
Board of Directors

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01 **Bob Mackenzie**, Executive Chairman

Bob has extensive experience in leadership roles at consumer services businesses and in addition to his role as Executive Chairman of the AA is currently serving as Chairman at Northgate plc. His previous experience includes having been Chairman and CEO of National Car Parks and Green Flag as well as CEO of Sea Containers Ltd, Chairman of PHS Group plc and senior executive board positions with a number of other companies. Bob qualified as a Chartered Accountant with KPMG in 1978. Bob also sits on the AA's Nomination Committee.

02 **Martin Clarke**, Chief Financial Officer

Martin is Chief Financial Officer of the AA and 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, Martin 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.

03 **Nick Hewitt**, Executive Director

Nick was Global Head of PwC's strategy practice and a partner in PwC Transaction Services. He began his career at Bain & Company and was founder of the COBA Group. He has advised on the commercial and operating strategies of major businesses in the consumer, retail and motoring services sectors for over 25 years. Nick sits on the AA plc Board and on the AA's Executive Committee where his responsibilities include the development of the AA Group, strategy of the AA, and our B2B, manufacturer and partner relationships. Nick also sits on the board of ARC Europe.

04 **John Leach**, Senior Independent Non-Executive Director

John has served on numerous public company boards as Chairman, CEO or CFO, including Hermes Focus Funds, Demetec AB, Brent Walker (including William Hill and Pubmaster). He is a fellow of the Institute of Chartered Accountants and Association of Corporate Treasurers. At the AA he was appointed a Non-Executive Director in June 2014 and is now the Senior Independent Non-Executive Director and the Chairman of the Nomination Committee.

05 **Andrew Blowers**, Non-Executive Director

Andrew sold his first business to Churchill Insurance, subsequently joining their executive team. In 2004 he founded Swiftcover Insurance. He was awarded an OBE in 2009. Andrew has worked in an advisory capacity with both the Financial Ombudsman Service and the Consumers' Association. Andrew was appointed a Non-Executive Director in September 2014 with the remit to assist the executive team in developing the AA, particularly in the area of Financial Services. Andrew chairs the Risk Committee of AA plc and is a member of the Audit, Remuneration and Nomination Committees.

06 **Simon Breakwell**, Non-Executive Director

Simon was a founder of Expedia. He is now venture partner at TCV, a mid-cap fund. He is also a non-executive director of HomeAway, and recently established the European operations of uber.com. As an AA Non-Executive Director he also chairs the Remuneration Committee.

07 **Andrew Miller**, Non-Executive Director

Andrew was appointed Chief Executive Officer of Guardian Media Group in July 2010. He joined the group as Chief Financial Officer and was appointed to the board in 2009. He was previously group Chief Financial Officer of Trader Media Group. He has also worked at Pepsico, Bass plc and Procter & Gamble. He is a Non-Executive Director of The AA, Decoded and Top Right Group and also sits on the board of Governors of Benjamin Franklin House. Andrew sits on the AA's Remuneration and Audit Committees. Andrew was appointed as Chairman of the Board's Audit Committee and joined the Risk Committee on 25 February 2015.

08 **Margaret Young**, former Non-Executive Director

Margaret, a Chartered Accountant with an MBA from London Business School served as a member of the AA plc Board from Admission until 25 February 2015 when she resigned for personal reasons; Margaret was Chairman of the Board's Audit Committee during that period, whose responsibilities include oversight of the operation of the AA's Internal Audit function and of the preparation of the AA plc's published financial statements. Margaret's executive career in investment banking and experience as non-executive director, having held numerous PLC board roles since 2001, was greatly appreciated. We thank her for her valuable contribution.

09 **Mark Millar**, General Counsel and Company Secretary

Mark has spent 12 years as a Company Secretary and General Counsel at Domino's Pizza Group plc and Future plc; before that ten years as a City corporate solicitor, including at Allen & Overy. Mark's role within the AA is to coordinate Board and Committee process and he attends all Board and Committee meetings.

Introduction from the Executive Chairman



On behalf of the Board, I am pleased to present our Corporate Governance Report for the financial year ended 31 January 2015, our first year as a public company. As Executive Chairman, it is my responsibility to ensure that the AA is governed and **managed with transparency and in the best interests of stakeholders.**

The purpose of this report is to provide a clear and accessible explanation of what governance means to the AA in terms of its impact on decision making in the operation of our business and to ensure as far as possible that the values you would expect from the Group are in place and adhered to.

As a Board and as a Group, we believe that corporate governance is more than just a set of guidelines, rather it is a framework which underpins the core values for running the business in which we all believe. It enables us to test whether we do the right things in the right way, with the right safeguards, checks and balances, and whether the right considerations underpin every decision we take.

As announced in June 2014, Nick Hewitt, Martin Clarke and myself formed the Management Buy-in Team (the MBI Team) which identified the AA as a potential investment proposal which we believe has a potential to deliver an improved customer proposition and significant shareholder value. The MBI Team then secured the backing of leading institutional investors including Aviva, Blackrock, CRMC, GLG Partners, Henderson Global, Henderson Volantis, Invesco, L&G and Lansdowne Partners (the Cornerstone Investors) to buy the entire issued share capital of the AA from Acromas and place the ordinary shares with a resulting listing on the standard segment of the London Stock Exchange.

As many of you will have read, Chris Jansen, who had been the Chief Executive Officer since January 2014, left the AA on 31 August 2014 and Andy Boland, the former Chief Financial Officer left the AA on 19 December 2014. With its ambitions for the AA and extensive experience of transforming business performance, the MBI Team considers that it is best placed to develop and deliver the long-term growth plan for the AA. For these reasons, the Board has concluded, with support from major shareholders, that it would be in the best interests of the business to retain me in the role of Executive Chairman and appoint Martin Clarke to replace Andy Boland as Chief Financial

Officer. Nick Hewitt has now taken responsibility for ensuring that we achieve top-line growth and development across the AA, as outlined in our plans. This will include the development of the AA's future strategy and processes for the associated investment decisions.

In addition to the MBI Team, John Leach, Margaret Young and Andrew Miller were appointed as Non-Executive Directors at Admission. During the year, the Nomination Committee undertook a full search process to establish a robust Board necessary to deliver our growth strategy for the AA and having regard to the composition of the Board in terms of diversity, skill and experience, the Board appointed two additional Non-Executive Directors, Simon Breakwell and Andrew Blowers, in September 2014.

Regrettably, Margaret Young resigned from the Board on 25 February 2015. Whilst the Board still has a majority of independent Non-Executive Directors, we have commenced a Nomination Committee process for the appointment of an additional independent Non-Executive Director to replace Margaret in due course.

To enhance the quality of our decision making process and bring the required level of objectivity and independence to the Board, the Nomination Committee appointed John Leach as Senior Independent Director in November 2014. 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. The Board considers John as a suitable and independent sounding board for this process.

There has also been a large focus this year on establishing governance structures, internal control systems, policies and procedures to ensure they are appropriate for a company of our size and reputation. To assist the Board in its oversight functions, we established the Audit, Nomination, Remuneration and Risk Committees.

On 23 December 2014, we announced the transfer of the listing category of all AA plc ordinary shares from a standard listing to a premium listing in accordance with Listing Rule 5.4A of the Listing Rules (the Transfer). The Transfer took effect at 8.00 a.m. on 28 January 2015.

I am pleased to report that except for the combined roles of Chairman and Chief Executive Officer, the Group is in full compliance with the UK Corporate Governance Code and that the required regulatory and governance standards are reflected throughout this report. We believe we have built a vibrant Board, however, there is much to do and we are willing to make things better, so it is essential we are open to ideas which help us improve. This coming year, our Board evaluation process will play a key role in highlighting those areas where we want to do better.

We trust that you will find this report to be fair, balanced and understandable. We believe this practical approach will support our performance for the long term and should thus protect the integrity of our values and the AA brand. On your behalf, as our shareholders, we will continue to work hard to improve further our governance and Board performance.

Bob Mackenzie
Executive Chairman

24 March 2015

Compliance with the UK Corporate Governance Code

Compliance with the UK Corporate Governance Code

The Board is committed to, and recognises the value and importance of high standards of corporate governance. This financial year has seen significant change to the AA Group which was privately owned until the management buy-in, led by Bob Mackenzie, Martin Clarke and Nick Hewitt and the admission of the ordinary share capital of the Company to a standard listing on the London Stock Exchange (Admission). Until Admission the Company was not subject to the Code and, given the accelerated nature of the MBI and Admission, the Company sought a standard listing. Significant further progress was then made on governance, including the appointment of two further Non-Executive Directors to give an independent balance to the Board and an experienced Company Secretary. Accordingly, although the Company has not complied fully with the Code during the year, as at the date of notification of transfer to a premium listing in December 2014, the Company complied with the principles and provisions in the Financial Reporting Council's UK Corporate Governance Code issued in 2012 (the Code), save for having an Executive Chairman, as explained below.

The Code sets out principles and specific provisions on how a company should be directed and controlled to achieve standards of good corporate governance and it provides a guide to a number of key components of effective board practice.

The Code applies to all companies with a Premium listing of equity shares, regardless of whether they are incorporated in the UK or elsewhere. The Company is therefore required to report against the Code for the financial year ended 31 January 2015. A copy of the Code is available at www.frc.org.uk

The required regulatory and governance assurances are provided throughout this report as well as in the Directors' Report on pages 67 to 70.

Board of Directors

The Board is responsible for ensuring leadership through effective oversight and review, whilst setting the strategic direction and delivering sustainable shareholder value over the long term. The Board also considers the impact of its decisions on wider stakeholders including customers, employees, suppliers and the environment.

The Board held six scheduled meetings in the 2014/15 year. Individual attendance of Board and Committee meetings is set out in the table below.

Sufficient time is given at the end of each board meeting for the Chairman to meet privately with the Senior Independent Non-Executive Director and non-executive directors to discuss any matters. The Board held a two-day strategy meeting away from the Head Office in November 2014.

One of the focuses during the year was the creation of an executive management team to support the Board in driving its strategic objectives. In this process, the Company has worked alongside several external consultancy firms, including Collinson Grant and Oliver Wyman, none of which had any other connections with the Company.

Details of the Executive Directors' service contracts are set out in the Directors' Remuneration Report on pages 54 to 66.

Name of current Director	Date appointed	Date resigned	A	B	% of meetings attended
Bob Mackenzie, Executive Chairman,	26 Jun 2014	–	6	6	100%
Martin Clarke, Chief Financial Officer	26 Sep 2014	–	6	6	100%
Nick Hewitt, Group Development Director	26 Jun 2014	–	5 ¹	6	83%
John Leach, Senior Independent Director (from 13 Nov 2014)	26 Jun 2014	–	6	6	100%
Andrew Blowers, Non-Executive Director	25 Sep 2014	–	5	5	100%
Simon Breakwell, Non-Executive Director	17 Sep 2014	–	4 ²	5	80%
Andrew Miller, Non-Executive Director	26 Jun 2014	–	4 ³	6	67%
Name of former Director					
Andy Boland, Chief Financial Officer	25 Jan 2013	19 Dec 2014	4 ⁴	5	80%
Chris Jansen, Chief Executive Officer	06 Jan 2014	31 Aug 2014	1	1	100%
Margaret Young, Non-Executive Director	26 Jun 2014	25 Feb 2015	6	6	100%

Notes

A = Number of meetings the Director attended.

B = Maximum number of meetings the Director could have attended.

1 Nick Hewitt missed the January 2015 Board meeting due to ill health (announced on 26 January 2015).

2 Simon Breakwell joined the Board after the 2014 dates were set and was unable to attend one meeting due to a prior engagement, but read the papers and provided his comments in advance.

3 Andrew Miller was unable to attend two Board meetings due to prior commitments in his role as Chief Executive of The Guardian Media Group, but read the papers and provided his comments in advance.

4 Andy Boland did not attend the Board meeting at which his departure and succession planning were discussed.

Compliance with the UK Corporate Governance Code continued

A Schedule of Matters reserved for the Board's decision and clear Terms of References of its principal Committees, along with the roles of individual Board members, can be found on the Company's Investor Relations website at www.theaapl.com/investors/corporate-governance.aspx

Biographies of the Directors and the Company Secretary and details of their other time commitments are set out on pages 36 and 37.

Board evaluation

We intend to conduct a thorough review of the Board process, practice and culture on an annual basis and with the input of an external facilitator at least once every three years. The first internal evaluation is scheduled for summer 2015.

Focus during the year

During the year the Board, supported by its Committees, focused on:

- › The move from the Standard List to the Premium List
- › The capital structure of the Group
- › Recruitment, particularly in relation to members of the Group executive team and the appointment of two new independent Non-Executive Directors
- › Reviewing corporate governance arrangements
- › Executive and senior management succession planning
- › Reviewing and control of capital expenditure
- › Reorganisation of the Executive Director roles: appointment of Martin Clarke as Chief Financial Officer to replace Andy Boland and Nick Hewitt as Group Development Director
- › Formulating and driving the Group's strategy
- › Reviewing the interim results
- › A detailed review of the risks register, risk appetite and principal risks to ensure the Group's risk profile is aligned with its strategic objectives

A number of key decisions and matters are reserved for the Board's approval and are not delegated to management. These include:

- › Matters relating to the Group's strategy
- › Monitoring current trading against previously reported trading
- › Approval of major acquisitions, disposals, capital expenditure
- › Approval of financial results and overseeing the Group's system of internal control
- › Planning an annual Board effectiveness evaluation
- › Setting the Group's risk appetite and the risk management framework

The Board delegates certain responsibilities to its principal Committees and the Group Executive Committee to assist it in carrying out its functions of ensuring independent oversight. Our principal Board Committees' constitutions include independent Non-Executive Directors and play a key role in supporting the Board. The Chairperson of the Audit, Nomination, Remuneration and Risk Committees provides updates on the 2014/15 activities of each Committee later in this report.

