LLP Snowdon Acquisitions Limited Suitcase One Limited The Handel House Trust Limited Trinitybrook Limited Venice Antler 1 Limited Venice Antler 2 Limited Venice Antler 3 Limited Venice Antler 4 Limited Venice Bidco 1 Limited Venice Guaranteeco Limited Venice Hadrian 1 Limited Venice Hadrian 2 Limited Venice Hadrian 3 Limited Venice Hadrian 4 Limited Venice Hawkstone Bidco Limited Venice Newco 1 Limited Venice Newco 2 Limited Venice Owl Limited Venice St. David's Bidco Limited Wotton Propco Limited Wotton Tradeco Limited

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
Andrew Miller	GMG Auto Trader Limited GMG Hazel Acquisition 1 Limited GMG Investco 3 Limited GMG Investco Limited GMGRM North Limited GPC Manchester Limited Guardian Media Group plc Guardian News & Media Limited GMGRM South Limited GMG B2B Limited The Scott Trust Limited The Newspaper Publishers Association Limited Friends of Benjamin Franklin House Notice Limited Decoded Limited Eden Loanco Limited Eden Newco Limited Eden Bidco Limited Eden Acquisition 5 Limited Eden Acquisition 2 Limited	Auto Trader Group Limited Irish Auto Trader Limited
John Leach	The Birds Hill Oxshott Estate Company Ltd	DHAB I SA DHAB II SA DHAB III SA Luminar Group Holdings plc
Margaret Young	—	Cattles Limited Cattles plc Welcome Financial Services Limited The Lewis Group Limited Shopacheck Financial Services Limited BNY Mellon International Asset Management Group Limited
Senior Managers		
Rob Scott	—	Acromas Healthcare Trust Limited Confident Services Limited
Steve Dewey	Ben Motor and Allied Trades Benevolent Fund	—
Simon Douglas	—	—
Mark Huggins	National Financial Services Skills Academy	—
Edmund King	—	—
Jim Kirkwood	—	—
Michael Cutbill	21 Richmond Crescent Flats Limited	—
Kirsty Ross	—	—

5.2 Within the period of five years preceding the date of this Prospectus none of the Executive Directors or Senior Managers:

(a) has had any convictions in relation to fraudulent offences;

(b) has been associated with any bankruptcy, receivership or liquidation when acting in his capacity as a member of the administrative, management or supervisory body or senior manager of another company; or

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.3 None of the Directors or Senior Managers has any potential conflicts of interests between their duties to the Company and their private interests or other duties.

6. DIRECTORS', SENIOR MANAGERS' AND OTHER INTERESTS

6.1 The table below sets out the interests of the Directors and Senior Managers in the share capital of the Company as at 20 June 2014 (being the latest practicable date prior to publication of this Prospectus) and immediately following Admission.

	20 June 2014 (last practicable date prior to publication of this Prospectus)		Immediately following Admission[10]	
	Number of Shares currently held	**% of share ownership**	**Number of Shares**	**% of share ownership**
Directors				
Chris Jansen[1]	—	—	800,000	0.14
Andy Boland[1][2]	—	—	400,000	0.07
Bob Mackenzie[1]	—	—	800,000	0.14
Nick Hewitt[1]	—	—	80,000	0.01
Martin Clarke[1][3]	—	—	720,000	0.13
Andrew Miller	—	—	—	—
John Leach	—	—	30,000	0.005
Margaret Young[1]	—	—	20,000	0.004
Senior Mangers				
Rob Scott[4]	—	—	—	—
Steve Dewey[5]	—	—	—	—
Simon Douglas	—	—	—	—
Mark Huggins[6]	—	—	—	—
Edmund King[7]	—	—	—	—
Jim Kirkwood[8]	—	—	—	—
Michael Cutbill[9]	—	—	—	—
Kirsty Ross	—	—	—	—

(1) Acquiring Shares at the Offer Price pursuant to the Offer.
(2) A 0.2% economic interest in the Company is held indirectly through a holding of shares in Acromas.
(3) Martin Clarke holds his interest in the Company indirectly through an interest in certain Permira Funds, which in turn have an interest in the Selling Shareholder.
(4) A 0.1% economic interest in the Company is held indirectly through a holding of shares in Acromas.
(5) A 0.2% economic interest in the Company is held indirectly through a holding of shares in Acromas.
(6) A 0.1% economic interest in the Company is held indirectly through a holding of shares in Acromas.
(7) A 0.1% economic interest in the Company is held indirectly through a holding of shares in Acromas.
(8) A 0.1% economic interest in the Company is held indirectly through a holding of shares in Acromas.
(9) A 0.1% economic interest in the Company is held indirectly through a holding of shares in Acromas.
(10) Excluding Shares that are awarded to the Executive Directors and members of senior management under the Management Value Participation Scheme Value.

6.2 So far as the Company is aware, as at 20 June 2014 (being the latest practicable date prior to publication of this Prospectus) the following persons (other than the Directors and Senior Managers) hold directly or indirectly three per cent. or more of the voting rights in the Company's issued share capital or will do so immediately following Admission:

	Immediately prior to Admission		Immediately following Admission	
Name	**No. of Shares**	**% of voting rights**	**No. of Shares**	**% of voting rights**
Acromas Bid Co Limited[1][2]	469,280,000	100	23,268,000	4.2
CRMC[1][2]	—	—	53,516,800	9.7
Invesco plc	—	—	54,800,000	9.9
Aviva Investors	—	—	54,960,000	9.9
Lansdowne Partners	—	—	54,960,000	9.9
GLG Partners	—	—	40,000,000	7.2
Blackrock Investment Management	—	—	48,447,920	8.7
Henderson Global Investors	—	—	34,800,000	6.3
Standard Life Investments Limited	—	—	18,012,000	3.3
Woodford Investment Management	—	—	35,200,000	6.4

(1) Excludes the sale of Conditional Offer Shares to be sold pursuant to the Conditional Placing Commitment.
(2) Following Admission and completion of the sale of the Conditional Offer Shares pursuant to the Conditional Placing Commitment, certain funds managed by CRMC will hold 13.9% of the Company's voting rights and Acromas Bid Co Limited will no longer hold any of the Company's voting rights.

Save as set out above, the Company is not aware of any person who holds, or who will immediately following Admission hold, as shareholder, directly or indirectly, three per cent. or more of the voting rights

(within the meaning of the Disclosure and Transparency Rules of the FCA) in the issued share capital of the Company.

Save as disclosed above, none of the Directors nor any member of their immediate families or any person connected with any of them holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings or any financial product referenced to the Shares.

6.3 None of the Shareholders referred to in paragraph 7.2 above has different voting rights from any other holder of Shares in respect of any Shares held by them.

6.4 Save as set out in this Part 18: Additional Information, the Company is not aware of any person who immediately following Admission directly or indirectly, jointly or severally, will own or could exercise control over the Company.

6.5 There are no arrangements known to the Company, which may result in a change of control of the Company.

7. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

7.1 Each Executive Director has entered into a service agreement with the Company, the key terms of which are set out below:

7.2 Existing Executive Directors

7.2.1 Chris Jansen is engaged as Chief Executive Officer under a service agreement with AADL dated 6 January 2014 which takes effect from 1 January 2014. He is entitled to a salary of £600,000 per annum. He is entitled to participate in the discretionary performance-related bonus scheme for directors with the opportunity to earn up to 80% of his basic salary as bonus. His service agreement is terminable by either party on not less than twelve months' written notice.

7.2.2 Andy Boland is engaged as Director, AA Finance. He entered into a service agreement with Saga Group Limited ("SGL") dated 5 November 2008 and his current employer is AADL. He is entitled to a salary of £400,000 per annum. He is entitled to participate in the discretionary performance-related bonus scheme for directors with the opportunity to earn up to 80% of his basic salary as bonus. His service agreement is terminable by either party on not less than twelve months' written notice.

7.3 Proposed Executive Directors

7.3.1 Bob Mackenzie is engaged as Executive Chairman, under a service agreement with AADL dated 22 June 2014 which takes effect from Admission. He is entitled to a salary of £750,000 per annum. He is entitled to participate in the discretionary performance-related bonus scheme for directors with the opportunity to earn up to 80% of his basic salary as bonus. His service agreement is terminable by either party on not less than twelve months' written notice.

7.3.2 Nick Hewitt is engaged as Executive Director, under a service agreement with AADL dated 20 June 2014 which takes effect from Admission. He is entitled to a salary of £400,000 per annum. He is entitled to participate in the discretionary performance-related bonus scheme for directors with the opportunity to earn up to 80% of his basic salary as bonus. His service agreement is terminable by either party on not less than twelve months' written notice.

7.3.3 Martin Clarke is engaged as Executive Director, under a service agreement with AADL dated 20 June 2014 which takes effect from Admission. He is entitled to a salary of £400,000 per annum. He is entitled to participate in the discretionary performance-related bonus scheme for directors with the opportunity to earn up to 80% of his basic salary as bonus. His service agreement is terminable by either party on not less than twelve months' written notice.