Key areas of discussion during the year

Strategic progress

Progress against strategy is discussed at each scheduled Board meeting to closely monitor strategy implementation by the AA Executive Group. A two-day strategy meeting held away from Head Office in November 2014 provided the opportunity for more relaxed, free-flowing and less structured discussion around a broad range of strategic issues. The Non-Executive Directors were able to share their expertise and provide independent oversight to the direction of the business.

Discussions focused not only on the business plan but also the individuals leading and implementing that plan. These, and other teams that support them, are key to the delivery of the Board's objectives.

Risk monitoring and oversight

Protecting the business from operational and reputational risk is an essential part of the Board's role. During the year the business made progress towards implementing the key areas of our strategy.

The Board, supported by the Risk Committee, maintained close oversight and monitoring of the key business risks, assessing the progress of mitigating activities in the context of our risk appetite. The Group risk profile, owned by the Board, is compiled by Group Risk, using business area risk registers and one-on-one interviews with each Board member and the director of each business unit. Independence is embedded in the process with the oversight from the Risk Committee, ensuring that the risks included in the Group risk profile continue to reflect the business's strategic objectives. The internal audit plan is then mapped to the Group risk profile to provide assurance over mitigating activities.

Executive Chairman

The Board notes the Code principle stating that there be a clear division of responsibilities at the head of the Company and provision that the roles of Chairman and Chief Executive not be exercised by the same individual. In order to successfully lead the Company through the period of flux as a result of its flotation to the London Stock Exchange and upgrade to a premium listing, the Board, following due consideration, (including in respect of his commitments as Chairman of Northgate plc) determined that it was, and remains to be, in the best interests of the Company and Group to retain Bob Mackenzie as an Executive Chairman.

The Board, with assistance from the Nomination Committee, will keep this arrangement under review. It is envisaged that Bob Mackenzie will become Non-Executive Chairman once the business transformation is complete creating a vacancy for, and thereby separation of, the role of Chief Executive Officer. As a result, the division of responsibilities between the Chairman and Chief Executive will be clearly established, set out in writing and agreed by the Board.

The Directors consider that the structure of the Board and the integrity of the individual Directors ensures that no single individual or group dominates the decision making process. There is a common purpose of promoting the overall success of the AA with a unified vision of the definitions of success, the core strategic principles, and the understanding, alignment and mitigation of risks.

The role of the Executive Chairman includes:

- › Providing coherent leadership and ensuring effectiveness in the running of the Board
- › Ensuring Directors receive accurate, timely and clear information and ensuring that agendas emphasise strategic issues
- › Facilitating effective contribution of Non-Executive Directors and arranging informal meetings of the Directors, including meetings of the Non-Executive Directors
- › Being the guardian of the Board's decision making processes
- › Ensuring effective communication by the Group with its shareholders
- › Arranging for the Chairs of the Board Committees to be available to answer questions at the AGM and for all Directors to attend
- › Taking the lead in providing a properly constructed, full, formal and tailored induction programme for new Directors
- › Leading the Group's strategic development direction and objectives
- › Identifying and executing acquisitions and disposals and leading geographic diversification initiatives
- › Reviewing the Group's organisational structure and recommending changes as appropriate
- › Identifying and executing new business opportunities
- › Overseeing risk management and internal controls
- › Ensuring the Group complies with its regulatory obligations and ensuring good links between the Board and the independent boards of the regulated subsidiaries
- › Managing the Group's risk profile including the health and safety performance of the Group
- › Implementing the decisions of the Board and its Committees
- › Building and maintaining effective leadership teams
- › Ensuring the Board is alerted to forthcoming complex, contentious or sensitive issues affecting the Group

Other Executive Directors

Chris Jansen and Andy Boland left the AA on 31 August 2014 and 19 December 2014 respectively. Bob Mackenzie assumed responsibilities of running the Board and driving the strategy of the AA as Executive Chairman.

Martin Clarke replaced Andy Boland as Chief Financial Officer following a period of handover. In addition to his CFO role, Martin Clarke, as a member of the MBI Team with extensive knowledge of capital markets, will focus on our Investor Relations and seek to improve the capital structure of the AA.

Nick Hewitt stepped up to the role of Group Development Director in November 2014 with responsibility for the development of the AA's future strategy and investment.

The role of Chief Financial Officer includes:

- › Recommending to the Board an annual budget and financial plan
- › Examining all trade, investments and major capital expenditure proposed by Group companies
- › Reviewing and monitoring the Group's remuneration policy
- › Overseeing risk management, treasury and internal controls
- › Ensuring effective communication with shareholders and key stakeholders and updating institutional investors on the business strategy and performance
- › Recommending to the Board appropriate changes to the capital structure and debt levels
- › Maintaining relationships with the Group's banks and managing the investment and banking portfolio
- › Ensuring the Group complies with its regulatory obligations and ensuring good links between the Board and the independent boards of the regulated subsidiaries
- › Managing the Group's risk profile including the health and safety performance of the Group
- › Implementing the decisions of the Board and its Committees
- › Building and maintaining effective leadership teams
- › Ensuring the Board is alerted to forthcoming complex, contentious or sensitive issues affecting the Group
- › Identifying and executing new business opportunities

The role of Group Development Director includes:

- › Leading the Group's strategic development direction and objectives in conjunction with the Executive Chairman
- › Identifying and executing acquisitions and disposals and leading geographic diversification initiatives
- › Reviewing the Group's organisational structure and recommending changes as appropriate
- › Identifying and executing new business opportunities

Compliance with the UK Corporate Governance Code continued

Senior Independent Non-Executive Director

John Leach was appointed Senior Independent Non-Executive Director on 13 November 2014. Duties of his role as Senior Independent Non-Executive Director include:

- › Meeting regularly with the independent Non-Executive Directors and providing a sounding board for the Executive Chairman and the other Directors
- › Being available to shareholders if they have reason for concern for which contact through the normal channels of Executive Chairman or Chief Financial Officer is inappropriate
- › Holding annual meetings with Non-Executive Directors without the Executive Chairman present

Independent Non-Executive Directors

In an effort to enhance objectivity, independence and the quality of our decision making process, at Admission, three Non-Executive Directors of the Company were appointed.

The Nomination Committee then undertook a full search process, assisted by external search consultants and appointed Simon Breakwell and Andrew Blowers as Non-Executive Directors in September 2014, bringing independent balance to the Board. John Leach stepped up to the role of Senior Independent Director on 13 November 2014.

The Non-Executive Directors were appointed on the recommendation of the Nomination Committee with regard to the Company's strategic objectives and to ensure a good balance and diversity of skills, backgrounds and experience.

The current Non-Executive Directors of the Company are Simon Breakwell, Andrew Blowers, John Leach and Andrew Miller.

Margaret Young who joined the Board at Admission as a Non-Executive Director and who chaired the Audit Committee resigned for personal reasons on 25 February 2015. The Nomination Committee has commenced a search for an additional Non-Executive Director.

All the Non-Executive Directors are independent in character and judgement and they play a key governance role in protecting shareholders' interests and complement the skills and experience of the Executive Directors. They are tasked with ensuring that Board and Company matters are effectively challenged from a range of external independent perspectives.

The independent Non-Executive Directors met twice during the year, under the leadership of the Senior Independent Director.

The letters of appointment of our Non-Executive Directors are available for inspection at the Company's registered office and will be available for inspection at our AGM.

Duties of independent Non-Executive Directors include:

- › Creative contribution to the Board by way of constructive criticism
- › Independence, impartiality, experience, special knowledge and a different perspective to the Board
- › Guidance on matters of concern and strategy

- › Oversight of risk management and internal control
- › Protection of shareholder and stakeholder interests
- › Constructive challenge to the Executive Directors, and the monitoring of Executive performance
- › Support to the executive team in the shaping and delivery of the strategic goals of the business
- › Optimisation of shareholder return and protection of shareholder assets
- › Ensuring the Board is able to work together effectively and make maximum use of its time

Company Secretary

On 17 September 2014, Rob Scott who is Financial Controller and was also Company Secretary from Admission, stepped down to concentrate on the role of Financial Controller and Mark Millar was appointed Company Secretary and General Counsel. Mark is a qualified solicitor with 12 years' experience in the role of Company Secretary and General Counsel and joins the AA from Domino's Pizza Group plc. Mark also brings a wealth of commercial and legal expertise including ten years as a City solicitor, latterly with Allen & Overy LLP. The Board considers Mark to be a key person to drive the Board corporate governance process.

The role of the Company Secretary includes:

- › Developing, implementing and sustaining high standards of corporate governance
- › Supporting the Executive Chairman and other Board members as necessary
- › Advising the Board on legislation, regulation and corporate governance developments which impact the Group, and maintaining the Group's Corporate Governance Manual
- › Communicating with shareholders and keeping the Board informed of shareholder opinions
- › Ensuring compliance with statutory and regulatory governance requirements

Appointment and retirement of Directors

The Directors may from time to time appoint one or more Directors to the Board. The Board may appoint any person it considers appropriate to be a Director.

Under the Articles of Association (the "Articles") any such Director shall hold office only until the next AGM and shall then be eligible for election. In addition, a Director may at any AGM retire from office and stand for re-election. In line with the Code, all Directors will stand for annual re-election at the 2015 AGM and thereafter.

Committees

Committees of the Board

As envisaged by the Corporate Governance Code, the Board has established the following Committees: Audit Committee; Nomination Committee; Remuneration Committee; and Risk Committee each with formally delegated duties and responsibilities and written terms of references available on www.theaplc.com. From time to time, separate Committees may be set up by the Board to consider specific issues, if the need arises.

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.

+ Further details on the work of the Audit Committee can be found in the Audit Committee Report on [p46](#) to [p49](#)

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and makeup of the Board. The Nomination 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.

+ Further details on the work of the Nomination Committee can be found in the Nomination Committee Report on [p50](#) to [p51](#)

Risk Committee

The Risk Committee assists the Board with monitoring and evaluating Group risks and oversight of the establishment of internal controls working closely with the Executive Risk and Compliance Committee. Risks are identified and monitored by a Group-wide risk register.

Recommendations to effectively reduce the potential impact of risks are made by the Risk Committee to the Board of Directors where ultimate responsibility for risk management lies.

The Risk Committee is concerned with the business of the entire AA Group and its authority extends to all relevant matters relating to the Company and its business units and subsidiaries.

+ Further information on the work of the Risk Committee can be found in the Risk Committee Report on [p52](#) to [p53](#)

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.

+ Further information on the Remuneration Committee can be found in the Directors' Remuneration Report on [p54](#) to [p66](#)

Relations with shareholders

The Executive Chairman and the Chief Financial Officer carry out extensive engagement with analysts, institutional shareholders and potential shareholders to ensure that there is a strong relationship and to understand their views on material issues relating to the business. Feedback on all such meetings is provided to the Board in summary form, together with independent feedback from investors sought by the Company's broker. All brokers' notes are circulated to the entire Board in order that the Board maintains an understanding of market perceptions of the Company.

Group executive team

The Board delegates the day-to-day management of the Group's operations to deliver the Group's strategy to the Group executive team supported by divisional managing directors.

The business areas are Roadside Assistance, Insurance Services, Driving Services and Ireland each led by managing directors. The IT Director will also be part of the Group executive team when they join and in the meantime IT is led, and represented on the team, by an experienced consultant.

Overview

The Group executive team was set up during the course of the period under review to give the Group strategic focus and coordinate the work of the business areas.

Members

In addition to the three Executive Directors, the members of the Group executive team are:

Mike Lloyd	Commercial Director
Janet Connor	Managing Director Insurance Services
Olly Kunc	Managing Director Roadside Operations
Kirsty Ross	Membership Services Director
Mark Huggins	Business Transformation Director
Jim Kirkwood	Managing Director Driving Services
Roger Williams	Director Business Services, Fleet
Richard Jeffcoat	Director Business Services, Manufacturer
Brendan Nevin	Managing Director– AA Ireland
Helen Hancock	Human Resources Director
Edmund King	President of the AA
Deb Hearn	Claims Manager
Mehboob Neky	IT Transformation Director
Mark Millar	Company Secretary and General Counsel

The Board is kept up to date with developments in the business, including the work of the leadership teams, through the Executive Chairman and Chief Financial Officer's monthly reports, which are discussed in detail at each Board meeting. The Group executive team had strategy away-day meetings before the plc Board two-day strategy session, which some of them attended to present items. The Group executive team also meets individually with the Non-Executive Directors to discuss matters which are specific to their area on a less formal basis.

Compliance with the UK Corporate Governance Code continued

Board induction and professional development

When newly appointed, each Director receives a tailored induction pack and programme which are designed to familiarise the Director with the AA and its business as a whole as quickly as possible. They ensure that the new Directors have the necessary knowledge and understanding of the Group and its activities, as well as other relevant training as a plc Director to ensure they can fulfil their responsibilities. The programme will usually include an overview of the business model and the Board processes, meetings with the executive management teams, senior managers and briefings on key legal, regulatory, governance and compliance matters.

The Executive Chairman, assisted by the Company Secretary, regularly discusses any development or training needs with individual Directors. The Board recognises the importance of on-going training and education, particularly regarding new laws and regulations which are relevant to the Group. Such training or education is typically provided and kept under review by the Company Secretary, who is responsible for Director inductions and the on-going training of Directors.

At IPO the Company engaged with its solicitors and registrar to provide training on directors' statutory duties and responsibilities under the 2006 Act as well as their duties and responsibilities under the Listing Rules of the London Stock Exchange. These training programmes have also been shared, as appropriate, with the executive management teams to ensure that there is the necessary knowledge and support right across senior management in the AA.

Non-Executive Directors are encouraged to visit AA sites during the year in order to gain further insight into the business and in 2015 Board meetings will be held in other AA offices.

Professional advice

All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense. The Company Secretary reports to the Executive Chairman in respect of his core duties to the Board. The removal of the Company Secretary is a matter specifically reserved for decision of the Board.

Any questions shareholders may have on corporate governance matters, policies or procedures should be addressed to the Company Secretary at investor.relations@theAA.com.