7.3.4 The employer has the ability to terminate the service agreements of the Executive Directors at any time, undertaking to pay the Executive Director within 14 days a sum equal to his basic salary in lieu of notice, together with any accrued holiday entitlement.

7.3.5 Each Executive Director is eligible for private medical insurance and death in service benefit of two times annual salary (or four times annual salary if such Executive Director is a member of the AA UK Pension Scheme).

7.3.6 Each Executive Director is entitled to 25 days' holiday in addition to the usual public and bank holidays in England and Wales.

7.3.7 Each Executive Director is entitled to be reimbursed all reasonable out-of-pocket expenses which he is authorised to incur in the proper performance of his duties.

7.3.8 Each Executive Director is subject to a confidentiality undertaking and to non-competition and non-solicitation (of directors and senior employees) restrictive covenants for a period of 12 months (less any period spent on garden leave) after the termination of his employment.

7.3.9 The Group has in place customary directors' and officers' indemnity insurance in respect of the Executive Directors.

7.3.10 As required by the Companies Act, the Executive Directors' remuneration will be subject to shareholder approval.

7.4 Each Proposed Non-Executive Director has entered into letters of appointment with the Company as follows:

7.4.1 Andrew Miller, John Leach and Margaret Young are engaged by the Company under letters of appointment dated 20 June 2014, 20 June 2014 and 20 June 2014, respectively. The letters of appointment are each conditional on, and become effective on, Admission. The appointments may be terminated at any time upon immediate written notice, in accordance with the Articles or the Companies Act, or upon resignation of the Proposed Non-Executive Director. The Proposed Non-Executive Directors are not entitled to participate in the Group's share, bonus or pension schemes. The Proposed Non-Executive Directors are entitled to be reimbursed all reasonable out-of-pocket expenses incurred in the proper performance of their duties. The Proposed Non-Executive Directors are subject to confidentiality undertakings. The Company has in place customary directors' and officers' indemnity insurance in respect of each Proposed Non-Executive Director.

7.4.2 Each Proposed Non-Executive Director is entitled to an annual fee of £80,000. Margaret Young is entitled to an additional annual fee of £15,000 for her role as chairman of the Audit Committee.

7.4.3 As required by the Companies Act, the Proposed Non-Executive Directors' remuneration will be subject to shareholder approval. In the event that such approval is not obtained, the letters of appointment provide that the Proposed Non-Executive Directors will have no entitlement to compensation or damages in respect of loss suffered as a consequence.

7.5 Save as set out in this Part 18: Additional Information, there are no existing or proposed service agreements between any Director and any member of the Group providing for benefits upon termination of employment.

8. MANAGEMENT VALUE PARTICIPATION ARRANGEMENTS AND OTHER EMPLOYEE INCENTIVES

Introduction

8.1 The Management Value Participation Shares entitle the holders to participate in the total shareholder return over the first 5 years following Admission. The scheme is based on the satisfaction of a performance condition which (except in the event of a change of control) is tested on the third, fourth and fifth anniversaries of Admission and, subject to satisfaction of the Performance Condition, dictates the value accruing to the relevant class of Management Value Participation Shares in issue at the time of testing (the "**Management Value Participation Scheme Value**").

8.2 The Management Value Participation Shares take the form of A Shares, B Shares and C Shares in the Company, with each class representing a third of the total number of Management Value Participation Shares, and each person holding A Shares will (unless the Remuneration Committee determines otherwise) hold an identical number of B Shares and C Shares.

8.3 The A Shares are convertible into Shares or redeemable following satisfaction of the Performance Condition tested at the third anniversary of Admission, the B Shares are convertible or redeemable following satisfaction of the Performance Condition tested at the fourth anniversary of Admission, and the C Shares are convertible or redeemable following satisfaction of the Performance Condition tested at the fifth anniversary of Admission.

8.4 If the Performance Condition is not satisfied on the third anniversary of Admission but is satisfied on the fourth or fifth anniversary, a holder of A Shares may exercise the above rights (within the applicable timeframes) after the relevant anniversary. If the Performance Condition is not satisfied on the fourth

anniversary of Admission but is satisfied on the fifth anniversary, a holder of B Shares may exercise the above rights (within the applicable timeframes) after such fifth anniversary.

8.5 Each class of Management Value Participation Share is convertible into Shares or redeemable as described below. The maximum number of Shares resulting from conversion of Management Value Participation Shares will not in any 10 year period exceed 5% of the issued number of Shares from time to time.

Subscriptions for Management Value Participation Shares

8.6 Prior to Admission, Bob Mackenzie, Nick Hewitt and Martin Clarke will each subscribe for Management Value Participation Shares at £0.001 per share. Together, they hold 40 per cent. of the Management Value Participation Shares which are intended to be issued by the Company (with Bob Mackenzie subscribing for 22.4 per cent. of this 40 per cent. and with Nick Hewitt and Martin Clarke subscribing for 8.8 per cent. each).

8.7 It is intended that the other 60 per cent. of the Management Value Participation Shares will be allotted and issued by the Company to senior divisional and executive management of the Group (including, potentially, any of the Executive Directors) following Admission, with such allotments being determined (including as to the subscription price) by the Remuneration Committee having received the recommendations of the Executive Chairman.

Performance Condition

8.8 For the A Shares, B Shares or as the case may be C Shares, the performance condition is that the Total Shareholder Return immediately prior to the third, fourth or fifth anniversary of Admission (respectively) is equal to or more than an amount representing a 12 per cent. increase (accruing daily and compounding annually on each anniversary of Admission) in the Deemed Commencement Market Capitalisation (the "**Performance Condition**").

8.9 If the Performance Condition is satisfied, the Company may elect within one month following the date on which the Performance Condition has been calculated to convert the A Shares, B Shares or C Shares (as the case may be) into such number of Shares which, at the average Closing Price of a Share over the 10 Business Days prior to the relevant anniversary, have an aggregate value equal to the Management Value Participation Scheme Value. If the Company fails to elect to convert the Management Value Participation Scheme Shares, a holder of (respectively) A Shares, B Shares or C Shares has the right to require the Company within one month to convert or redeem all (but not some) of his A Shares, B Shares or C Shares (as the case may be) into his Relevant Proportion of such number of Shares. The Management Value Participation Scheme Value shall be calculated as:

(a) 5 per cent. of the TSR up to the Performance Condition; plus

(b) 10 per cent. of the amount by which the TSR exceeds the Performance Condition

Change of Control

8.10 In the event of a Change of Control of the Company at any time prior to the fifth anniversary of Admission which results in an offer to all holders of Shares in which the price offered to holders of Shares delivers a Total Shareholder Return in excess of the Performance Condition, and such offer becomes unconditional in all respects, each holder of Management Value Participation Shares has the right to require the Company to convert all (but not some) of his Management Value Participation Shares into such number of Shares which, at such offer price have an aggregate value equal to his Relative Proportion of the sum of:

(a) 5 per cent. of the TSR up to the Performance Condition; plus

(b) 10 per cent. of the amount by which the TSR exceeds the Performance Condition

Redemption of Management Value Participation Shares

8.11 Following an election by the Company to convert Management Value Participation Shares or following an exercise by a holder of Management Value Participation Shares of his conversion rights in respect of any Management Value Participation Shares, the Company will have the option to redeem such Management Value Participation Shares for a cash equivalent to that holder, instead of issuing Shares.

Cancellation

8.12 In the event that the performance condition has not been satisfied by the fifth anniversary of Admission, or if any holder has not required the Company to convert his Management Value Participation Shares within the applicable timeframes, the Company will be able to acquire all of the Management Value Participation Shares for £0.01 in aggregate.

Leavers

8.13 In the event that a holder of Management Value Participation Shares is a Bad Leaver, the Company will be able to acquire all of his Management Value Participation Shares for £0.01 in aggregate. In the event that any of Bob Mackenzie, Nick Hewitt or Martin Clarke ceases to be an employee or director of any member of the Group in circumstances where he is not a Bad Leaver, but he subsequently takes action or makes comments which denigrate the Group or bring the Group into disrepute, the Company will be able to acquire all of his remaining Management Value Participation Shares for £0.01 in aggregate.

Voting rights and actions of the Company requiring the consent of holders of Management Value Participation Shares

8.14 The Management Value Participation Shares do not carry an entitlement to vote at general meetings of the Company. However, the following actions require the approval of the holders of 75 per cent. of the Management Value Participation Shares in issue:

The Company being voluntarily wound up; and the issue by the Company of more than 8,000,000 A1 Shares, 12,000,000 A2 Shares, 8,000,000 B1 Shares, 12,000,000 B2 Shares, 8,000,000 C1 Shares or 12,000,000 C2 Shares Management Value Participation Shares in aggregate.

Dividend and capital rights

8.15 Management Value Participation Shares do not entitle their holders to receive dividends. Management Value Participation Shares will be eligible to participate in any return of capital on a winding up of the Company (with the Performance Condition being tested by reference to the total value of the return of capital).

Other incentive arrangements

8.16 Following Admission, the Board intends to review executive management annual compensation and ensure it is in line with comparable listed companies.

8.17 The Company wishes to encourage greater employee alignment through share based incentives and intends to introduce arrangements under which all qualifying employees would be able to participate in a Share Incentive Plan and/or Savings Related Share Option Plan intended to offer beneficial tax treatment in accordance with Schedule 2 and/or Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003, or some equivalent arrangement. Employees would be offered an opportunity to acquire shares on beneficial terms subject to defined limits set out by statute and/or the rules of the relevant Plan. Initially no more than 1.5% of the Company's issued ordinary share capital would be made available for subscription under any such plan, and the plan rules would in any event incorporate a limit restricting the number of shares issued or issuable under employees share schemes on or after Admission and within any 10 year period to no more than 10 per cent of the ordinary share capital of the Company in issue from time to time. Following Admission, the Directors will be authorised to develop and adopt the rules of the employee share incentive arrangements that they consider is in the best interests of the Company.

8.18 Shortly after Admission, the Company intends to pay bonuses in an aggregate amount of £15 million to certain senior managers and general staff of the Group.

9. SUBSIDIARIES

9.1 The business of the Company and its principal activity is to act as the holding company of the Group. The Group's activities and operations are carried on by the Company's subsidiaries.

9.2 The Company has the following significant subsidiary undertakings, each of which is (save as stated below) incorporated in England and Wales and is wholly-owned, either directly or indirectly, by the Company and consolidated into the annual financial information of the Company:

Name	Principal Activity	Registered Office	Percentage of shares and voting rights held	Jurisdiction of incorporation
AA Mid Co Limited	Holding company	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
AA Intermediate Co Limited	Holding company	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
AA Acquisition Co Limited	Holding company and group borrowings	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
AA Senior Co Limited	Holding company and group borrowings	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
AA Corporation Limited	Holding company	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
The Automobile Association Limited	Roadside services	22 Grenville Street St Helier Jersey JE4 8PX	100%	Jersey
Drivetech (UK) Limited	Driving school activities	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
Automobile Association Developments Limited	Business support service activities, Driving school activities and Roadside assistance	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
AA Media Limited	Publishing of consumer and business journals and periodicals	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
AA Financial Services Limited	Financial intermediation	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
Automobile Association Insurance Services Limited	Insurance agents and brokers	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales

Name	Principal Activity	Registered Office	Percentage of shares and voting rights held	Jurisdiction of incorporation
AA Ireland Limited	Roadside assistance and insurance brokers	60/61 South William Street Dublin	100%	Ireland
Autowindshields (UK) Limited	Roadside assistance	Fanum House Basing View Basingstoke Hampshire RG21 4EA	100%	England & Wales
Acromas Reinsurance Company Limited	Reinsurance underwriting	Heritage Hall P.O. Box 225 Le Marchant Street St. Peter Port Guernsey GY1 4HY	100%	Guernsey
AA PIK Co Limited	Group borrowings	22 Grenville Street St. Helier Jersey JE4 8PX	100%	Jersey
AA Bond Co Limited	Group borrowings	22 Grenville Street St. Helier Jersey JE4 8PX	100%	Jersey

10. WORKING CAPITAL

In the opinion of the Company, taking into account the net proceeds of the Offer receivable by the Company and the debt facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

11. SIGNIFICANT CHANGE

Save as disclosed in paragraph 8 and paragraph 10 of Part 7: Information on the Group in relation to refinancing our debt financing arrangements and in relation to other recent developments, there has been no significant change in the financial or trading position of the Group since 30 April 2014, the date to which the historical financial information in Part 14: Historical Financial Information has been prepared.

12. LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Prospectus, significant effects on the Company's and/or the Group's financial position or profitability.

13. FINANCING ARRANGEMENTS

13.1 Secured investment grade financing platform established for AA Intermediate Co Limited and its subsidiaries

AA Intermediate Co Limited ("**Holdco**") and its subsidiaries (the "**Holdco Group**") established a secured investment grade financing platform in the bank and debt capital markets on 2 July 2013 commonly referred to as a "whole business securitisation" (the "**WBS**"). Pursuant to the WBS, on 2 July 2013 AA Senior Co Limited (the "**Borrower**") entered into (i) a term bank facility agreement pursuant to which a senior term facility of up to £1,775.0 million (the "**Initial Senior Term Facility**") was made available to it and (ii) a

revolving working capital facility of up to £150.0 million (the "**Initial Working Capital Facility**") to fund working capital purposes. The Holdco Group has issued several series of senior secured notes (referred to as Class A Notes), raised term and revolving credit facilities from a number of banks and entered into some related interest rate hedging, in each case as summarised or referred to further below (and together referred to as "**Class A Debt**"). The Group refinanced the bank facilities by raising additional indebtedness under the WBS which completed on 2 May 2014.

A common set of the representations and warranties, covenants, lock-up events and events of default apply to all Class A Debt pursuant to a common terms agreement (the "**CTA**"). The Class A Debt is secured pursuant to fixed and floating charges from the material members of the Holdco Group and are subject to intercreditor arrangements set out in a security trust and intercreditor deed (the "**STID**").

13.1.1 Refinancing of the Initial Senior Term Facility and Initial Working Capital Facility

The Borrower entered into a new senior term facility on 23 April 2014 of up to £663 million (the "**New Senior Term Facility**"), drawings under which, together with the proceeds of a further issuance of £250 million in principal amount of Class A Notes, were used on 2 May 2014 to repay all amounts outstanding under the Initial Senior Term Facility. The Borrower also entered into a new working capital facility (the "**New Working Capital Facility**"), commitments under which replaced the existing commitments under the Initial Working Capital Facility.

The New Senior Term Facility and New Working Capital Facility differ in several respects from the corresponding provisions in respect of the Initial Senior Term Facility and the Initial Working Capital Facility. The margin payable under the New Senior Term Facility and New Working Capital Facility has been reduced to 2.00% above LIBOR (or 1.75% above LIBOR if and for so long as the Class A Notes are rated above "BBB-") compared to a margin range of 2.75% to 4.25% and 3.25% to 4.25% on the Initial Senior Term Facility and the Initial Working Capital Facility respectively (varying during the term of the relevant loan and in each case subject to a 0.25% reduction in the event that the Class A Notes are rated above "BBB-"). The change of control prepayment right in favour of the lenders has also been amended to align the New Senior Term Facility and the New Working Capital Facility more closely with the formulation in the Class B IBLA and Class B Notes (as defined below).

The New Senior Term Facility and New Working Capital Facility contain a mandatory cash sweep obligation equal to 25% of excess cashflow in respect of the financial years ending 31 January 2015 and 31 January 2016, the first of which will require the Borrower to make a mandatory prepayment on 31 July 2015. This both reduces and defers the mandatory prepayment provisions that would otherwise have applied under the Initial Senior Term Facility in consideration for which the Borrower has agreed not to make any payment (in cash or in kind) of a dividend, charge, fee or other distribution (a "**Restricted Payment**") to any direct or indirect shareholder of a member of the WBS Holdco Group or any affiliates (an "**Excluded Group Entity**") until after the date of delivery of the consolidated audited annual financial statements of the Holdco Group for the Financial Year ending 31 January 2015 and related compliance certificate, regardless of whether the conditions for the making of a permitted payment would otherwise have been met. In this context, the Borrower has further agreed that if the ratio of total net Class A Debt as to EBITDA of the Holdco Group, calculated *pro forma* for such payment, is equal to or exceeds 5.00:1 (but does not exceed 5.50:1) and only for so long as any of the PIK Notes (see below) remain outstanding, it will restrict the making of any Restricted Payment by any member of the Holdco Group to an Excluded Group Entity to one made directly to the PIK Issuer (through AA Limited) solely for the purpose of paying any accrued but unpaid and uncapitalised cash pay interest under the PIK Notes and in an amount not exceeding such accrued but unpaid and uncapitalised cash pay interest at that time. The Borrower has also agreed that where the ratio of total net Class A Debt to EBITDA of the Holdco Group, calculated *pro forma* for such payment, is less than 5.00:1, any Restricted Payment is funded solely from retained excess cashflow (and not from the proceeds of additional financial indebtedness). Under the CTA, the additional agreements of the Borrower relating to the making of a Restricted Payment to an Excluded Group Entity will apply for so long as amounts remain outstanding under the New Senior Term Facility.

The agreements under which the New Senior Term Facility and the New Working Capital Facility are governed by English law.

13.1.2 Class A Notes and Class A IBLAs

On 2 July 2013, AA Bond Co Limited ("**Bond Co**") entered into a trust deed (the "**Class A Note Trust Deed**") with Deutsche Trustee Company Limited (the "**Class A Trustee**") pursuant to which

it established a multicurrency programme for the issuance of Class A Notes (the "**Programme**"). The terms and conditions of each series of Class A Notes issued under the Programme are set out in the Class A Note Trust Deed, as completed by the Final Terms applicable to the relevant series.

Under the Programme, Bond Co uses the proceeds of each issue of Class A Notes to fund advances ("**Class A Loans**") to the Borrower under inter-company loan agreements (the "**Class A IBLAs**") on corresponding terms. The Class A Notes form a single class and each sub-class may comprise one or more tranches issued on different issue dates. The Class A Notes will rank *pari passu* without preference or priority in point of security amongst themselves.