Directors' indemnities

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Company Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 January 2015 and remain in force, in relation to certain losses and liabilities which the Directors (or Company Secretary) may incur to third parties in the course of acting as Directors or Company Secretary or employees of the Company or any associated company.

Balance of Board members

Diversity

The Company has established a Board with a balanced diversity of skills, experience and backgrounds to help deliver its strategic goals.

In terms of gender diversity, between 26 June 2014 and 31 January 2015 one of the five Non-Executive Directors on the Board was female. Currently all four Non-Executive Directors are male. Following the resignation of Margaret Young, the Nomination Committee has commenced its search for a replacement Non-Executive Director.

The Group is committed to recruit and develop the very best people from the widest pool of talent, regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion, including for the Board.

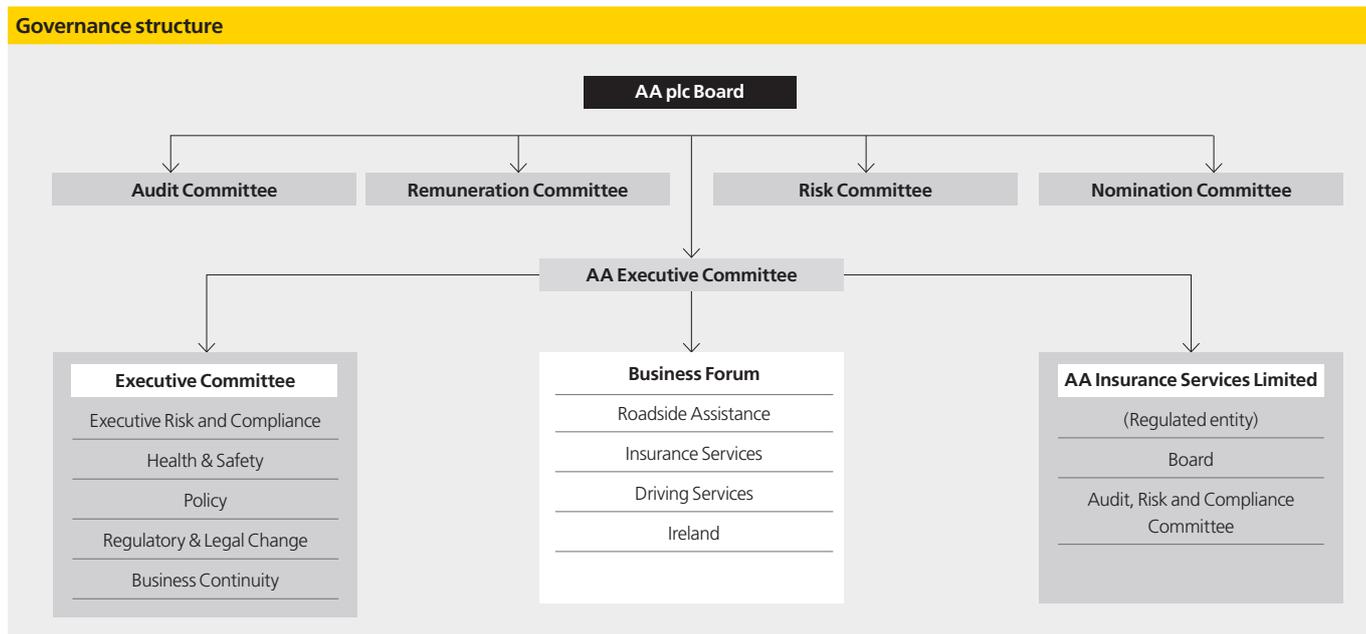
The policy of the Board on recruitment is always to seek to appoint the best candidate to each role. However, the Board seeks to monitor and ensure a good balance of male and female members on its leadership teams and the Board.

Governance structures

Decision making

Our governance structure aims to enable appropriate, effective decision making with clear accountabilities and sets out how the business is managed and operated at all levels and across all business areas. It aims to ensure that the risk profile of the business reflects the strategic objectives of the business, with the ultimate aim of protecting the business from reputational or operational damage. It dovetails with the governance structures of the regulated subsidiaries in the Group.

Matters requiring Board and Committee approval are generally the subject of a proposal by one or more of the Executive Directors or the Company Secretary and are submitted to the Board, together with supporting documentation, as part of the Board or Committee papers. At each Board meeting, the Board pack includes an update from the Executive Chairman, Chief Financial Officer, and contains financial results and other functional updates. There are presentations on the Company's operations and regular discussions on strategy, marketing, shareholder matters, employee engagement and social and governance matters.



Audit Committee Report



The purpose of the Audit Committee is to support the Board in fulfilling its responsibilities in reviewing the effectiveness of the Company's **financial reporting, internal controls and risk management.**

Andrew Miller
Audit Committee Chairman

Audit Committee Report

As part of this role, the Committee provides advice to the Board on whether the Annual Report and Accounts, when taken as a whole is fair, balanced and understandable and provides all the necessary information for shareholders to assess the Company's performance, business and strategy.

This is the first Audit Committee Report for the Company as a public company and as such we have started on many changes to our corporate reporting. In this first report of the Committee, we provide an overview of what the Committee has done during the year.

Furthermore, we provide the Committee's opinion on the Annual Report when viewed as a whole, including how it has assessed the narrative reporting in the front of the report to ensure that the messages are conveyed accurately and reflect the financial statements.

Membership and attendance during the year

Name of Member	Date appointed to Committee	A	B	% of possible meetings attended
Andrew Miller (Chairman) ¹	26 June 2014	2	3	67%
Margaret Young ²	26 June 2014	3	3	100%
John Leach	26 June 2014	3	3	100%
Andrew Blowers ³	13 November 2014	0	1	0%

A = Number of meetings the Member attended.

B = Maximum number of meetings the Member could have attended.

- Andrew Miller was unable to attend the December committee meeting due to a prior engagement but read the papers and provided comments in advance.
- Margaret Young resigned on 25 February 2015
- Andrew Blowers was appointed to the committee on 13 November 2014 but was unable to attend the December committee meeting due to a prior engagement but read the papers and provided comments in advance.

Margaret Young was appointed chairperson of the Audit Committee on its inception at the Admission of the Company's shares on the London Stock Exchange on 26 June 2014. After leading the Audit Committee through the first year of the Company as a public company, Margaret resigned from her directorship of AA plc on 25 February 2015.

I have also been a member of the Committee since Admission and was appointed chairman of the Committee on 25 February 2015 following Margaret's resignation.

The Executive Chairman, the Chief Financial Officer, and the General Counsel and Company Secretary attend meetings of the Audit Committee only by invitation from the chairman. Other senior executives attend as required to provide information on matters being discussed which fall into their area of responsibility. The external auditors, Ernst & Young LLP, also attend each meeting.

Key issues considered by the Audit Committee

During 2014/15 the Committee:

- › Adopted its terms of reference
- › Reviewed the effectiveness, objectivity and independence of Ernst & Young LLP and recommended that they remain as the Company's statutory auditor
- › Conducted a comprehensive review of internal audit processes and identified areas for improved information flow
- › Approved the external audit engagement letter and management representation letter
- › Considered the internal audit charter
- › Reviewed and approved the Whistleblowing Policy
- › Adopted a non-audit services policy
- › Adopted the employment of ex-audit staff policy
- › Reviewed and recommended the interim results to the Board
- › Reviewed and recommended the audited interim results included with the premium listing announcement
- › Considered and approved Q3 results and bondholder results
- › Considered the process for 2015 year end accounts
- › Discussed internal financial controls, changes in accounting policies and impact on our financial statements, with specific focus on the significant issues and matters of judgement

What is the action plan for 2015/16?

The Audit Committee's performance will be reviewed each year within the framework of the wider Board effectiveness review. Areas of improvement will be highlighted, discussed and debated by the Committee, and included as part of the action plan for the coming year.

Looking ahead, the Committee will remain focused on the audit, assurance and risk process within the business, and maintain its oversight of financial and other regulatory requirements. The action plan for 2015/16 will focus on:

- › Ensuring Ernst & Young LLP's recommendations on financial reporting are addressed
- › Review and recommendation of statutory and interim results
- › Approval of the Group's Treasury Policy
- › The recommendations identified through the external auditor effectiveness review
- › Assurance plan, design and scope, with particular focus on key strategic priorities
- › Specific business presentations relating to risks within the Group risk profile

Committee updates

Detailed updates from the business are now fully embedded as fixed agenda items for each Committee meeting, with one or more areas represented. Business updates are planned on a rolling 12-month basis and reviewed at every meeting. This year's business insights included:

Integrated controls framework

- › Updates on the status of the financial control environment following a review by Ernst & Young LLP
- › Discussions on standardisation, integration and automation of the system and procedures
- › Updates on the areas identified to have opportunities for improvement
- › Discussions on opportunities to accelerate standardisation, integration and automation, and any challenges presented by the current business change projects under way

External auditors

The Committee manages the relationship with the Group's external auditors on behalf of the Board. The Committee considers annually the scope, fee, performance and independence of the external auditor as well as whether a formal tender process is required.

Effectiveness, tenure and independence of the external auditor

The Board considers it of prime importance that the external auditors remain independent and objective and as a safeguard against this being compromised the Committee implemented and monitored a policy on the independence of external auditors.

The Audit Committee noted that Ernst & Young LLP had been the Auditor since the 31 January 2008 audit and during the year the Committee considered audit rotation and tender. The Company is not obliged to tender for audit services until 2024 (ten years from Admission) but the Company intends to consider tendering its audit work annually until this date.

The Committee believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong. However, the AA actively supports audit partner rotation and during the year John Headley became audit partner.

2014/15 was an abnormal year for audit and non-audit work. In addition to the work undertaken in connection with the IPO, Ernst & Young undertook a statutory audit of the interim results in connection with the Premium Listing Application made in December 2014. These projects had a disproportionate impact on the balance between audit and non-audit fees during the year.

However, the Committee considered Ernst & Young LLP's role as auditor and concluded that Ernst & Young LLP continue to maintain independence and objectivity of the audit process.

As a result of this process, the Committee believes the independence, effectiveness and objectivity of Ernst & Young LLP as the external auditor and the audit process are safeguarded and remain strong.

The Committee will recommend at the 2015 AGM that Ernst & Young LLP be reappointed as the Company's statutory auditor.

Audit Committee Report continued

Non-audit fees

The Committee is very mindful of engaging the statutory auditor for non-audit services. A robust auditor engagement policy is in place and adhered to. During the year the Statutory Auditor was appointed in respect of two non-recurring projects that required significant work: the IPO and the non-statutory audit of the interim results in connection with the premium listing (see note 31). As a result, non-audit fees for the financial year were high. This will also apply in the following year due to the refinancing and placing and open offer to be announced on 25 March 2015. However, the Committee is committed to maintaining non-audit fees at a lower level at the earliest opportunity. Equally, the Committee is mindful that non-audit fees should be kept to a minimum, therefore all further requests for Ernst & Young LLP to undertake non-audit work during 2015/16 will be put to the Committee for approval, regardless of size.

Internal controls

The Audit Committee's role is to review the Group's overall effectiveness with regard to:

- › The effectiveness of the Group's financial controls and internal control systems, including the financial, operational and compliance risk management systems, by approving the Group's internal audit plan and by reviewing the external auditor's scope of work and reports; and
- › The management of risk by undertaking a risk assessment process and creating an internal audit report on the process.

Additionally, the Audit Committee identifies those actions that need to be undertaken in order to remedy any risk or control failings that have been identified within the Group and manage any critical risks that may arise.

The Audit Committee has completed its review of the Group's systems of internal controls and their effectiveness for the year 2014/15 and has done so in accordance with the requirements of the revised Turnbull Guidance on Internal Control, as published by the FRC. The Audit Committee has identified that there are no significant failings or weaknesses identified during the year 2014/15. Where any areas of improvement were identified, the Committee ensured that the relevant processes have been put in place in order to ensure that the necessary actions are undertaken and on-going progress in these areas is monitored.

In the Audit Committee's opinion the Group has adopted acceptable and appropriate accounting policies and made appropriate estimates and judgements as and where necessary. The Committee also believes that this Annual Report and Accounts provides the information necessary for the shareholders to make an assessment as to the Group's performance, business model and on-going strategy.

Details on our Risk Management can be found on pages 30 to 31 and in our Risk Committee Report on pages 52 to 53. It should be noted that the Group's risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and they can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's internal control and risk management systems ensure the accuracy and reliability of financial reporting and the key features of those systems include:

- › Defined lines of accountability of delegation of authority;
- › Policies and procedures that cover financial planning and reporting;
- › Preparing consolidated accounts;
- › Capital expenditure;
- › Project governance and information security; and
- › The Group's Code of Ethics and Behaviour.

Significant issues

The Audit Committee has assessed whether suitable accounting policies have been adopted and whether management have made appropriate judgements and estimates.

Throughout the year the finance team has worked closely with Ernst & Young LLP to ensure that the business is transparent and provides the required level of disclosure regarding the significant issues considered by the Committee in relation to the financial statements, as well as how these issues were addressed whilst being mindful of matters that may be business sensitive.

The main areas of judgement that have been considered by the Committee to ensure that appropriate rigour has been applied are as follows:

Revenue recognition

- › The accounting policies for revenue recognition prepared by management have been presented to the Committee which has concluded that they remain consistent and appropriate. The Committee has reviewed management's assessment of the internal control framework over revenue. This assessment has highlighted some issues with the initial revenue recognition of Roadside Membership subscriptions by the membership database as well as the additional controls that management has put in place to identify and correct for these issues. The Committee notes that the current IT transformation plans include the replacement of the membership database which will improve the controls over revenue recognition in this area. The Committee therefore agrees with management's assessment that the internal controls have remained consistent and effective during the year.

Pension accounting

- › The Group's defined benefit pension scheme is a significant net liability on the Group's balance sheet (see note 25) and the value of the scheme will fluctuate due to changes in the underlying assumptions. The main assumptions which drive these fluctuations are forecast bond yield rates and the forecast inflation rate. The Committee has considered both the process that management undertook to finalise the assumptions and how these assumptions benchmark against the market. The Committee has concluded that the assumptions are appropriate and the overall valuation of the net liability is appropriately balanced.

Borrowings and financial instruments

› The Group's borrowings are a significant liability on the Group's balance sheet (see note 20). The Group's accounting policy for recognising borrowings at fair value less debt issue fees at initial recognition is relatively straightforward. The Group also has a number of financial instruments related to the borrowings including interest rate swaps and penalties for early repayment that have been treated as an embedded derivative. The accounting and valuation of these instruments are governed by IAS 39 'Financial Instruments' and can be complex. The Group is required to state these instruments at fair value in the balance sheet. The valuation of penalties for early repayment has been assessed as not material to the financial statements and therefore no adjustment has been made. Interest rate swaps have been valued at fair value and where they qualify for hedge accounting under IAS 39, any changes in valuation are recognised in the statement of comprehensive income. All other changes in valuation, including those arising upon the repayment of the Senior Term Facility in May 2014 have been recognised in the income statement. The committee has reviewed the methodology used in these valuations and the accounting for borrowings and financial instruments and has concluded that the accounting treatment is appropriate.

Other financial reporting matters

Presentation of financial statements

The Committee has reviewed the presentation of the financial statements, in particular, the presentation of non-GAAP measures such as Trading EBITDA which is the Group's primary measure of segment performance. Under the Group's accounting policies Trading EBITDA excludes items which would distort the measurement of the on-going performance of each segment. These excluded items are amortisation, depreciation, share-based payments, acquisition earn-out costs, exceptional items which are one-off in nature and items not allocated to a segment which principally relate to the difference between the cash contributions to the pension schemes for on-going service and the calculated annual service cost. The Committee has concluded that this presentation is appropriate.

Fair, balanced and understandable

The Committee discussed what information and level of debate and insight it would need in order to satisfy members that financial information was fair, balanced and understandable.

At the request of the Board, the Committee considered whether, in its opinion, the 2014/15 Annual Report and Accounts is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Committee was provided with a draft copy of the Annual Report early in the drafting process in order to assess the broad direction and key messages being communicated. The Committee received further drafts prior to the meeting at which it would be requested to provide its final opinion.

When forming its opinion, the Committee reflected on the information it had received and its discussions throughout the year. In particular, the Committee considered:

Is the report fair?

- › Is the whole story presented clearly and articulately?
- › Are the key messages in the narrative reflected in the financial reporting?
- › Has any sensitive material been omitted?
- › Are the KPIs disclosed at an appropriate level based on the financial reporting and how the business measures performance?
- › Is the reporting on the business segments in the narrative reporting consistent with that used for the financial reporting in the financial statements?

Is the report balanced?

- › Is there consistency between the narrative reporting in the front and the financial reporting in the back of the report?
- › Do you get the same message when you read the two parts independently?
- › Are the statutory and adjusted measures explained clearly with appropriate priority and prominence?
- › Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit Committee Report consistent with the disclosure of key estimation uncertainties and critical judgements set out in the financial statements? How do these compare with the risks that Ernst & Young LLP is planning on including in their report?

Is the report understandable?

- › Is there a clear and understandable structure and presentation to the report?
- › Is the language clear and the layout easy to navigate with good linkage throughout in a manner that reflects the whole story?
- › Are the important messages highlighted appropriately throughout the document?

Following its review, the Committee was of the opinion that the 2014/15 Annual Report is representative of the year, is consistent with its understanding of the business and results and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's performance, business model and strategy.



Andrew Miller
Audit Committee Chairman

Nomination Committee Report



The purpose of the Nomination Committee is to ensure that there is a **formal and transparent procedure** for the appointment of new Directors to the Board.

John Leach
Nomination Committee Chairman

Nomination Committee

The Nomination Committee was formed on the admission of AA plc shares to the London Stock Exchange on 26 June 2014. Bob Mackenzie was appointed the first chairman of the Committee pending the appointment of additional Non-Executive Directors. I was appointed chairman of the Committee on 13 November 2014.

This being the first year of the AA's public life, there has been considerable focus to establish a robust Board with the necessary skills, experience and diversity to drive the strategic objectives of the business. The Committee is responsible for leading this process and making recommendations to the Board.

The Committee will also lead the process of Board Evaluation which we are planning to instigate in 2015, our first full year as a public company.

Who is on our Nomination Committee

The Committee comprises the Chair, independent Non-Executive Directors and the Executive Chairman.

Terms of reference of the Committee are available to view at www.theaapl.com/investors/corporate-governance.aspx

Name of Member	Date appointed to Committee			% of possible meetings attended
		A	B	
John Leach (Chairman)	26 June 2014; Chair from 13 November 2014	2	2	100%
Andrew Blowers	13 November 2014	0	0	100%
Simon Breakwell	13 November 2014	0	0	100%
Bob Mackenzie	26 June 2014	2	2	100%
Margaret Young	26 June 2014 to 25 February 2015	2	2	100%

A = Number of meetings the Member attended.

B = Maximum number of meetings the Member could have attended.

In addition to the scheduled meetings, the Committee met with the Executive Chairman and the HR Director to undertake a succession review of senior management.

What has the Committee done during the year?

Although the Committee was only formed part way through the year, it has been active. During the year Chris Jansen resigned from the Board as Chief Executive Officer and the Committee ensured that there was an orderly transition and handover process before Chris left the AA on 31 August 2014. Following due consideration the Nomination Committee recommended to the Board that Bob Mackenzie lead the AA in his capacity as Executive Chairman.

Andy Boland also resigned from the Board as Chief Financial Officer and the Nomination Committee led the process that ensured a smooth transition and induction of Martin Clarke as his successor.

The other significant change to the composition of our Board and Committees this year was the addition of Simon Breakwell and Andrew Blowers, who joined the Board as Non-Executive Directors in September 2014. Simon Breakwell was subsequently appointed chairman of the Remuneration Committee and Andrew Blowers was subsequently appointed chairman of the Risk Committee of the Board.

Following those appointments, the Nomination Committee reviewed the composition of the Board having regard to independence and objectivity on the Board and in accordance with the UK Corporate Governance Code published in September 2012 and recommended my appointment as Senior Independent Non-Executive Director on 13 November 2014.

A further change up to the date of this report was the resignation of Margaret Young as a Non-Executive Director on 25 February 2015. Following a positive determination of recent and relevant financial experience by the Board, Andrew Miller assumed the role of Chairman of the Audit Committee and became a member of the Risk Committee.

In accordance with the powers delegated in the terms of reference, the Committee has commenced proceedings to appoint a replacement Non-Executive Director for Margaret Young.

Key issues reviewed by the Committee:

- › Review of balance of skill, experience, independence, diversity and knowledge on the Board
- › Succession planning for the outgoing Chief Executive, CFO and Executive Chairman
- › Planning for Board evaluation and review of succession planning
- › Review of Non-Executive Directors' other time commitments
- › Review of the skills and the independence of each of the independent Non-Executive Directors and recommending that each of them be elected or re-elected at the Company's first AGM to be held on 9 June 2015

Recruitment process

The recruitment processes undertaken for the appointment of Simon Breakwell and Andrew Blowers were formal, rigorous and transparent. Bob Mackenzie chaired the Committee during those appointments and for my appointment as Senior Independent Director as well as my appointment to the chairmanship of this Committee.

The Committee appointed executive search consultancies Korn Ferry and Lygon Group and the following process was undertaken for the above appointments:

- › A job specification was prepared against which potential candidates were considered
- › The Committee considered the candidates against the objective criteria set out in the profile, having due regard for the benefits of Board diversity and a mix of skills and experience
- › A shortlist of preferred candidates was selected from a list of candidates
- › The Committee appointed a sub-committee to have meetings with the shortlisted candidates
- › A preferred candidate recommendation was made by the Committee to the Board for consideration
- › The Board considered and unanimously approved the appointments

Korn Ferry and Lygon Group do not provide any other service to the AA.

Diversity

The AA recognises the merits of diversity, in its broadest sense, at Board level and throughout the Group and is committed to ensuring that this remains a central feature not just of the Board, but of our senior management team. The Board intends to review the policy to ensure that it continues to drive the benefits of a diverse Board and workforce across the business if the skills, experience and knowledge of the individuals are appropriate and in keeping with the business needs.

Our employment policies and practices reflect a culture where decisions are based on individual ability and potential in relation to the business needs. We are committed to ensuring individuals are treated in a non-discriminatory manner at all stages of their employment including recruitment and selection, reward, training, development, promotion and career development.

The Board and this Committee recognise and value the importance of diversity including gender and acknowledge the recommendations in the Davies Report and, where possible, seek to ensure an appropriate balance. Ratios of staff and management are published in the Corporate Responsibility Report on pages 32 to 34.

What is the action plan for 2015/16?

- › Recruiting a new Non-Executive Director following the resignation by Margaret Young on 25 February 2015
- › Undertake a full Board performance evaluation and look to implement any recommended changes
- › Continue to review succession plans for the Board and key roles across the business
- › Continue to identify future talent pipeline
- › Review development initiatives for Directors
- › Develop training and induction programme for Board and senior management



John Leach
Nomination Committee Chairman

Risk Committee Report



The successful **management of risk is essential** to enable the Group to deliver on its strategic priorities.

Andrew Blowers
Chairman of the Risk Committee

Risk Committee Report

Effective risk management is critical to the achievement of our strategic objectives and the long-term sustainable growth of our business and the Board is responsible for setting the Group's risk appetite and ensuring that appropriate risk management systems are in place.

As ultimate responsibility for risk management rests with the Board, a Risk Committee has been established to work alongside the Audit Committee to ensure the effective day-to-day management of risk is a priority.

The Risk Committee was established on 13 November 2014 and the Board appointed me as Chair of the Committee with effect from 13 November 2014. The Committee comprises three independent Non-Executive Directors namely, John Leach, Senior Independent Director, Andrew Miller, who also chairs the Audit Committee (replacing Margaret Young) and myself. We work closely with the Executive Risk and Compliance Committee, Compliance Officer and Chief Risk Manager and invite executive members of the Group to attend or present as appropriate. Attendance of Committee members who served during the year is as shown in the table below.

Membership and attendance during the year

Name of Member	Date appointed to Committee	A		B	% of possible meetings attended
Andrew Blowers (Chairman)	13 November 2014	1	1		100%
John Leach	13 November 2014	1	1		100%
Margaret Young	13 November 2014 to 25 February 2015	1	1		100%
Andrew Miller	25 February 2015	0	0		100%

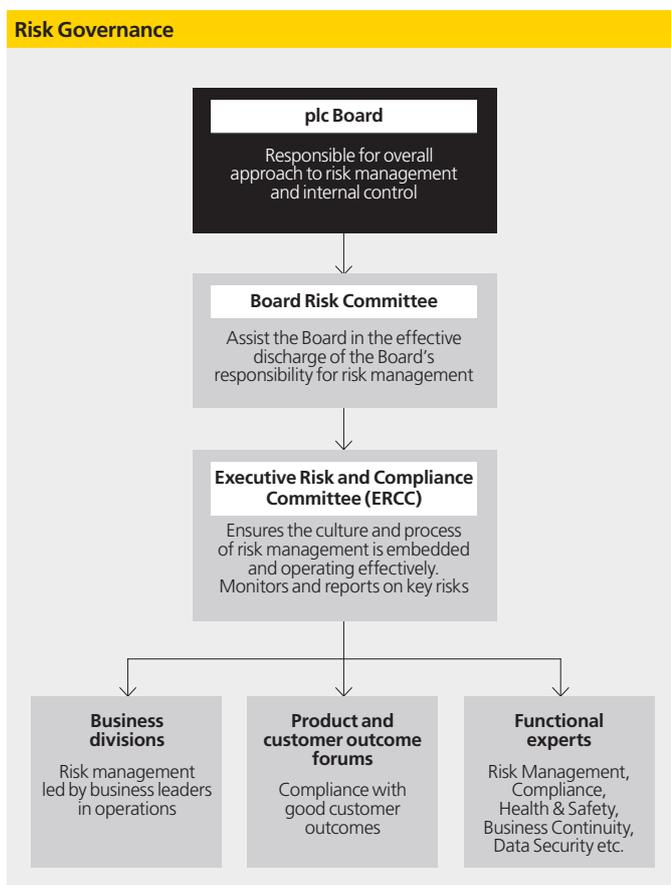
A = Number of meetings the Member attended.

B = Maximum number of meetings the Member could have attended.

The Risk Committee plays a pivotal role in the governance of risks, overseeing the Executive Risk and Compliance Committee (ERCC). The ERCC is the executive body, made up of the senior executives and functional experts in the business, whose role is to implement the Risk Management Policy and report to the Risk Committee on the management of risks and the effectiveness of the risk management culture and process.

The Group operates a business-wide database system to encourage business units to consider the adequacy of controls and actions planned to mitigate those risks. Our businesses are responsible for ensuring that an effective risk and control environment is maintained as part of day-to-day operations. These frontline controls are regularly updated to respond to the Group's changing risk profile. Central compliance functions monitor adherence to the procedures set by the Committee, provide guidance to the businesses on their application, and monitor quality of products and customer service.

We recognise that it is important that risks are identified, assessed and prioritised in a timely manner whilst ensuring that appropriate controls and mitigation strategies are in place. Each identified risk has a business owner who manages and reports on that particular risk to the relevant leadership team and the Executive Risk and Compliance Committee. The teams then assist the Committee in the review of the risk management processes and take responsibility for designing the appropriate internal control systems and policies with each business owner.



The most material risks are then reported to the Committee so that it has a clear understanding of our aggregate risk profile and can ensure that control processes are in place for the monitoring and management of significant risks. At each of the Risk Committee meetings a risk update is received which provides an assessment of the key risks facing the Group and the adequacy of the associated controls.