The applicable Final Terms specify the relevant maturity dates and interest provisions (fixed or floating). Bond Co has the option to redeem any sub-class in whole or in part and an optional redemption of fixed rate Class A Notes is subject to customary "spens" make-whole provisions. Other early redemption provisions apply if prepayment is made for tax reasons or illegality. Bond Co has granted first ranking security in respect of its obligations under the Class A Notes. The Class A Notes are subject to customary events of default for issuance by special purpose bond issuing vehicles. The Class A Notes are governed by English law.

The Class A Notes in issuance are:

(a) A1 £475,000,000 Fixed Rate Secured Notes due 2043 (£300,000,000 issued on 2 July 2013 and £175,000,000 issued on 27 August 2013) with an expected maturity date of 31 July 2018 and fixed rate interest of 4.7201% up to the expected maturity date and 5.7201% thereafter;

(b) A2 £500,000,000 Fixed Rate Secured Notes due 2043 (£325,000,000 issued on 2 July 2013 and £175,000,000 issued on 27 August 2013) with an expected maturity date of 31 July 2025 and fixed rate interest of 6.269% per annum up to the applicable expected maturity date and 7.269% thereafter; and

(c) A3 £500,000,000 Fixed Rate Secured Notes due 2043 issued on 29 November 2013 with an expected maturity date of 31 July 2020 and fixed rate interest of 4.2487% per annum up to the applicable expected maturity date and 5.2487% thereafter.

(d) A4 £250,000,000 Fixed Rate Secured Notes due 2043 issued on 2 May 2014 with an expected maturity date of 31 July 2019 and a fixed rate of interest of 3.781% per annum up to the applicable expected maturity date and 4.781% thereafter.

Bond Co may choose to issue additional Class A Notes in the future in accordance with the terms of the Programme.

Bond Co has agreed with the Class A Trustee to supplement the Class A Note Trust Deed to facilitate the issue of a further series of Class A Notes at its option in respect of which a new modified call option would apply, allowing the Issuer to redeem that series of Class A Notes prior to its expected maturity following a call protected period at the modified make-whole redemption amount as specified in the related Final Terms.

The Class A IBLAs are subject to the CTA. A CTA event of default does not cross-default the Class A Notes. Each Class A IBLA, the Class A Notes and the Class A Note Trust Deed is governed by English law.

13.1.3 **Liquidity Facility Agreement**

On 2 July 2013, the Royal Bank of Scotland plc, Barclays Bank PLC and HSBC Bank plc (among others) (the "**Liquidity Facility Providers**") and the Borrower, among others, entered into the liquidity facility agreement (the "**Liquidity Facility Agreement**") pursuant to which the Liquidity Facility Providers provided a 364-day commitment (which can be redrawn or extended) up to £220.0 million to meet liquidity shortfalls under a Class A IBLA (see below). Each Liquidity Facility Provider must have the requisite rating and interest accrues at 2.75% subject to step-up provisions. The Liquidity Facility Agreement is governed by English law.

13.1.4 **Hedging Agreements**

In fulfilment of the Borrower's obligations under the hedging policy set out in the CTA, the Borrower fully hedged its exposure to interest rates under the New Senior Term Facility Agreement by entering into a number of fixed/floating swap agreements with various hedge counterparties.

13.1.5 **Common Terms Agreement**

The CTA contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of certain members of the Holdco Group to

make acquisitions, disposals, incur financial indebtedness, enter into corporate transactions, pay dividends or change the nature of its business. The CTA also requires certain members of the WBS Holdco Group to observe certain positive covenants, subject to certain agreed exceptions, including maintenance of any relevant authorisation and guarantor coverage.

The CTA prohibits the members of the Holdco Group from making payments of dividends or other distributions in respect of shares to a Company in the AA Group which is not in the Holdco Group (referred to as an "**Excluded Group Entity**") and payments on the Class B IBLA, any investor funding loan or other loan made by an Excluded Group Entity, unless the following conditions are satisfied:

- either no amounts under the Initial Senior Term Facility are outstanding or a Qualifying Public Offering has occurred;
- unless a Qualifying Public Offering has occurred, no cash accumulation period under any Class A Senior Debt is continuing;
- the ratio of available cash flow to total Class A Debt service charges is not less than 1.35:1;
- the ratio of total net Class A Debt to EBITDA calculated *pro forma* for such payment does not exceed 5.5:1;
- no event of default, potential event of default or trigger event has occurred under the terms of the CTA and is subsisting at the time the payment is made;
- the payment is funded from retained excess cashflow of the Holdco Group (being any excess cashflow that remains after the application of any bank debt sweep to the extent not otherwise spent) or additional financial indebtedness; and
- the payment is made within 90 days of the date of the most recent compliance certificate delivered pursuant to the CTA.

The CTA contains certain events of default, the occurrence of which would entitle the WBS Obligor Security Trustee (as defined below) to accelerate the debt or take an enforcement action in accordance with the provisions of the STID, including failure to pay under the senior finance documents, breach of financial covenant or breach of other obligations. The CTA was entered into on the Closing Date and is governed by English law.

13.1.6 The Security Documents

The Borrower and each material member of the WBS Holdco Group has pursuant to a security agreement (the "**Obligor Security Agreement**") granted fixed and floating security over its assets in favour of Deutsche Trustee Company Limited (the "**Obligor Security Trustee**") to secure obligations owing in respect of, *inter alia*, Class A Debt and, on a fully subordinated basis, the Class B IBLA. The Obligor Security Agreement is governed by English law. The right of secured creditors to enforce the security granted under the Obligor Security Agreement is subject to the STID.

13.1.7 Security Trust and Intercreditor Deed

The intercreditor arrangements in respect of the Holdco Group, HY Topco, the secured creditors (including Bond Co) in respect of the Class A Debt and the Class B IBLA (the "**Intercreditor Arrangements**") are contained in the STID. The purpose of the Intercreditor Arrangements is to regulate, among other things: (a) the claims of the various secured creditors against the Holdco Group; (b) the exercise of rights by the various secured creditors, including in relation to any enforcement and acceleration of the secured liabilities and the security; (c) the rights of the various secured creditors to instruct the Obligor Security Trustee; (d) the exercise and enforcement of rights in relation to the HY Topco Security Agreement (as defined below); and (e) the giving of consents and waivers and the making of modifications to the transaction documents regulated by the STID.

The Intercreditor Arrangements also provide for the ranking in point of payment of the claims of the various secured creditors (so that secured creditors in respect of the Class A Debt rank senior to the secured creditors in respect of the Class B IBLA) and for the subordination of all claims of subordinated intra-group creditors and subordinated investors to the claims of the various secured creditors. Pursuant to the terms of the STID, each material member of the Holdco Group

irrevocably and unconditionally guarantees to the Obligor Security Trustee the punctual performance and observation by each other material member of the Holdco Group of the secured liabilities. The STID is governed by English law.

13.2 High yield financing established for AA Mid Co Limited and its subsidiaries

Concurrently with the secured investment grade financing for the Holdco Group, HY Topco and its subsidiaries entered into a high yield financing on the terms summarised further below.

13.2.1 Class B Notes

On 2 July 2013, Bond Co issued £655,000,000 9.50% Class B Secured Notes due 2043 (the "**Class B Notes**") constituted by a note trust deed dated 2 July 2013 (the "**Class B Note Trust Deed**") and made between Bond Co and Deutsche Trustee Company Limited (the "**Class B Trustee**") as trustee for the holders of the Class B Notes (the "**Class B Noteholders**"). The Class B Notes constitute interest bearing, limited recourse, obligations of Bond Co the terms and conditions of which (the "**Class B Conditions**") are set out in the Class B Note Trust Deed. Bond Co used the proceeds of the issue of Class B Notes to fund advances to the Borrower under the Class B IBLA. The Class B Notes rank *pari passu* amongst themselves but are subordinate to the Class A Debt.

It is intended that the Class B Notes will be redeemed no later than the Class B Note interest payment date falling in July 2019 (the "**Class B Note Expected Maturity Date**"). If the Class B Notes are not redeemed on the Class B Note Expected Maturity Date, no event of default (a "**Class B Note Event of Default**") will occur but it will constitute a trigger event (a "**Class B Trigger Event**"). If the Class B Notes have not previously been redeemed in full, they shall be redeemed at their principal amount outstanding plus accrued interest on the payment date falling in July 2043 (the "**Class B Note Final Maturity Date**").

Interest is payable semi-annually at a rate of 9.50% per annum until 31 July 2021 following which interest is payable at 5.00% per annum and default interest provisions also apply. If the Class B Notes remain outstanding at the Class B Note Expected Maturity Date, Bond Co will be restricted from making payments of interest on the Class B Notes until the Class A Notes are repaid in full.

Bond Co's obligations in relation to the Class B Notes are secured on a subordinated basis pursuant to the same security agreement entered into by Bond Co in respect of its obligations under the Class A Notes. The rights of the Class B Noteholders to enforce that security are restricted for so long as Class A Debt remains outstanding. However, upon the occurrence of a Class B Trigger Event ((i) failure to redeem the Class B Notes in full or (ii) the occurrence of a Class B notes event of default), the terms of the HY Topco Payment Undertaking and the HY Topco Security Agreement (as defined below) shall become enforceable on certain conditions.