Risk identification

The Group-wide risk assessment requires business units to formally review business risks each quarter. This approach to identification, analysis and assessment of risks ensures responsibility so that they are managed, controlled and monitored. A broad spectrum of risks are considered through this process including those relating to strategy, operational performance, finance, product engineering and technology, business reputation, human resources, health and safety and the environment. The causes and the consequences of each risk are considered and, where appropriate, linked to strategic and operational objectives.

Manage and mitigate

Management controls designed to monitor and mitigate risks are documented. Risk owners are assigned to each risk.

Assessment

The Group-wide risk team and database ensure a consistent set of definitions and a common approach to risk evaluation with specific reference to likelihood and impact.

Respond

The risk response is based upon the assessment of potential risk exposure and the level of accepted tolerance. The response reflects whether we accept the risk on the basis of its assessed level of exposure and mitigating controls currently in place, where possible, or reduce the risk through additional mitigation to bring it in line with required levels of tolerance.

Monitor

The output from the Group-wide risk assessment tool process is regularly reviewed together with live tracking of delivery of planned improvement actions.

Risk appetite

The duties of the Risk Committee include advising the Board on the Group's overall risk appetite, tolerance and strategy.

The Risk Committee and the Board have reviewed and approved a revised risk appetite since we became a listed public company.

Principal risks and uncertainties

As with any business, we face risks and uncertainties on a daily basis. It is the effective management of these that places us in a better position to be able to achieve our strategic objectives and to embrace opportunities as they arise. The Board has considered carefully the nature and extent of the significant risks it is willing to take in achieving the Group's strategic objectives and delivering a satisfactory return for shareholders. Set out on pages 30 and 31 are the main risks the Board considers to be of most significance to the Group in terms of preventing or restricting execution of our strategy, with the mitigating activities that we have put in place to try to prevent such risk materialising. We recognise that other risks are still present and seek to ensure that they are managed accordingly.

It is recognised that the Group is exposed to a number of risks, wider than those listed. However, a conscious effort has been made to disclose those of most concern to the business at this moment in time and those that have been the subject of debate at recent Board or Risk Committee meetings.

Next steps

The Committee is taking steps to enhance the risk management process given the Company's ambitious plans for business transformation and its new status as a premium listed company. In that regard it has, with the plc Board, agreed a new Risk Management Policy. It is now pursuing a plan of improvements for 2015 taking into account the FRC September 2014 Guidance.

Andrew Blowers
Chairman of the Risk Committee

Directors' Remuneration Report



Simon Breakwell
Chairman of the Remuneration Committee

Dear shareholder,

On behalf of the Board, I am pleased to present our first Directors' Remuneration Report since the management buy-in (MBI) and IPO in June 2014 and our subsequent move to the premium list of the London Stock Exchange in January 2015.

Over the past year, the Company has undergone significant change. The circumstances surrounding our listing and our ongoing transformation are both unique. The IPO was delivered under an accelerated timetable led by an MBI team and backed by many leading institutional investors. Since listing the AA has seen a significant increase in share price and became a constituent of the FTSE 250 index in March 2015. The Company has clear growth aspirations over the next five years, and the Committee has considered remuneration in this unique context.

The Committee's activities during the year can be split into two categories. First, the Committee have resolved certain legacy matters which were outstanding from Admission. Secondly, the Committee have given further consideration to how remuneration should be structured in the future.

IPO legacy matters

The main elements of the Executive Directors' pay arrangements were disclosed in the IPO prospectus. However, due to the accelerated nature of the IPO, some of the key decisions regarding the detail of arrangements were not finalised at this time. Therefore, part of the Committee's activity during the year has been to complete this process.

The Management Value Participation shares are a five year structure, implemented at the time of Admission, as disclosed to shareholders in the Prospectus. Under this structure, value only accrues to participants if total shareholder return from the date of Admission to the vesting dates exceeds 12% per annum. Over five years, this would equate to growth of 76%.

At the time of Admission, there was a degree of uncertainty in relation to the roles and responsibilities of the senior management team. Therefore the full allocation of shares was deferred until there was greater clarity on senior management roles. The Committee has now completed this review, and allocations have now been finalised and will be awarded in due course. Further details of the allocations to Executive Directors are set out in the Annual Report on Remuneration.

Once the MVP shares are fully allotted, there is currently no intention to grant further awards to any Executive Director under this plan.

Remuneration in the future

Due to the accelerated timetable for the IPO, the Committee did not have the opportunity to undertake a full review of the remuneration packages for Executive Directors in the lead up to Admission. Therefore in the Prospectus, shareholders were informed that the Committee intended to undertake a review of annual compensation to ensure it was in line with comparable listed company practices.

As part of this review, the Committee recognised that although the one-off MVP shares structure provided a clear focus on shareholder value creation following IPO, this was not a conventional structure amongst FTSE 250 companies. Therefore, over time, the Committee intends to transition to more conventional arrangements.

The key outcomes of the Committee's review are as follows:

› Introduction of formal bonus structure for 2015/16

The 2015/16 bonus (capped at 120% of salary) will be subject to a combination of financial (60%), strategic (15%) and individual (25%) objectives. The 2015/16 bonus will also incorporate a profit-based underpin.

› Introduction of conventional Performance Share Plan

This plan looks beyond the legacy MVP shares, and provides a structure more aligned with FTSE 250 market practice. Although the Committee does not currently intend to make awards to the current Executive Directors, this new plan will be available to use for any new executive appointments in the future and for senior management.

› Look to move towards best practice

Bonuses in respect of 2015/16 will be subject to malus and clawback terms consistent with the UK Corporate Governance Code as will any awards granted under the new PSP rules.

In addition to the structural changes set out above, the Committee also reviewed the salary for Martin Clarke. As a result of the change in management structure, Martin Clarke assumed the role of Chief Financial Officer in addition to his operational responsibilities linked to delivering the transformation of the business. This resulted in a very significant expansion of his role. Taking into account the complexity of the CFO role in the context of the AA's transformation plans and refinancing proposals, the Committee determined that Mr Clarke's salary should be repositioned from £400,000 to £480,000. Bob Mackenzie's and Nick Hewitt's salary will remain unchanged.

Remuneration in respect of 2014/15

Given the unique nature of the transaction, a formal bonus structure was not in place for members of the MBI team in respect of 2014/15. Therefore for this transitional year only, the final outcome was based on the Committee's review of financial, strategic and individual performance during the year (including performance and contribution prior to Admission and the achievement of objectives identified during the IPO process).

The Committee noted that as well as delivering a successful IPO, the Company had achieved strong results, repaid £175m of the most expensive element within the Company's debt structure, and undertaken a thorough review of operations, including a successful reorganisation of the management team. Subsequently it was determined that bonuses for 2014/15 should be as follows: Bob Mackenzie – 80% of salary; Martin Clarke – 80% of salary; and Nick Hewitt – 27.3% of salary. The Committee are satisfied that these bonuses reflect performance in the year, especially in the context of the very strong performance since Admission.

DRR and AGM

At the forthcoming AGM, shareholders will be provided with three separate votes on remuneration matters:

1. The Remuneration Policy sets out our forward looking policy on pay for Directors, and will be put forward to shareholders for a binding vote at the 2015 AGM.
2. The Annual Report on Remuneration details payments made to Directors during the last year, and how we will apply our policy in 2015/16. Shareholders will be provided with an advisory vote on this report at the AGM.
3. Approval of new 2015 Performance Share Plan to facilitate share awards in future years.

The Committee have spent considerable time considering an appropriate approach taking into account the unique circumstances of the IPO and arrangements implemented at that time. The Committee is of the view that the approach set out in this Remuneration Report will support the Company's continued success as well providing a future framework that enables a transition towards prevailing norms of market practice, incorporating best practices.

I hope that you will find the report clear and helpful in understanding our remuneration arrangements and that you will support the three resolutions relating to remuneration at the forthcoming Annual General Meeting to be held on 9 June 2015.



Simon Breakwell
Chairman of the Remuneration Committee

Directors' Remuneration Report

continued

Directors' Remuneration Policy

The following sections set out our Directors' Remuneration Policy (the "Policy"). This Policy will be presented to shareholders for approval at the 2015 Annual General Meeting, and will take immediate effect once approved.

Policy table

Base salary	
Purpose and link to strategy	To attract and retain executives of the calibre required to deliver the Group's strategy.
Operation	<p>When reviewing salary levels the Committee takes into account a range of factors including:</p> <ul style="list-style-type: none"> > The individual's skills, experience and performance > The size and scope of the individual's responsibilities > Market rate for the role > Pay and conditions elsewhere in the Group <p>Salary levels are typically reviewed annually by the Committee.</p>
Maximum opportunity	<p>There is no overall maximum for salary opportunity or increases. Individual salaries are set based on the factors set out above.</p> <p>The Executive Director salaries as at 1 February 2015 are:</p> <ul style="list-style-type: none"> > Bob Mackenzie: £750,000 > Martin Clarke: £480,000 > Nick Hewitt: £400,000
Performance metrics	None.
Benefits	
Purpose and link to strategy	To provide competitive benefit arrangements appropriate for the role.
Operation	<p>A range of benefits may be provided to Executive Directors including, but not limited to, car related benefits, life cover and private medical insurance.</p> <p>From time to time the Committee may review the benefits provided for individual roles. Additional benefits may be provided where the Committee considers this appropriate (e.g. on relocation).</p> <p>Directors may also participate in any all-employee share plans (including the Company's Share Incentive Plan) operated by the Company from time to time on the same terms as other employees.</p>
Maximum opportunity	<p>There is no overall maximum for benefits.</p> <p>Participation in any HMRC-approved all-employee share plan is limited to the maximum award levels permitted by the relevant legislation.</p>
Performance metrics	None.
Retirement benefits	
Purpose and link to strategy	To provide a competitive level of retirement benefits appropriate for the role.
Operation	<p>Executive Directors are eligible to participate in the AA UK pension scheme (or any other similar pension plan operated by the Group from time to time) or receive a cash allowance in lieu of participation.</p> <p>For new hires the nature and value of any retirement benefit provided will be, in the Committee's opinion, reasonable in the context of market practice for comparable roles and take account of both the individual's circumstances and the cost to the Company.</p>
Maximum opportunity	<p>The maximum benefit is 25% of salary.</p> <p>For the financial year commencing 1 February 2015 the personal pension or cash allowances for current Directors will be 11.7% of salary.</p>
Performance metrics	None.

Annual bonus	
Purpose and link to strategy	To incentivise the delivery of annual financial, strategic and operational objectives, which are selected to support our business strategy.
Operation	Performance metrics and targets are set annually to ensure they remain aligned with financial and strategic goals. Bonus levels are determined by the Committee after the year-end, based on an assessment of performance.
Maximum opportunity	The maximum annual opportunity is 120% of salary.
Performance metrics	<p>Performance targets will be determined by the Committee at the beginning of each performance period, and may comprise of a combination of financial, strategic, operational and individual targets appropriate for the role.</p> <p>At least 50% of the award will be subject to financial measures.</p> <p>The threshold payout for the minimum level of performance will be determined by the Committee taking into account the nature of the target. There will normally be scaled payouts for performance between the minimum and maximum thresholds.</p>
Recovery provisions	Malus and clawback provisions have been introduced for the 2015/16 bonus. Both malus and clawback will apply to future awards.

2015 Performance Share Plan	
Purpose and link to strategy	<p>To reward for delivery of performance targets linked to long-term strategic objectives and to provide alignment with the interests of shareholders.</p> <p>Over time, the Committee intends to transition to an incentive structure which is more conventional for the UK listed environment. The Performance Share Plan ("PSP") is intended to provide the Committee with the facility to make annual long-term share awards subject to performance measures aligned to the success of the Company.</p> <p>It is anticipated that the PSP will be used for new Executive Directors.</p>
Operation	<p>The PSP will be presented to shareholders for approval at the 2015 AGM. The Committee does not currently intend to make awards to the current Executive Directors under this plan during 2015/16.</p> <p>Awards of conditional shares (or equivalent) will vest dependent on performance measured over a period of at least three years.</p> <p>The Committee will review the metrics, targets and weightings prior to grant to ensure they are aligned with the long-term strategic goals.</p> <p>Dividends (or equivalents, including re-investment) may accrue in respect of any shares that vest.</p>
Maximum opportunity	<p>The maximum face value of award in respect of any financial year is 200% of salary.</p> <p>The level of payout for the threshold performance hurdle set would normally not exceed 25% of the maximum opportunity. Full vesting will require achievement of the stretch objectives set. There will normally be scaled vesting for performance between the threshold and maximum performance levels.</p>
Performance condition	<p>As the PSP is not for immediate use, the performance conditions have not yet been determined.</p> <p>Prior to granting awards, the Committee will determine the performance metrics, weightings and targets to ensure they are aligned with the corporate strategy.</p> <p>The Committee would seek to engage appropriately with its major shareholders when making the first awards to Executive Directors under this plan.</p>
Recovery provisions	Both malus and clawback provisions will apply to any awards granted to Executive Directors under this plan.

Directors' Remuneration Report

continued

Legacy arrangement – MVP shares on Admission

The Management Value Participation Shares ("MVP shares") were implemented at Admission. Once the MVP shares are fully allocated (and subject to reallocation in exceptional circumstances) the Committee does not intend to allocate any further MVP shares.

MVP shares	
Purpose and link to strategy	To link reward with Company performance and long-term shareholder value creation following Admission. Awards are share-based to facilitate share ownership and further align the interests of participants and shareholders.
Operation	<p>The MVP shares are a one-off structure implemented prior to Admission.</p> <p>The MVP shares provide participation in the total shareholder return created over the first five years following Admission, provided a minimum hurdle rate is achieved.</p> <p>The arrangement takes the form of A shares, B shares and C shares in the Company with each class representing a third of the total number of MVP shares. Unless the Committee determines otherwise, each participant will hold an equal number of A, B and C shares.</p> <p>The A, B and C shares are convertible into ordinary shares in the Company or are redeemable following satisfaction of the relevant Performance Condition tested on the third, fourth and fifth anniversary of Admission respectively. If the Performance Condition is not met on the third or fourth anniversary (as relevant), but is satisfied on a subsequent measurement date (including the requirement for further growth in TSR for that additional period), the A and B shares will be convertible or redeemable as described above. Value per share is based on the aggregate value calculated by reference to the performance conditions divided by the aggregate number of shares allocated.</p> <p>In the event that the Performance Condition of any of the MVP shares has not been satisfied by the fifth anniversary of Admission, the Company will be able to acquire all of the MVP shares for £0.01 in aggregate. The same applies in the event that any holder has not required the Company to convert his MVP shares within the applicable timeframes.</p>
Maximum opportunity	<p>The maximum number of ordinary shares resulting from conversion of MVP shares will not in any 10 year period exceed 5% of the issued share capital (as calculated from time to time). Up to 60 million MVP shares may be allocated under this structure.</p> <p>The allocations of MVP shares is split into two tranches, 40% issued at Admission to current Executive Directors as follows:</p> <ul style="list-style-type: none"> > Bob Mackenzie: 22.4% > Martin Clarke: 8.8% > Nick Hewitt: 8.8% <p>The allocation of the remaining authorised MVP shares has been approved by the Committee for allotment in 2015/16.</p>
Performance Condition	<p>For all MVP shares, the Performance Condition is that the total shareholder return (TSR) per annum from Admission to the relevant measurement point is equal to or more than 12% (the Performance Condition).</p> <p>If the Performance Condition is met, the value of the MVP shares shall be:</p> <ul style="list-style-type: none"> > 5% of the TSR up to the Performance Condition; plus > 10% of the amount by which TSR exceeds the Performance Condition. <p>If the Performance Condition has been satisfied, the MVP shares may be converted into such number of ordinary shares at the average closing price of the share over the 10 business days prior to the relevant anniversary.</p>

Notes to the policy table

Further detailed provisions

The Committee may make any remuneration payments (including the vesting of incentives) and payments for loss of office notwithstanding that they are not in line with the Policy set out above, where the terms of that payment were agreed before this Policy came into effect; or at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in contemplation of the individual becoming a Director of the Company.

All incentive awards including MVP shares and PSP awards are subject to the terms of the relevant Articles of Association or plan rules under which awards are allocated or granted. The Committee may adjust or amend awards or shares in accordance with the provisions of the Articles of Association, plan rules and relevant scheme documentation (as applicable). This includes making adjustments to awards to reflect corporate events, such as a change in the Company's capital structure.

The Committee may adjust the calibration of performance measures and vesting outcomes, or substitute or amend any vesting condition (e.g. due to a significant acquisition or disposal) provided that the resulting condition is appropriate and not materially less difficult to satisfy.

In the event of a change of control of the Company, which results from an offer to shareholders, if the price offered delivers a TSR for the period from Admission to the change of control in excess of the Performance Condition then a holder of MVP shares has the right to require the Company to convert their MVP shares into such number of ordinary shares as represents the relevant proportion (based on the percentage of MVP shares as a proportion of the total number of MVP shares) of the aggregate value of the MVP shares. The Company (or, where the Company does not give notice to convert the shares by the given deadline, the holder of MVP shares) may elect to redeem, rather than convert the MVP shares. In the event of a winding up on or before the fifth anniversary of Admission, where the Performance Condition is met, holders of MVP shares will be entitled to receive a cash amount reflecting their proportion of the aggregate value of the MVP shares. Vesting of any awards granted under the PSP will normally take account of the relevant performance condition and the time elapsed. Alternatively PSP awards may be rolled over into shares of the acquiring company.

The Committee may make minor amendments to the remuneration policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes).

Performance measures and targets

The performance measures for the annual bonus are chosen to provide an appropriate incentive for Executive Directors to meet financial, strategic, operational and personal goals for the year. This approach allows the Remuneration Committee to effectively reward performance against the key elements of Group strategy. The bonus targets are set by the Remuneration Committee each year to ensure that Executive Directors are appropriately focused on the key objectives for the next 12 months. Targets are set by reference to the Company's business plan and budget.

The performance conditions for the MVP shares were set to align with long-term value created for shareholders, and were discussed with shareholders prior to Admission.

The targets for any future PSP awards will be determined by the Committee prior to grant. The intention would be for the targets to be aligned with the long-term strategic objectives of the Company and its shareholders.

Non-Executive Director fees

MVP shares	
Approach to setting remuneration	<p>Fees are set at appropriate levels to ensure Non-Executive Directors are paid to reflect the individual responsibility taken. Fees are reviewed periodically.</p> <p>When setting fee levels, consideration is given to a number of internal and external factors including responsibilities and market positioning.</p> <p>Benefits appropriate to the role may be provided. Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties and any associated taxes) incurred in the course of performing their duties may be paid by the Company or reimbursed to Non-Executive Directors.</p>
Opportunity	<p>The total fees paid to Non-Executive Directors will remain within the limit stated in the Articles of Association.</p> <p>Individual fees reflect responsibility and time commitment. Additional fees may be paid for further responsibilities, such as chairmanship of committees, duties related to subsidiary boards, or other periods of increased activity.</p>

Recruitment policy

The intention is that if an Executive Director is appointed in the medium to long term, he would be recruited under a conventional package comprising salary, benefits, annual bonus and PSP awards, with no participation in the legacy MVP shares.

Base salary would be set taking into account the principles set out in the policy table and may be set at a level higher or lower than the previous incumbent. A cash supplement may be paid for interim positions. Normally benefits will be consistent with benefits provided to existing Directors, however, additional benefits may be provided in certain circumstances (e.g. relocation allowance).

The Committee may, on appointing an Executive Director, need to 'buy out' remuneration arrangements forfeited on joining the Company. The form and value of any buyout would take into account the terms of the arrangements (e.g. form of award, performance conditions, timeframe) being forfeited. The overriding principle will be that any replacement buy-out awards will, in the opinion of the Committee, be no more valuable than the entitlement which has been forfeited.

The maximum level of variable pay would be determined taking into account the scale of the business at the time (for example whether the Company was a constituent of the FTSE 250 or the FTSE 100 index). For the purpose of this recruitment policy the maximum level of variable remuneration (i.e. short-term and long-term incentives) will not exceed 400% of salary per annum.

The Committee may determine that for the first year of appointment the annual bonus award will be subject to such conditions as it may determine.

Where an executive is appointed from within the Company, the normal policy of the Company is that any legacy arrangements would be honoured in line with their original terms and conditions. Similarly, if an Executive Director is appointed following the acquisition of or merger with another company, legacy terms and conditions would be honoured.

MVP shares are currently fully allocated and it is not intended (other than in exceptional circumstances) that these would form part of the remuneration arrangements for a newly appointed Executive Director.

In the event of the appointment of a new Non-Executive Director or Chairman, remuneration arrangements will be in line with the principles detailed in the relevant table above.

Service contracts and payments for loss of office

Notice period	The notice period for the current Executive Directors is 12 months. Service contracts for new Executive Directors will normally be limited to 12 months' notice. In limited circumstances the initial notice period for a new appointment may be longer than the Company's normal policy (up to a maximum of 18 months), with the notice period reducing down to 12 months over time.
Payments on cessation	<p>The Company may terminate an Executive Director's service agreement at any time by making a payment in lieu of notice in respect of basic salary for the outstanding period of notice, together with accrued holiday entitlement.</p> <p>Benefits (or a payment in lieu) may also be provided. This may include certain benefits in connection with termination, such as legal costs and the costs of meeting any settlement agreement.</p>

Directors' Remuneration Report continued

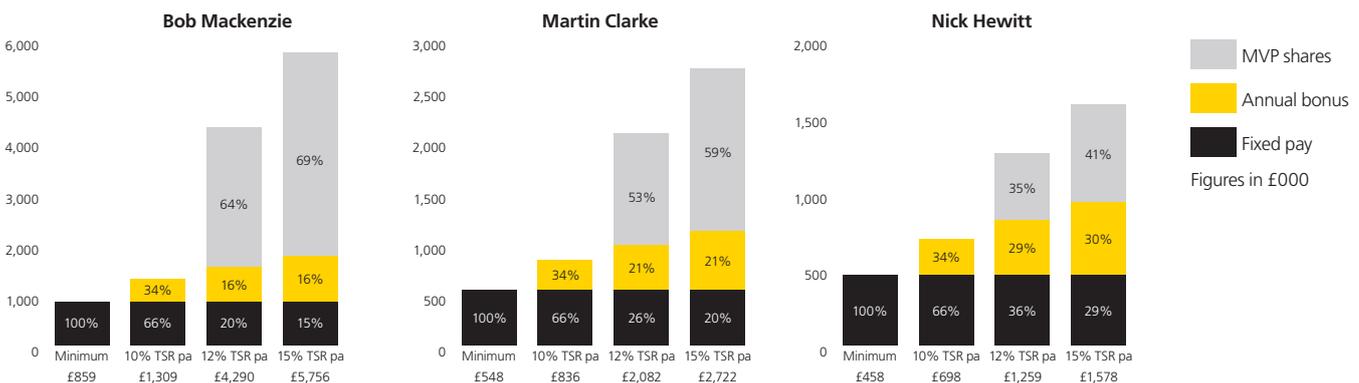
The treatment of incentive awards in the event of cessation is determined by the relevant plan rules or the Articles of Association (in the case of the MVP shares) as summarised below.

Annual Bonus	In certain circumstances, an individual may receive a bonus for the period prior to cessation. The bonus amount may be pro-rated where departure occurs before the year-end.
MVP shares	<p>The treatment of MVP shares are set out in the Articles of Association.</p> <p>In respect of MVP shares allocated prior to Admission, where an individual ceases employment by reason of bankruptcy, disqualification from acting as a director, conviction of a serious criminal offence, breach of any non-compete undertaking, any act of gross misconduct or act which brings the Group into disrepute, or any other reason justifying summary dismissal, or where the individual subsequently takes action or makes comments which denigrate the Group or bring the Group into disrepute, the Company may acquire the individual's shares for a nominal value of £0.01. In other circumstances, the individual will retain their interest.</p> <p>In respect of subsequent MVP shares which are allocated, the Company will normally be able to acquire the individual's shares following cessation for a nominal value of £0.01, in the event that the individual is a bad leaver, and serve notice. To the extent permitted by the Articles of Association the Committee may determine that an individual is not a bad leaver. An individual will not be a bad leaver where cessation occurs as a result of death, permanent disability, redundancy, or the sale by the Group of the individual's employing business unit. An individual will be considered to be a bad leaver where he takes actions or makes comments which denigrate the Group or bring the Group into disrepute.</p>
PSP	<p>Under the plan rules, awards will lapse on cessation of employment unless the participant is a good leaver.</p> <p>Good leavers include an individual ceasing employment by reason of death, ill-health, injury, disability, the sale of the business or entity that employs him out of the Group, or for any other reason at the Remuneration Committee's discretion.</p> <p>Where an individual is considered by the Committee to be a good leaver, a participant's unvested award will usually continue until the normal vesting date (unless the Remuneration Committee determines that the Award should vest at an earlier date). In these circumstances awards will vest taking into account the extent to which any performance condition is satisfied and, unless the Remuneration Committee determines otherwise, the period of time that has elapsed from the date of grant.</p> <p>Any vested nil-cost options will normally be exercisable for up to six months from cessation and/or the point of vesting.</p>

All Non-Executive Directors are appointed in writing. The letters of appointment for the current Non-Executive Directors include a one month notice period (by either party) or no notice period if terminated by shareholders. The Company may include a notice period for new appointments of no more than three months for Non-Executive Directors and no more than twelve months for a Non-Executive Chairman.

Illustrations of application of remuneration policy

The following charts illustrate the different elements of the Executive Directors' remuneration under four different performance scenarios. The assumptions used are provided below the charts.



	Minimum	TSR – 10% p.a.	TSR – 12% p.a.	TSR – 15% p.a.
Fixed pay	Base salary for 2015/16			
	Value of pension benefit for 2015/16			
	Taxable value of benefits provided in 2014/15 (annualised)			
Annual bonus ¹	0% of salary	60% of salary	90% of salary	120% of salary
MVP shares ^{1,2}	Total allocations as set out in Annual Report on Remuneration			
	<10% per annum TSR	10% per annum TSR	12% per annum TSR	15% per annum TSR

¹ The actual value of the annual bonus and MVP shares will vary depending on actual performance and may, therefore, differ from the illustrations set out above.

² Based on the number of shares delivered at different levels of TSR performance, annualised over the five year term of award. The illustrations assume constant TSR growth over the period and growth from the market capitalisation at Admission. The value for the MVP shares is linked to the level of value created and is therefore not capped. In accordance with the requirements of the regulations, the charts exclude share price growth and potential dividends.

Remuneration in the wider group

The wider employee group participate in performance-based incentives. Throughout the Group, base salary and benefit levels are set taking into account prevailing market conditions. Differences between Executive Director pay policy and other employee pay reflect the seniority of the individuals, and the nature of responsibilities. The key difference in policy is that for Executive Directors a greater proportion of total remuneration is based on incentives. The Committee has oversight of incentive plans operated throughout the Group. Below Board long-term incentives align with the long-term interests of the business and where appropriate objectives may be tailored to individual business areas.

When setting the policy for the remuneration of the Executive Directors, the Committee has regard to the pay and employment conditions of employees within the Group. However, the Committee does not use comparison metrics or consult directly with employees when formulating the remuneration policy for Executive Directors. The Committee reviews salary increases and pay conditions within the business, to provide context for decisions in respect of Executive Directors.

Consideration of shareholder views

Prior to Admission the remuneration arrangements for senior executives were discussed with prospective shareholders. The framework for the remuneration package was set out in the Prospectus.