The early redemption provisions track the early redemption provisions under the Class B IBLA (see further below). Class B Noteholders are entitled to require redemption of the Class B Notes following a change of control (see the section entitled Class B Issuer/Borrower Loan Agreement below).

The Class B Notes are governed by English law.

13.2.2 Class B Issuer/Borrower Loan Agreement

The proceeds of the Class B Notes were applied by Bond Co to make a loan (the "**Class B Loan**") to the Borrower pursuant to an issuer/borrower loan agreement (the "**Class B IBLA**") in an amount equal to the principal amount of the Class B Notes. The maturity date, redemption premium, interest rates and payment dates with respect to the Class B Loan under the Class B IBLA correspond to the terms of the Class B Notes.

No event of default (a "**Class B Loan Event of Default**") may occur with respect to the Class B Loan while any amounts are outstanding under any Class A Debt entered into by the Borrower (until after acceleration of any such Class A Debt). However, the Class B IBLA benefits from additional security in the form of the HY Topco Payment Undertaking and a share charge granted by HY Topco over its shares in Holdco under the HY Topco Security Agreement as security for that payment undertaking. Any non-payment or material breach under the Class B IBLA will,

notwithstanding the existence of any Class A Debt, constitute a share enforcement event and trigger the rights of the Class B debtholders under these agreements.

The Class B IBLA contains separate and independent covenants and events of default to those that apply to the Holdco Group under the CTA. These include, among other things: (i) a change of control redemption right and (ii) restrictions on dividends, as set out below.

On the occurrence of a change of control the Borrower must offer to repurchase the Class B Notes at 101% of the principal amount outstanding. Change of control is defined by reference to, among other things: (i) a person or group of related persons becoming the direct or indirect beneficial owner of more than 50% of the total voting power of the voting stock of HY Topco; or (ii) following a public offering of HY Topco or any parent, a change in the majority of individuals on the board of directors of HY Topco or any parent during any two year period, subject to certain exceptions; or (iii) an asset sale of all or substantially all of the assets of HY Topco and its subsidiaries. The Offer is not expected to result in a change of control for these purposes.

The Class B IBLA contains restrictions on the declaration and payment of dividends and other distributions ("**Class B Restricted Payments**") which differ from those contained in the CTA. Class B Restricted Payments can only be made if each of the following conditions are satisfied:

(a) Additional carve-outs apply to particular situations notwithstanding whether or not the conditions set out above are satisfied. These include: (i) a general dividend bucket of £40 million of dividends since 2 July 2013, subject to no Class B loan event of default, loan default or share enforcement event having occurred: (ii) dividends paid if the consolidated leverage ratio of HY Topco would be 4:1 *pro forma*; (iii) dividends payable on any common equity of HY Topco or any parent following a public offering provided the consolidated leverage ratio of HY Topco is no greater than 5:1 and subject to a cap equal to 6% of the net cash proceeds of the offering received by, contributed to the equity of, or lent to HY Topco or, following the Offer, the greater of 7% of the Company's market capitalisation at the time of the Offer and 7% of the actual market capitalisation; and (iv) Class B Restricted Payments in an aggregate amount not exceeding the amount of any excluded contributions.

(b) All payments will be made without withholding or deduction for tax (unless required by law whereby gross up provisions apply). Prior to 31 January 2016, the Borrower may prepay up to 40% of the Class B Loan at 109.50% or the Borrower may prepay the Class B Loan at 100% plus the Applicable Premium. "**Applicable Premium**" is defined as being the greater of: (i) 1.00% of the principal amount of the Class B Loan; and (ii) the aggregate of 104.75% of the principal amount outstanding and the amount of all interest payments payable on the Class B Loan through to 31 January 2016, computed using a discount rate equal to the gilt rate at the date of prepayment plus 50 basis points. On or after 31 January 2016, the Borrower may prepay the Class B Loan at any time at 104.750% (during the 12 months following 31 January 2016), at 102.375% (during the 12 months following 31 January 2017) and 100% thereafter.

(c) The Class B IBLA is governed by English law.

13.2.3 HY Topco Payment Undertaking

Pursuant to the payment undertaking between, *inter alios*, HY Topco and the Obligor Security Trustee (the "**HY Topco Payment Undertaking**") entered into on 2 July 2013, HY Topco undertakes to pay the amount outstanding under the Class B IBLA (and any other Class B authorised credit facility that is entered into by the Borrower) following the occurrence of a share enforcement event, Class B Note Event of Default or a Class B Loan Event of Default. Failure to pay will result in the enforcement of the HY Topco Security (as defined below) in accordance with the STID. HY Topco's obligations are limited recourse to the HY Topco Security and the HY Topco Payment Undertaking is governed by English law.

13.2.4 HY Topco Security Agreement

Under the security agreement between HY Topco and the Obligor Security Trustee (the "**HY Topco Security Agreement**") entered into on 2 July 2013, HY Topco granted first-ranking fixed security by way of legal mortgage over its shares in Holdco. In addition, HY Topco granted a first floating charge over the whole of its undertaking and all of its property (the fixed and floating

security together, the "**HY Topco Security**"). The HY Topco Security Agreement is governed by English law.

13.3 **PIK Toggle Transaction**

On 7 November 2013 (the "**PIK Issue Date**"), AA PIK Co Limited (the "**PIK Issuer**") issued £350,000,000 9 ½% / 10 ¼% Senior PIK Toggle Notes due 2019 (the "**PIK Notes**") under an indenture between, *inter alios*, the PIK Issuer and Deutsche Trustee Company Limited. The PIK Notes are guaranteed on a senior basis by AA Limited, the direct parent of the PIK Issuer. The PIK Notes are not guaranteed by any subsidiaries of AA Limited. The PIK Issuer lent the gross proceeds of the PIK Notes to AA Limited pursuant to a proceeds loan agreement dated 7 November 2013. However, AA Limited retained a portion of the proceeds, sufficient to enable the PIK Issuer to pay interest on the PIK Notes for the first three interest periods in cash.

The PIK Notes are secured and rank *pari passu* in right of payment with any existing and future obligations of the PIK Issuer that are not subordinated to the PIK Notes.

On the occurrence of a change of control the PIK Issuer must offer to repurchase the PIK Notes at 101%. Change of control is defined by reference to, among other things: (i) a person or group of related persons becoming the direct or indirect beneficial owner of more than 50% of the total voting power of the voting stock of AA Limited; or (ii) following a public offering of AA Limited or any parent, a change in the majority of individuals on the board of directors of AA Limited or any parent (including any new directors elected by the majority of such board of directors or whose nomination for election by shareholders was approved by the majority of such board of directors and excluding any employee representatives) during any two year period, subject to certain exceptions; or (iii) an asset sale of all or substantially all of the assets of AA Limited and its subsidiaries. The Offer is not expected to result in a change of control for these purposes.

AA Limited is only permitted to pay dividends ("**PIK Restricted Payments**") if each of the following conditions are satisfied:

(a) an initial public offering has occurred;

(b) no default has occurred;

(c) HY Topco's consolidated leverage ratio, calculated *pro forma*, is less than 6.5:1; and

(d) where such PIK Restricted Payments made since the PIK Issue Date do not exceed the aggregate of (A) 50% of the consolidated net income of AA Limited and its subsidiaries, (B) 100% of the net cash proceeds and value of AA Limited's assets as a result of the sale of its capital stock or subordinated shareholder funding since the PIK Issue Date, and (C) 100% of proceeds received from indebtedness converted into stock or certain payments from unrestricted subsidiaries.

Additional carve-outs apply to particular situations notwithstanding whether or not the conditions set out above are satisfied. These include: (i) a general dividend bucket of £40 million of dividends since 2 July 2013 provided an initial public offering has occurred and subject to no event of default under the PIK Notes having occurred: (ii) dividends payable on any common equity of AA Limited or any parent following a public offering provided the consolidated leverage ratio of AA Limited is no greater than 5:1 and subject to a cap equal to 6% of the net cash proceeds of the offering received by, contributed to the equity of, or lent to AA Limited or, following the Offer, the greater of 7% of AA Limited's market capitalisation at the time of the Offer and 7% of the actual market capitalisation; and (iii) PIK Restricted Payments in an aggregate amount not exceeding the amount of any excluded contributions.

The PIK Notes contain optional redemption provisions whereby, prior to 15 June 2015, the PIK Issuer may redeem the PIK Notes at 100% of their principal amount outstanding plus the Applicable Premium. "**Applicable Premium**" is defined as being the greater of: (i) 1.00% of the principal amount of the PIK Note; and (ii) the aggregate of 102% of the principal amount outstanding and the amount of all interest payments payable on the PIK Note through to 15 June 2015, computed using a discount rate equal to the gilt rate at the date of prepayment plus 50 basis points. On or after 15 December 2014, the PIK Issuer may redeem the PIK Notes from the net cash proceeds of equity offerings at 102% of the principal amount outstanding provided the redemption occurs within 180 days of such equity offering. On or after 15 June 2015, the PIK Issuer may redeem the PIK Notes at any time at 102.00% (during the 12 months following 15 June 2015), 101.00% (during the 12 months following 15 June 2016) and 100% thereafter.