The Committee recognises that aspects of the Company's Remuneration Policy which were put in place prior to IPO, while aligned to shareholder value creation, are unusual in the context of the UK listed environment. The Committee considers the views of its shareholders and is mindful of evolving best practice in developing policies in the future and engaged with major shareholders and investor bodies following the year-end.

Annual Report on Remuneration

AA plc listed on the London Stock Exchange on 26 June 2014. This section of the Directors' Remuneration Report provides details of the remuneration paid to Directors during 2014/15 and details of how we intend to implement the Policy in the forthcoming financial year. Where information has been audited, this has been stated.

Single total figure of remuneration (audited)

Executive Directors

The tables below set out the total remuneration for the Executive Directors for the year ended 31 January 2015.

	Bob Mackenzie		Martin Clarke		Nick Hewitt		Andy Boland ¹		Chris Jansen ²	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Salary	448	–	239	–	239	–	320	263	358	50
Benefits	13	–	7	–	7	–	6	15	30	–
Retirement benefits	52	–	28	–	28	–	20	9	47	6
Annual bonus	600	–	320	–	109	–	–	157	–	–
Long-term incentives ³	–	–	–	–	–	–	–	–	–	–
Sub-total	1,113	–	594	–	383	–	346	444	435	56
Payments on cessation	–	–	–	–	–	–	276	–	584	–
Other bonus ⁴	–	–	–	–	–	–	–	1,800	–	–
Total	1,113	–	594	–	383	–	622	2,244	1,019	56

1 It was announced on 28 August 2014 that Andy Boland would be stepping down as CFO and would leave the Board in due course. Andy Boland subsequently stepped down as CFO on 13 November 2014 and left the Board on 19 December 2014. The figures in this table represent his remuneration up to 19 December 2014.

2 It was announced on 28 August 2014 that Chris Jansen would be stepping down as CEO and leaving the Board with immediate effect. The figures in this table represent his remuneration up to 28 August 2014.

3 As at 31 January 2015, the only long-term incentive is the MVP shares. As the performance conditions are not tested until June 2017, the performance conditions are considered to not be substantially complete by year end and therefore no amount is shown.

4 Other bonus payable related to the refinancing completed in July 2013.

Andrew Goodsell and Stuart Howard resigned from the Board on 20 June 2014. James Arnell, Robin Hooper and Philip Muelder were appointed to the Board on 15 May 2013 and resigned on 20 June 2014. The services of Andrew Goodsell and Stuart Howard were provided by Acromas Holdings Limited, James Arnell's services were provided by Charterhouse Capital Partners, Robin Hooper's services were provided by CVC Capital Partners and Phillip Muelder's services were provided by Permira advisors. None of these directors received any remuneration during the current or comparative year in respect of their services as directors of AA plc or its subsidiaries and no fees were charged to any Group company in respect of these services.

Directors' Remuneration Report continued

Additional notes to the table

Salary

On Admission the salary for the Executive Chairman was £750,000 and the salary for the Chief Financial Officer and Nick Hewitt was £400,000. Details of salary levels for 2015/16, are set out on page 64.

Benefits

The benefits consist of a car related benefit, private health insurance for director and family and life assurance. Car allowance (or cash alternative) is provided. Life cover is 4 x annual salary payable should death in service occur. Private medical insurance is provided for the executive only (family cover at the additional cost to the Executive). Permanent health insurance cover equal to 75% of the Executive's annual salary is provided (as long as the executive is a member of the AA pension scheme).

Retirement benefits

The amount set out in the table represents the Company contribution to the Directors' retirement planning. The Company makes contributions to the AA pension scheme equal to 11.7% of the Executive's annual basic salary or makes the equivalent payment to the Executive's personal arrangement.

Annual bonus

Given the unique nature of the transaction leading to Admission, a formal bonus structure was not in place for the current Executive Directors in respect of 2014/15. Therefore for this transitional year only, the outcome was based on the Committee's review of financial, strategic and individual performance during the year (including

performance and contribution prior to Admission and the achievement of objectives identified during the IPO process). The key factors taken into account include:

- > The successful IPO
- > Financial performance of the business since Admission
- > Repayment of £175m of the most expensive part of the debt structure, the PIK notes
- > Delivery of shareholder value through share price performance
- > The move to the premium list
- > Transformation activities, including thorough review of operations and successful reorganisation of the senior management team.

The Committee considered a bonus for the year of up to 80% of full year salary. Reflecting the efforts of management over the course of the period and delivery against objectives set at Admission, the Committee has determined that payments should be as follows: 80% of full year salary for Bob Mackenzie and Martin Clarke and 27.3% of full year salary for Nick Hewitt. No bonus was paid to either Andy Boland or Chris Jansen in respect of the financial year under review.

A formal bonus structure with pre-set targets has been implemented by the Remuneration Committee in respect of 2015/16. Further details are set out on page 64.

Long-term incentives – vesting during the year

There were no long-term incentive awards vesting during the year.

MVP shares – granted during the year

The MVP shares structure was implemented at Admission in order to align the interests of the MBI team and management with those of shareholders in the period following Admission.

The arrangement takes the form of A shares, B shares and C shares. Each class represents one-third of the total number of shares under the plan. As described in the Policy Report, the value of the A, B and C shares is dependent on the total shareholder return (TSR) generated over the three to five year period following Admission assuming a value of £2.50 per share on Admission.

The total value of all the A, B and C shares will be calculated as follows:

Annualised TSR	Value of MVP shares
Below 12%	nil
At or above 12%	5% of the TSR generated up to the 12% hurdle and 10% of the TSR generated over and above the 12% hurdle

Prior to Admission Bob Mackenzie, Martin Clarke and Nick Hewitt subscribed for 40% of the MVP shares in the following proportions: 22.4%, 8.8% and 8.8% respectively of the overall MVP shares. In relation to the remaining 60% of the shares, as noted in the Prospectus at Admission, these were to be allocated following Admission. The Committee deferred allocation until there was a better understanding of the roles and responsibilities within the wider management team. This review was completed following the year-end and the Committee has determined that subsequent to the date of this report, Bob Mackenzie and Martin Clarke will be allocated a further 32.6% and 13.2% respectively of the overall MVP shares in issue giving total allocations of 55% and 22% respectively; Nick Hewitt holds the 8.8% from the original allocation and the remaining 14.2% will be used for the benefit of other senior management below plc Board level.

Once the MVP shares are fully allocated, other than in exceptional circumstances (e.g. major role change), the Committee does not intend to allocate any further awards to Executive Directors.

The following table provides details of the MVP share subscriptions and allocations made on and following Admission.

Name	Type of award	Percentage of MVP shares held	Face value of MVP shares on subscription (nominal value) ¹	Performance review dates
Bob Mackenzie		On Admission – 22.4% Subsequent allocation – 32.6% Total – 55%	On Admission – £13,440 Subsequent allocation – £19,560	
Martin Clarke	MVP shares (A, B and C shares)	On Admission – 8.8% Subsequent allocation – 13.2% Total – 22%	On Admission – £5,280 Subsequent allocation – £7,920	June 2017 (A shares) June 2018 (A and B shares) June 2019 (A, B and C shares)
Nick Hewitt		On Admission – 8.8% Total – 8.8%	On Admission – £5,280	

¹ The MVP A, B and C shares are not listed shares, and therefore the nominal value has been used rather than the share price of £0.001 on Admission.

Payments on termination

During the year payments in lieu of outstanding notice periods were made on termination of office of £276,000 to Andy Boland (all relating to salary) and £584,000 to Chris Jansen (£572,000 of salary and £12,000 car allowance). These were contractual payments in lieu of outstanding notice periods. Andy Boland will also receive benefits under the company car scheme until August 2015. Neither individual received a bonus payment in respect of 2014/15.

Other directorships

Bob Mackenzie is Chairman of Northgate Plc, a role which predates his appointment to the AA, and receives an annual fee of £160,000 which he retains.

Single total figure of remuneration (audited)

Non-Executive Directors

The tables below set out the total remuneration for Non-Executive Directors for the year ended 31 January 2015.

Name (role)	2015			2014		
	Fees £000	Benefits £000	Total £000	Fees £000	Benefits £000	Total £000
John Leach SID / NED	100	–	100	–	–	–
Andrew Blowers NED	48	–	48	–	–	–
Simon Breakwell NED	50	–	50	–	–	–
Andrew Miller NED	68	–	68	–	–	–
Margaret Young NED	57	–	57	–	–	–

The fees shown are those paid to the Directors from the date of Admission. In the seven months following Admission and leading to the premium listing, significant additional work was required by the chairs of the committees in relation to establishing the appropriate governance processes and committee activities. The Board (excluding Non-Executive Directors) therefore determined that it would be appropriate for an additional fee of £20,000 to be paid to the chairs of each of the Audit, Risk and Remuneration Committees and this amount is included in the table.

Statement of Directors' shareholding and share interests (audited)

The table below sets out the Directors' share interests in the ordinary shares of the Company.

As at 31 January 2015	
Executive Directors	
Bob Mackenzie	800,000
Martin Clarke	720,000
Nick Hewitt	80,000
Non-Executive Directors	
John Leach	30,000
Andrew Blowers	–
Simon Breakwell	–
Andrew Miller	–
Margaret Young ¹	20,000

The table below sets out the Directors' interests in MVP shares.

Name	MVP shares		
	Value subject to a performance condition		Total
	Subscribed prior to Admission	Allocated but not yet subscribed	
Executive Directors			
Bob Mackenzie	22.4%	32.6%	55.0%
Martin Clarke	8.8%	13.2%	22.0%
Nick Hewitt	8.8%	–	8.8%
Total	40.0%	45.8%	85.8%

The policy table sets out further details of the operation of the MVP shares. The Non-Executive Directors do not have any interests in MVP shares.

¹ Margaret Young resigned as a director on 25 February 2015.

Directors' Remuneration Report continued

Implementation for 2015/16

The following table summarises how remuneration arrangements will be operated for 2015/16. The Remuneration Committee Chairman's statement provides further context to the decisions made.

Salary and benefits

> Following the year end, the Committee reviewed the base salaries for Executive Directors as part of the annual salary review process. In particular the Committee took the opportunity to ensure salary levels reflected the evolving roles for the Executive Directors.

> Martin Clarke's role expanded significantly in the period following Admission. In particular, following the departure of Andy Boland, he was appointed as Chief Financial Officer. Taking into account the additional complexity of the role in the context of the Group's transformation and financing arrangements, the Committee determined that Mr Clarke's salary should be repositioned to £480,000 with effect from 1 February 2015.

	On Admission	2015/16 salary
Bob Mackenzie	£750,000	£750,000 (0%)
Martin Clarke	£400,000	£480,000 (20%)
Nick Hewitt	£400,000	£400,000 (0%)

Benefits include car allowance, private healthcare and life assurance. Company contributions to the Executive Directors' retirement benefits remain at 11.7% of salary.

Annual bonus

The maximum opportunity for the Executive Directors will be 120% of salary.

The performance targets in respect of the 2015/16 bonus will be based on:

Financial / EBITDA targets	60%
Strategic targets	15%
Individual objectives	25%

The individual objectives are subject to a profit underpin. The detail of targets for the coming year is commercially sensitive. However, the Committee will look to provide appropriate explanation of bonus outcomes following the end of the bonus year.

The 2015/16 bonus will be subject to both malus and clawback provisions.

MVP shares

Once MVP shares are fully subscribed, the Committee does not intend to allocate further awards to Executive Directors.

PSP

Although approval will be sought for the PSP at the 2015 AGM, the Committee does not intend to grant awards to the current Executive Directors under this plan.

Non-Executive Directors

The current fees payable to the Non-Executive Directors are shown in the following table.

Role	Fee
Senior Independent Director	£170,000
Basic fee for other Non-Executive Directors	£80,000
Additional fee for chairing of Board Committee (other than Nomination Committee)	£15,000

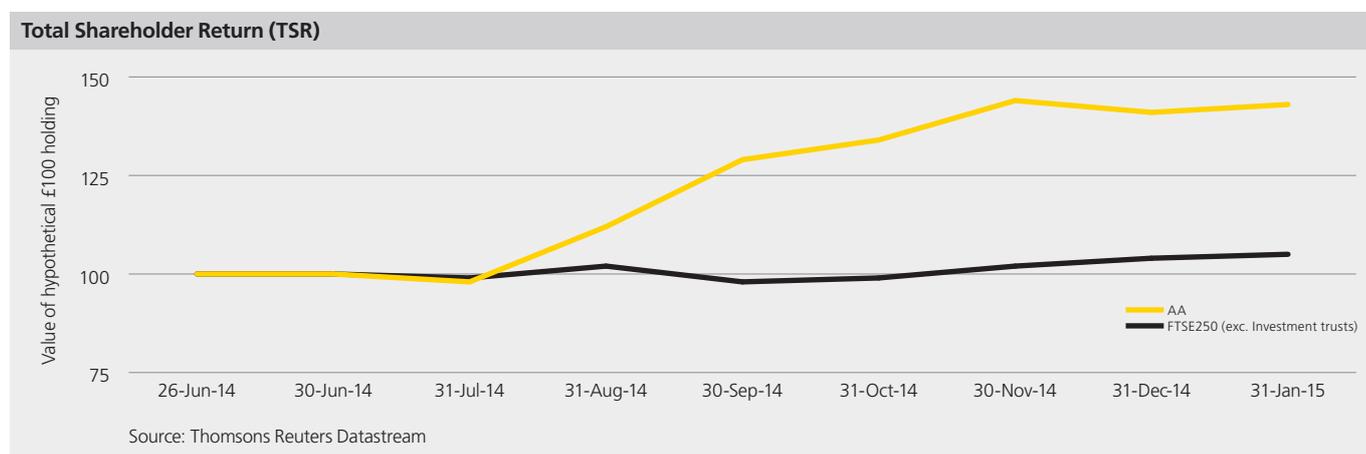
Service contracts and letters of appointment

Each of the Board members will be proposed for re-election at the 2015 Annual General Meeting. The Executive Directors are employed under rolling service contracts that do not have fixed terms of appointment, but are subject to a 12-month notice period. The Non-Executive Directors are appointed under a letter of appointment for an initial term of three years (subject to annual re-election at the AGM) which may be terminated by either party subject to a one-month notice period other than certain conditions under which the Company can terminate with immediate effect. The details of the Non-Executive Directors terms are set out below:

Name	Date of appointment	Term expires
John Leach	26 June 2014	9 June 2018
Andrew Miller	26 June 2014	9 June 2018
Simon Breakwell	17 September 2014	9 June 2018
Andrew Blowers	25 September 2014	9 June 2018

Performance graph and table

The chart below illustrates AA Group's TSR performance against the FTSE 250 (excluding investment trusts) since Admission.