The PIK Notes and the indenture are governed by the laws of the State of New York. The proceeds loan and security documents are governed by English law.

14. MATERIAL CONTRACTS

Other than the financing contracts described in paragraph 13 above, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Group within the two years immediately preceding the date of this Prospectus and are, or may be, material or have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this Prospectus.

14.1 Umbrella Services Agreement

The Amended and Restated Umbrella Services Agreement dated 31 March 2014 is between AA Intermediate Co Limited ("**AAIL**"), Saga Limited ("**Saga**") and various members of their respective groups and takes effect from 1 February 2013 ("**Umbrella Services Agreement**"). The Umbrella Services Agreement was entered into in connection with the Separation in order to ensure continuing operation of the necessary business functions required for the Group and for the Saga Group.

Under the Umbrella Services Agreement AAIL and Saga agree to procure that their respective groups provide certain specified services to the other, including fleet management, sales and marketing services relating to certain AA financial products, and certain IT services. There are also a number of specific additional contracts in place for the provision of services between various members of the respective groups ("**Additional Contracts**"), including in particular relating to the provision of underwriting by AICL, a member of the Saga group, for various AA Group products, such as Motor insurance, Home insurance, and home emergency cover.

The Umbrella Services Agreement provides that in circumstances where AICL is the sole underwriter of the AA product (rather than being a member of an underwriting panel), the net rates provided by AICL will be set with the objective of achieving a 3% return on premiums net of underwriting expenses, unless otherwise agreed in an Additional Contract.

The services provided under the Umbrella Services Agreement may only be terminated on at least six months' notice given at any time after 30 June 2016, unless the recipient no longer requires a particular service, in which case the service may be terminated on six months' notice. Termination may be immediate in the case of material breach or insolvency, provided that in the event of appointment of an administrator or administrative receiver to a member of the AA Group, Saga may not terminate as a result of such appointment provided the members of the AA Group continue to pay for services on the due date and perform their obligations. The services provided under the Additional Contracts may only be terminated on at least six months' notice given at any time after 30 June 2016, without prejudice to any rights in the Additional Contracts to terminate early for matters such as material breach or insolvency.

The Umbrella Services Agreement contains restrictions on both the AA and Saga groups in relation to the use and disclosure of data provided to them pursuant to the Umbrella Services Agreement and the Additional Contracts, including in relation to data provided by AICL to the AA group in relation to products underwritten by AICL as part of an underwriting panel, and also provides that when either Saga or the AA Group undertakes an initial public offering or is otherwise no longer indirectly wholly owned by Acromas each group will remove from its database such data flags as indicate that a person is a customer of the other group.

Until 31 December 2016 neither group will employ or engage as a consultant any person who is currently an employee of the other group earning a salary in excess of £30,000 per annum.

14.2 Placing Agreement

The Company, the Directors, the Selling Shareholder and Cenkos Securities have entered into the Placing Agreement dated 20 June 2014 pursuant to which, subject to certain conditions, Cenkos Securities has agreed to use its reasonable endeavours to procure purchasers or subscribers (as appropriate) for the Shares offered in the Offer and the Conditional Placing Commitment.

The Placing Agreement contains customary indemnities and warranties from the Company and the Selling Shareholder and warranties from the Directors in favour of Cenkos Securities together with provisions which enable Cenkos Securities to terminate the Placing Agreement in certain circumstances, including in the case of a material adverse change in the financial position of the Company before Admission.

The Company has agreed to pay Cenkos Securities a maximum amount of approximately £10 million in respect of the Offer of New Shares, with, subject to certain conditions, this amount being

payable to Cenkos Securities through the issue of 4 million New Shares credited as fully paid in an amount per Share equal to the Offer Price.

In consideration of Cenkos Securities' agreement to use its reasonable endeavours to procure purchasers for its Existing Shares, the Selling Shareholder has agreed to pay Cenkos Securities a maximum amount of approximately £21.5 million in respect of the Existing Shares being sold as part of the Offer and approximately £1.7 million in respect of the Conditional Offer Shares being sold as part of the Conditional Placing Commitment.

The Company has undertaken, for a period of 180 days after the date of Admission, the Directors have undertaken for a period of 365 days after the date of Admission and the Selling Shareholder has undertaken for a period of 180 days after the date of Admission, without the prior consent of Cenkos Securities (such consent not to be unreasonably withheld or delayed), not to issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, any Share or any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive Shares, except for (i) customary exceptions as provided in the Placing Agreement; and (ii) the ability to issue or sell shares upon admission to the premium segment of the Official List.

14.3 **Financial Adviser Letters of Engagement**

14.3.1 In April 2014, the Company entered into a letter of engagement in respect of the appointment of Greenhill as financial adviser. This appointment relates to the provision by Greenhill of advice and assistance to the Company in relation to the structuring of the arrangements leading to the Offer. Greenhill, which is authorised and regulated in the UK by the FCA, is acting as financial adviser exclusively to the Company and no one else in relation to the structuring of the arrangements leading to the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to any matter associated with the Offer or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Offer or Admission or this Prospectus or any other matters addressed in this Prospectus. Greenhill has not independently verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Greenhill as to the accuracy or completeness of the information contained or incorporated in this Prospectus. Greenhill does not accept any liability in relation to the information contained in this Prospectus.

14.3.2 In April 2014, the Company and the Selling Shareholder entered into a letter agreement pursuant to which Deutsche Bank AG, acting through its London branch ("**Deutsche Bank**"), was engaged by the Company and the Selling Shareholder in relation to the approach made to the Selling Shareholder by a management team led by Mr. Bob Mackenzie. In connection with such engagement, Deutsche Bank has performed certain limited financial advisory services for the Company and it has acted as a financial adviser solely to the Company and the Selling Shareholder, and no one else. Deutsche Bank did not and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to any matter associated with the Offer or Admission and was not and will not be responsible to anyone other than the Company or the Selling Shareholder for providing the protections afforded to its clients or for providing advice in relation to the Offer or Admission or this Prospectus or any other matters addressed in this Prospectus. Deutsche Bank has not independently verified the information contained in this Prospectus.

Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Deutsche Bank as to the accuracy or completeness of the information contained or incorporated in this Prospectus. Deutsche Bank has not authorised the contents of, or any part of, this Prospectus and Deutsche Bank has not participated in the distribution of this Prospectus to any person. Nothing in this paragraph shall exclude, however, liability for any representation or warranty made fraudulently. Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFIN—Federal Financial Supervisory Authority). Deutsche Bank AG, London Branch is further authorised by the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of its authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available on request.

15. RELATED PARTY TRANSACTIONS

Save as disclosed in paragraph 13.1 above and in note 33 of the financial information set out in Part A of Part 14: Historical Financial Information, there are no related party transactions that were entered into

during the three years ended 31 January 2014 or during the period from 31 January 2014 to 20 June 2014 (the latest practicable date prior to the publication of this Prospectus).

16. SELLING SHAREHOLDER

16.1 The following table sets out interests of the Selling Shareholder in the Company's Shares immediately prior to and immediately following Admission:

	Interests immediately prior to Admission		Ordinary Shares to be sold pursuant to the Offer[1]	Interests immediately following Admission[1]	
Shareholder	**No. of Shares**	**% of voting rights**	**No. of Shares**	**No. of Shares**	**% of voting rights**
Acromas Bid Co Limited	469,280,000	100	446,012,000	23,268,000	4.2

(1) The Conditional Offer Shares to be sold pursuant to the Conditional Placing Commitment are not included in the number of Ordinary Shares to be sold pursuant to the Offer but are included in the interests immediately following Admission.

Acromas Bid Co Limited, of Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE, has been the sole shareholder of the Company since 18 September 2007. The shareholders of the ultimate parent company of Acromas Bid Co Limited are funds controlled by Charterhouse (36%), funds controlled by CVC (20%), funds controlled by the Permira Funds (20%), employees of the Group and of the Saga Group (20%) and others (4%).

17. CONSENTS

Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its reports set out in Part 14: Historical Financial Information and Part 15: Unaudited Pro Forma Financial Information and the references to its name in the form and context in which it is included and has authorised the contents of its reports for the purpose of item 23.1 of Annex I of the Prospectus Directive Regulation. Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales and has no material interest in the Group.

18. GENERAL

18.1 The Offer Price which is to be paid in cash represents a premium of 249.9p over the nominal value of 0.1p per Share.

18.2 The total costs, charges and expenses payable by the Company in connection with the Offer are estimated to be £17.1 million (exclusive of VAT). The net proceeds of the Offer payable to the Company are expected to be £184.7 million.

18.3 The Shares will be admitted with the ISIN GB00BMSKPJ95.

19. DOCUMENTS FOR INSPECTION

19.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Clifford Chance LLP at 10 Upper Bank Street, Canary Wharf, London E14 5JJ until the later of 14 days from the date of this Prospectus and Admission:

(a) the Articles of Association of the Company;

(b) the reports by Ernst & Young LLP set out in Part 14: Historical Financial Information and Part 15: Unaudited Pro Forma Financial Information;

(c) the historical financial information for the three financial years ended 31 January 2014;

(d) the consent letter referred to in paragraph 18 of this Part 18: Additional Information; and

(e) this Prospectus.

Dated: 23 June 2014

PART 19
DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Prospectus unless the context requires otherwise:

DEFINITIONS

“2010 PD Amending Directive”	EC Council Directive 2003/71/EC
“**2013 Valuation**”	the triennial valuation for the AA UK Pension Scheme with an effective date as at 31 March 2013
“**A Shares**”	the A redeemable convertible shares with a nominal value of 0.1p each in the capital of the Company
“**AA,**” “**AA Group,**” “**Automobile Association,**” “**Group,**” “**our,**” “**us,**” and “**we**”	the Company and its subsidiaries and subsidiary undertakings, from time to time
“**AA DriveTech**”	DriveTech (UK) Limited and its subsidiaries
“**AA Ireland Pension Scheme**”	the AA Ireland pension scheme, which is currently governed by a trust deed and rules dated 4 April 2002 (as amended)
“**AA Ireland Pension Trustee**”	AA Ireland Pension Trustees Limited in its capacity as trustee of the AA Ireland Pension Scheme
“**AA UK Pension Agreement**”	the pension agreement between the Borrower and the AA UK Pension Trustee dated on or around the WBS Closing Date
“**AA UK Pension Scheme**”	the AA pension scheme, which is currently governed by a trust deed dated 28 March 2006 (as amended) and the rules dated 27 March 2007 (as amended)
“**AA UK Pension Trustee**”	AA Pensions Trustees Limited in its capacity as trustee of the AA UK Pension Scheme and any successor thereto who has acceded to the STID as AA UK Pension Trustee
“**AADL**”	Automobile Association Developments Limited
“**AAG**”	Automobile Association (Gibraltar), formerly known as Automobile Association Insurance Company Limited
“**AAISL**”	Automobile Association Insurance Services Limited
“**AAPMP**”	our unfunded Post-retirement Private Medical Plan scheme
“**AAUL**”	AA Underwriting Limited
“**AAUSL**”	Automobile Association Underwriting Services Limited
“**ABF**”	the asset-backed funding structure entered into in the context of the actuarial valuation of the 31 March 2013 AA UK Pension Scheme, as referred to in the AA UK Pension Agreement
“**ABI**”	Association of British Insurers
“**Acromas**”	Acromas Holdings Limited
“**Acromas Group**”	Acromas Holdings Limited and its subsidiaries, other than the AA Group, the Holdco Group and the Saga Group

“Admission”	the admission of the Ordinary Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities
“**Adjusted Issue Price**”	the Offer Price as adjusted to reflect any subsequent consolidation or subdivision of the Shares or any allotment of Shares pursuant to a capitalisation of profits or reserves
“**AICL**”	Acromas Insurance Company Limited
“**Anniversary Price**”	the average Closing Price of a Share on the ten Business Days immediately preceding the relevant anniversary
“**APER**”	the Statements of Principle and Code of Practice for Approved Persons
“**ARCL**”	Acromas Reinsurance Company Limited
“**AVAs**”	added value accounts
“**B2B**”	business-to-business
“**B2B customer**”	a policy holder (typically an individual) who indirectly receives roadside assistance coverage as an “add-on” or complementary service to a product purchased from certain of our B2B partners in the B2B market
“**B2B market**”	the market made up of B2B partners
“**B2B partner**”	a third party company or other organisation that offers “add-on” or complementary products and services to its own customers
“**B2C market**”	the market made up of individuals that directly subscribe for or purchase roadside assistance cover or other products and services
“**B2C**”	business-to-customer
“**B Shares**”	the B redeemable convertible shares with a nominal value of 0.1p each in the capital of the Company
“**Bad Leaver**”	(i) in respect of the Initial Allocation of Management Value Participation Shares, means a holder who ceases to be an employee or director of any member of the Group by reason of bankruptcy, disqualification from acting as a director, conviction of a serious criminal offence, breach of any non-compete undertaking, or any act of gross misconduct or which brings the Group into disrepute, or any other reason justifying summary dismissal but (ii) in respect of any Subsequent Allocation of Management Value Participation Shares, means a holder who ceases to be an employee or director of any member of the Group who is not a Good Leaver
“**Board**”	the board of directors of the Company
“**Bond Co**”	AA Bond Co Limited
“**Borrower**”	AA Senior Co Limited
“**Bloomberg**”	Bloomberg Financial Markets
“**BSM**”	British School of Motoring

“**C Shares**”	the C redeemable convertible shares with a nominal value of 0.1p each in the capital of the Company
“CAGR”	Compound Annual Growth Rate
“**Cenkos Securities**”	Cenkos Securities plc
“**Centrica**”	Centrica plc
“**Change of Control**”	the acquisition of Control following Admission by any person or party (or by any group of persons and/or parties who are acting in concert (as such expression is defined in the Code on Takeovers and Mergers from time to time) other than the Selling Shareholder and its affiliates
“**Charterhouse**”	Charterhouse Capital Partners
“**Class A IBLAs**”	inter-company loan agreements pursuant to which AA Bond Co Limited funds advances to AA Senior Co Limited from the proceeds of each issue of Class A Notes
“**Class A Notes**”	notes issued by AA Bond Co Limited under a multicurrency programme
“**Class B Notes**”	£655,000,000 9.50% Class B Secured Notes due 2043 notes issued by Bond Co
“**Closing Price**”	means the closing mid-market price of the Shares on the London Stock Exchange on the relevant day as shown on Bloomberg
“**COBO Consent**”	a COBO consent is used by the Jersey commission pursuant to the control of Borrowing (Jersey) Order 1958
“**Codes of Practice**”	the Codes of Practice for General Insurance Mediation Business issued by the Jersey Financial Services Commission
“**Companies Act**”	the Companies Act 2006 (as amended)
“Conditional Offer Shares”	23,268,000 Existing Shares to be sold by the Selling Shareholder pursuant to the Conditional Placing Commitment
“**Conditional Placing Commitment**”	the commitment by certain funds managed by CRMC to acquire the Conditional Offer Shares, subject to the receipt of certain regulatory approvals and the satisfaction of certain other conditions set out in a conditional placing letter between CRMC and Cenkos Securities as described in paragraph 4 of Part 17: Details of the Offer
“**Control**”	(i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to: (a) cast, or control the casting of, 30 per cent. or more of the maximum number of votes that might be cast at a general meeting of the Company; or (b) appoint or remove all, or the majority, of the directors of the Company; and/or (ii) the holding beneficially of 30 per cent. or more of the issued share capital of the Company (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital)
“**Company**”	AA plc
“**Compound Annual Growth Rate**”	the year-over-year growth rate calculated as a percentage over a specified period of time
“**Corporate Governance Code**”	the Corporate Governance Code published in September 2012
“**Corporations Act**”	the Corporation Act 2001
“**CREST**”	the system for paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator
“CRMC”	Capital Research and Management Company, a company incorporated in Delaware engaged in investment advisory services to mutual funds

“**CTA**”	common terms agreement
“**CVC**”	CVC Capital Partners
“Deemed Commencement Market Capitalisation”	the Adjusted Issue Price multiplied by the number of Shares in issue immediately following Admission
“**Directors**”	the Existing Executive Directors and the Proposed Directors
“**DISL**”	Drakefield Insurance Services Limited
“**EBC**”	European Breakdown Cover
“**EIOPA**”	European Insurance and Occupational Pensions Authority
“**Employer**”	Automobile Association Developments Limited
“**European Union**” **or** “**EU**”	the economic and political union established in 1993 by the Maastricht Treaty, with the aim of achieving closer economic and political union between member states that are primarily located in Europe
“**Executive Directors**”	the Existing Executive Directors and the Proposed Executive Directors
“**Existing Executive Directors**”	Chris Jansen and Andy Boland
“**Existing Shares**”	the Shares that will be in issue immediately prior to Admission
“**FCA**”	Financial Conduct Authority or any successor from time to time
“**FP Order**”	the Financial Services and Market Act 2000 (Financial Promotion Order 2005)
“**FSA**”	the predecessor to the Financial Conduct Authority
“**FSMA**”	Financial Services and Markets Act 2000, as amended
“**GENPRU**”	The General Prudential Sourcebook of the PRA Handbook and the FCA Handbook
“**Good Leaver**”	a holder of Management Value Participation Shares who ceases to be an employee or director of any member of the Group by reason of death, permanent disability, redundancy, or the sale by the Group of his employing business unit, or in any other circumstances where the holder is determined to be a Good Leaver by the Remuneration Committee in their absolute discretion
“**Greenhill**”	Greenhill & Co. International LLP
“**GWP**”	gross written premiums
“**Holdco**”	AA Intermediate Co Limited
“**Holdco Group**”	AA Intermediate Co Limited and its subsidiaries
“**HMRC**” **or** “**HM Revenue & Customs**”	Her Majesty’s Revenue & Customs
“**IASB**”	International Accounting Standards Board

"**ICOBS**"	Insurance Conduct of Business Sourcebook
"**IDU**"	Independent Democratic Union
"**IFRS**"	International Financial Reporting Standards
"Initial Allocation"	the 24,000 Management Value Participation Shares, (representing 40% of the Management Value Participation Shares which are intended to be issued by the Company), which will be issued to Bob Mackenzie, Nick Hewitt and Martin Clarke prior to Admission
"**Initial Senior Term Facility**"	a senior term facility of up to £1,775.0 million granted to AA Senior Co Limited, which was repaid on 2 May 2014
"**Initial Working Capital Facility**"	a revolving working capital facility of up to £150.0 million granted to AA Senior Co Limited, commitments under which were replaced by commitments under the New Working Capital Facility on 2 May 2014
"**INSPRU**"	The Prudential Sourcebook for Insurers of the PRA Handbook
"**IP Co**"	the Scottish limited partnership to be established in connection with the implementation of the ABF
"**IT**"	information technology
"**Liquidity Facility**"	a liquidity facility agreement entered into on 2 July 2013 by AA Senior Co Limited pursuant to which the Liquidity Facility Providers provided a 364-day commitment (which can be redrawn or extended) of up to £220.0 million to AA Senior Co Limited (among others) to meet liquidity shortfalls under a Class A IBLA
"**Liquidity Facility Providers**"	the Royal Bank of Scotland plc, Barclays Bank PLC and HSBC Bank plc (among others)
"**Listing Rules**"	the rules and regulations made by the FCA under Part VI of FSMA
"**London Stock Exchange**"	London Stock Exchange plc
"**Management Value Participation Shares**"	the A Shares, the B Shares and the C Shares
"**Member States**"	States that are party to the treaties of the European Union or EU
"**MIPRU**"	The Prudential Sourcebook for Mortgage and House Finance Firms and Insurance Intermediaries of the PRA Handbook and the FCA Handbook
"**New Senior Term Facility**"	a senior term facility of up to £663 million granted to AA Senior Co Limited drawings under which, together with the proceeds of an issuance of Class A Notes, repaid all amounts outstanding under the Initial Senior Term Facility
"**New Senior Term Facility Agreement**"	a term bank facility agreement entered into on 23 April 2014 pursuant to which the New Senior Term Facility was made available to AA Senior Co Limited by a syndicate of lenders
"**New Shares**"	Shares to be issued by the Company under the Offer
"**New Working Capital Facility**"	a revolving working capital facility granted to AA Senior Co Limited, commitments under which replaced the existing commitments under the Initial Working Capital Facility

"**New Working Capital Facility Agreement**"	a working capital facility agreement entered into on 23 April 2014 comprising the New Working Capital Facility to fund working capital purposes
"**Offer**"	the offer of Shares to institutional and certain other investors described in Part 17: Details of the Offer
"OFT"	Office of Fair Trading
"**Official List**"	the Official List of the FCA
"**Offer Price**"	the price of 250p per Share at which Shares are to be issued or sold under the Offer
"**Omnibus II Directive**"	proposal for a directive amending Directives 2003/71/EC and 2009/138/EC in respect of the powers of the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority
"**PCWs**"	price comparison websites
"**Pensions Regulator**"	the regulator of occupational pension schemes in the UK, which was established pursuant to the Pensions Act 2004
"**Performance Condition**"	the Total Shareholder Return immediately prior to the third, fourth or fifth anniversary of Admission (respectively) is equal to or more than an amount representing a 12 per cent. increase (accruing daily and compounding annually on each anniversary of Admission) in the Deemed Commencement Market Capitalistion
"**Permira**"	the European private equity firm Permira Advisers LLP
"**Permira Funds**"	funds advised by Permira
"**Personal Member**"	an individual who directly subscribes for roadside assistance coverage directly through a membership agreement with us within the B2C market
"**Personal Membership**"	collective term for our Personal Members
"**Placing Agreement**"	the placing agreement described in paragraph 3 of Part 17: Details of the Offer between the Company, the Directors, the Selling Shareholder and Cenkos Securities
"**PFU**"	pay-for-use
"**PIK Issue Date**"	7 November 2013
"**PPF**"	Pension Protection Fund
"**PRA**"	Prudential Regulation Authority or any successor from time to time
"**Proposed Directors**"	the Proposed Executive Directors and the Proposed Non-Executive Directors
"**Proposed Executive Directors**"	Bob Mackenzie, Nick Hewitt and Martin Clarke
"**Proposed Non-Executive Directors**"	Andrew Miller, John Leach and Margaret Young
"**Prospectus Directive**"	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in a Relevant Member State) and includes all relevant implementing measures in each Relevant Member State

"**Prospectus Rules**"	the rules published by the FCA under section 73A FSMA
"Qualifying Public Offering"	a listing of all or any part of the share capital of Holdco or of any holding company of Holdco (as such term is defined in section 1159 of the Companies Act) on any recognised investment exchange (as that term is defined in the FSMA) or other exchange or market in any jurisdiction or country, provided that: (a) the ratio of total net debt to EBITDA for the Holdco Group for the most recent testing period (calculated in accordance with the terms of the WBS documentation and on a pro forma basis to take into account any prepayment under the Class A Debt or Class B IBLA from the proceeds of such listing (but not taking account of such proceeds in the calculation of total net debt to the extent that such proceeds are not applied in prepayment) and to take into account any Restricted Payment to be made on or around completion of that listing to the extent funded by cash or cash equivalents of the Holdco Group) is less than 4.25:1; and (b) S&P confirmed, on or about the time of the offering, in a form and substance reasonably satisfactory to the Obligor Security Trustee, that the rating of the Class A Notes would, following the proposed listing, be BBB or higher
"**RBS**"	Royal Bank of Scotland plc
"**Registrar**"	Capita Asset Services (a trading name of Capita Registrars Limited)
"**Regulation S**"	Regulation S under the Securities Act
"**Regulations**"	the Regulations 2001 (SI 2001 No. 3755) (including any modification, re-enactments or substitute regulations for the time being in force)
"**Relative Proportion**"	in respect of a holder of A Shares, B Shares or C Shares, as the case may be, the percentage that his A Shares, B Shares or C Shares, as the case may be, represent as a proportion of the total number of Management Value Participation Shares (of that class) issued by the Company since Admission
"**Relevant Member State**"	each Member State of the European Economic Area that has implemented the Prospectus Directive
"**S&P**"	Standard & Poor's Rating Services or any successor to its rating business
"**Saga Group**"	Saga plc and its subsidiaries
"**SGL**"	Saga Group Limited
"**Saga Pension Scheme**"	the Saga Group pension and life assurance scheme which is currently governed by a trust deed and rules dated 18 August 2003 (as amended)
"**SDRT**"	UK stamp duty reserve tax
"**Securities Act**"	the United States Securities Act of 1933 (as amended)
"**section 793 notice**"	where a notice is issued by the Company under section 793 of Companies Act 2006
"**Selling Shareholder**"	Acromas Bid Co Limited, which, pursuant to the Placing Agreement, has agreed to sell Existing Shares in the Offer

“**Senior PIK Toggle Notes**”	£350,000,000 9 ½% / 10 ¼% Senior PIK Toggle Notes due 2019
“**Separation**”	the separation of the AA Group’s operations from the Acromas Group and the Saga Group
“Shares”	ordinary shares with a nominal value of 0.1p each in the capital of the Company
“**Sole Co-ordinator and Bookrunner**”	Cenkos Securities plc
“**Solvency II**”	the Solvency II Directive (2009/138/EU)
“**STID**”	security trust and intercreditor deed
“**Subsequent Allocation**”	any Management Value Participation Shares other than the Initial Allocation
“**TAAL**”	The Automobile Association Limited, a private limited liability company registered in Jersey with registration number 73356
“**Takeover Code**”	the City Code on Takeovers and Mergers
“**Total Shareholder Return**” or “**TSR**”	the sum of: (i) the difference in the Anniversary Price per Share (or in the case of a Change of Control, the offer price to all shareholders) and the Adjusted Issue Price multiplied by the weighted average (on a time basis) number of Shares in issue from the date of Admission to the relevant anniversary; and (ii) the Value Return from the date of Admission to the relevant anniversary
“**UK or United Kingdom**”	the United Kingdom of Great Britain and Northern Ireland
“**Umbrella Services Agreement**”	an inter-group services agreement dated 31 March 2014 by and among, *inter alios*, AA Intermediate Co Limited and Saga Limited governing the relationship between certain members of the AA Group and the Saga Group and the terms and conditions on which services will be provided between such members
“**US or United States**”	United States of America, its territories and possessions, any state of the United States and the District of Columbia
“**Value Return**”	the cumulative amount of any value paid since Admission by the Company (whether in the form of cash or otherwise) and received by (or issued to) holders of Shares on or in respect of that holding, including dividends, other distributions and returns of capital, but excluding dividends paid in scrip and any value paid out under the Management Value Participation Scheme
“**WBS**”	a debt financing technique known as a whole business securitisation

In this Prospectus, words denoting any gender include all genders (unless the context otherwise requires).

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