The table below shows the total remuneration paid to the Executive Chairman since Admission.

Executive Chairman remuneration	2014/15
Executive Chairman single figure of remuneration	£1,113k
Annual bonus payout (% of maximum)	100%
Long-term incentives vesting (% of maximum)	n/a

Percentage change in remuneration of Director undertaking the role of Executive Chairman

The table below illustrates the percentage change in salary, benefits and annual bonus for the Executive Chairman as against all other employees.

	% change in base salary	% change in benefits	% change in annual bonus
Executive Chairman ¹	n/a – no increase for 2015/16	n/a	n/a
All employees ²	2%	0%	0%

1 As noted in the single-figure table, there are no prior year comparables.

2 Change in base salary for employees represents the average increase implemented as part of the Company's annual pay review in April 2014. The change in annual bonus represents the maximum potential bonus payable to employees.

Directors' Remuneration Report continued

Relative importance of spend on pay

The table below illustrates the year-on-year change in the total remuneration costs for all employees against the Company's key performance metric of Trading EBITDA. No distributions have been made since Admission and therefore no figure is shown.

	2015 £m	2014 £m	% change
Total remuneration	310.8	284.7	9.2%
Trading EBITDA	430.1	422.8	1.7%

Role of the Remuneration Committee

The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the remuneration policy of the Group and for reviewing compliance with the policy. During 2014/15, the Remuneration Committee comprised the following Directors: Simon Breakwell (Chairman), Andrew Miller and Andrew Blowers. The Executive Chairman and the HR Director attended parts of Committee meetings by invitation in order to provide the Committee with additional context. The Company Secretary acts as the Committee's secretary. No individual was present when their own remuneration was being determined.

During the course of the year, Deloitte LLP were appointed by the Committee as their advisors. Deloitte LLP received fees of £37,550 for advice to the Committee on a time and materials basis. Deloitte LLP is one of the founding members of the Remuneration Consultants' Group and adheres to the Remuneration Consultants' Group's Code of Conduct. The Committee is satisfied that the advice it has received has been objective and independent. During the year, Deloitte LLP also provided the Company with HR consulting services and taxation advice.

Membership and attendance during the year

Name of Member	Date appointed to Committee			% of possible meetings attended
		A	B	
Simon Breakwell	17 September 2014	2	2	100%
Andrew Miller	26 June 2014	2	2	100%
Andrew Blowers ¹	3 November 2014	1	2	50%

A = Number of meetings the Member attended.

B = Maximum number of meetings the Member could have attended.

¹ Andrew Blowers was appointed to the committee in November 2014 but was unable to attend the November committee meeting due to a prior engagement but read the papers and provided comments in advance.



Simon Breakwell

Chairman of Remuneration Committee

Directors' Report

Introduction

AA plc, company number 05149111, (the Company) is the holding company of the AA Group of companies (the AA). The Directors of AA plc are pleased to present their report which has been drawn up and presented in accordance with, and in reliance upon applicable English Law, and the liabilities of the Directors in preparing this report shall be subject to the limitations and restrictions provided by such law. The Directors' report is designed to inform shareholders and help them assess how the Directors have performed their duty to promote the success of the Company.

Results for the year are set out on pages 20 to 23. No dividends have been paid or proposed during the year (2014: £2,571.9 million paid to the Acromas group following the refinancing in that year) and the Company's policy on dividends is set out on page 11.

The sections that are required to be included in this Annual Report and Accounts in accordance with the Companies Act 2006 (the 2006 Act), the UK Listing Authority's Listing Rules and Disclosure and Transparency Rules are set out below. The Directors of a company are also required to prepare a strategic report about the Company for each financial year. The AA has chosen in accordance with the 2006 Act to include the disclosure of likely future developments and performance which can be found on pages 8 to 29. To the extent necessary, certain information is incorporated into this report by reference, as follows:

- › Governance Report on pages 38 to 45
- › Risk management on pages 30 to 31
- › Corporate Responsibility Report on pages 32 to 34
- › Audit Committee Report on pages 46 to 49
- › Nomination Committee Report on pages 50 to 51
- › Risk Committee Report on pages 52 to 53
- › Directors' Remuneration Report on pages 54 to 66
- › Financial Instruments and financial risk management (notes 27 and 28)
- › Details of the Group's overseas operations in Ireland on page 29
- › Related party transactions set out in note 32
- › Share schemes set out in note 34

Together, this information is intended to provide a fair, balanced and understandable analysis of the development and performance of the AA's business, its strategy going forward, its performance during the year, likely developments and any principal risks and uncertainties associated with our business.

Share capital

The Company's issued ordinary share capital, as at 31 January 2015, comprised of a single class of ordinary shares which are listed on the Premium segment of the FCA's Official List and admitted to trading on the main market of the London Stock Exchange and three classes of Management Value Participation Shares (MVPS) which are not publicly traded.

Each ordinary share carries the right to one vote at general meetings of the Company while the MVPS have no voting rights. Details of the movements in the issued share capital can be found in note 23 to the financial statements.

The issued and fully paid share capital of the Company as at 31 January 2015 is as follows:

Class	Nominal value	Number	Amount (£)
Ordinary shares	£0.001	554,000,001	554,000.00
MVPS (A1 shares)	£0.001	8,000,000	8,000.00
MVPS (B1 shares)	£0.001	8,000,000	8,000.00
MVPS (C1 shares)	£0.001	8,000,000	8,000.00

The Company has no authorised share capital.

The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate-representatives are entitled to attend general meetings and to exercise voting rights. All issued ordinary shares are fully paid up.

The MVPS are not listed on any public market and have no voting rights but entitle the holders to receive ordinary shares or cash in the future subject to satisfaction of a 12% compound Total Shareholder Return performance condition. Further details of the MVPS are set out on pages 54 to 66.

Purchase of own shares

No ordinary shares were purchased by the Company during the year ended 31 January 2015 or to the date of this Annual Report and Accounts. At the AGM to be held in 2015, the Company will seek authority by shareholders to purchase up to 10% of the Company's ordinary share capital as at 24 March 2015.

Interest in voting rights

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case, the proxy has one vote for and one vote against.

On a poll, every ordinary member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company. The Notice of Annual General Meeting (AGM) specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may be imposed from time to time by laws and regulations and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain Directors, officers and employees of the AA require the approval of the Company to deal in its ordinary shares and under the Placing Agreement dated 20 June 2014, the Directors who purchased shares at IPO have undertaken not to sell their IPO shares for a period of 365 days. We are not aware of any other agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

Directors' Report continued

Shares held by employee share trusts

The AA has introduced a tax-approved Share Incentive Plan (the Share Incentive Plan) for its UK employees to allow qualifying employees to acquire shares on beneficial terms in accordance with Schedule 2 and/or Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003. In accordance with the rules of the Share Incentive Plan, the first award of partnership and matching shares is expected to be made in August 2015.

An equivalent tax-unapproved plan (the AA International Share Incentive Plan) has been introduced for its Irish employees, to allow qualifying employees to acquire shares on a monthly basis using net pay. The final monthly award of partnership shares and equivalent matching shares is expected to take place in October 2015.

Substantial shareholdings

As at 31 January 2015, we have been notified of the following interests in 3% or more of the issued share capital of the Company:

Name of shareholder	Number of shares	% shareholding
The Capital Research Global Investor Group Companies, Inc.	100,465,548	18.13%
Invesco Limited	55,550,000	10.03%
Lansdowne Partners International Limited	54,960,000	9.92%
Aviva plc	53,721,900	9.70%
BlackRock, Inc.	45,027,451	8.13%
Woodford Investment Management	43,246,883	7.81%
Standard Life Investments	27,690,291	5.00%
GLG Partners LP	26,060,869	4.70%
Henderson Global Investors	below 5%	<5%

The total voting rights figure applicable at 24 March 2015 is 554,000,001 ordinary shares.

Except for the above, we are not aware of any ordinary shareholders with interests of 3% or more in the issued share capital of the Company. We have not been notified of any other changes to the notifiable voting rights in its shares up to 24 March 2015.

Directors and their interests

The Directors who served during the year were:

Before Admission

Before the Management Buy-In and Admission.

Name of Director	Date appointed (if during period)	Date of resignation
Andrew Goodsell	–	20 Jun 2014
Stuart Howard	–	20 Jun 2014
James Arnell	–	20 Jun 2014
Robin Hooper	–	20 Jun 2014
Philip Muelder	–	20 Jun 2014
Chris Jansen	–	31 Aug 2014
Andy Boland	–	19 Dec 2014

Since Admission

Name of Director	Date appointed	Date of resignation
Chris Jansen	–	31 Aug 2014
Andy Boland	–	19 Dec 2014
Bob Mackenzie	26 Jun 2014	–
Martin Clarke	26 Jun 2014	–
Nick Hewitt	26 Jun 2014	–
John Leach	26 Jun 2014	–
Margaret Young	26 Jun 2014	25 Feb 2015
Andrew Miller	26 Jun 2014	–
Simon Breakwell	17 Sep 2014	–
Andrew Blowers	25 Sep 2014	–

The biographical details of the current Directors are set out on pages 36 to 37 of this Annual Report.

The appointment and replacement of Directors is governed by the Company's Articles of Association (the Articles), the UK Corporate Governance Code, the 2006 Act and related legislation. Subject to the Articles, the 2006 Act and any directions given by special resolution, the business of the AA is managed by the Board who may exercise all the powers of the Company.

The interests of Directors and their immediate families in the shares of the Company, along with details of the long-term incentives awarded to Executive Directors are contained in Remuneration Report set out on pages 54 to 66.

No Directors have beneficial interests in the shares of any subsidiary company. Further details relating to the MVPS plan can be found on pages 54 to 66.

There have been no changes in the interests of the Directors (including share options or LTIP awards) in the share capital of the Company from 31 January 2015 to 24 March 2015.

Directors' indemnities

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors and officers. The AA has also granted indemnities to each of its Directors and the Company Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 234 of the 2006 Act) were in force during the year ended 31 January 2015 and remain in force, in relation to certain losses and liabilities which the Directors or Company Secretary may incur to third parties in the course of acting as Directors or Company Secretary or employees of the Company or any associated company.

Directors' conflicts of interest

The AA has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the AA, they should notify the Board in writing or at the next Board meeting.

Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Employee involvement

We remain committed to employee involvement throughout the business. Employees are kept informed of the performance and strategy and the financial and economic factors affecting the performance of the Group through regular briefings, emails and our monthly staff magazine, Drive.

Informal discussions take place between senior management and the formal employee consultation bodies including the recognised union to further promote a two-way dialogue between employees and the organisation. We have a two-year plan for our Employee Engagement Survey with the next one due towards the end of 2015.

Further details about our engagement with employees can be found in our Corporate Responsibility Report on pages 32 to 34.

Equal opportunities

The AA is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion.

We are an organisation which uses everyone's talents and abilities and where diversity is valued.

Employees with disabilities

It is our policy that people with disabilities should have full and fair consideration for all vacancies. Where employees become disabled during our employment, we endeavour to retain, train and adjust their environment where possible to allow them to maximise their potential and assist in career development.

Employees

In the United Kingdom the AA employed an average of 8,153 people in the year (up to and including 31 January 2015) (2014: 8,149).

Annual General Meeting

The Notice convening the 2015 AGM to be held at 12 noon on Tuesday 9 June 2015 at 10 Queen Street Place, London EC4R 1BE is contained in a circular sent to all shareholders. Full details of all resolutions to be proposed are provided in this shareholder circular. The Directors consider that all of the resolutions set out in the Notice of the 2015 AGM are in the best interests of the AA and its shareholders as a whole. We will be voting in favour of the proposed resolutions and unanimously recommend that shareholders vote in favour of each of them.

Articles of Association

The Company's Articles of Association set out the Company's internal regulations and cover such matters as the rights of shareholders, the appointment and removal of Directors, the power to issue and buy back shares and the conduct of the Board and general meetings. A copy of the Company's Articles is available on the Group's website or on request from the Company Secretary. Amendments to the Articles must be approved by shareholders holding at least 75% of the ordinary shares voted in person or by proxy at a general meeting of the Company. The Company's Articles have not been changed since Admission and may only be amended by special resolution at a general meeting of the shareholders.

In accordance with the Company's Articles, Directors can be appointed or removed by the Board or by shareholders in general meeting. Subject to the provisions of relevant legislation, the Company's Articles and any directions given by special resolution of the shareholders, the Board of Directors may exercise all the powers of the Company and may delegate authorities to Committees and management as it sees fit. Details of main Committees of the Board are contained in the Governance Report on pages 38 to 45, and on the Group's website.

Environmental and social responsibility and greenhouse gas emissions

The AA acknowledges that it is part of a wider community and recognises that it has a responsibility to act in ways that respect the environment and the social wellbeing of others. Details of the AA's approach to these issues and emissions attributable to all activities are set out in the Corporate Responsibility Report at pages 32 to 34.

Political donations

No political donations were made during the year ended 31 January 2015. The AA has a policy of not making donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world as defined in the 2006 Act.

Significant agreements – change of control

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share plans and the Management Value Participation shares may cause awards and options granted under such arrangements to vest on a takeover.

Events after the Balance Sheet date

Events after the Balance Sheet date are disclosed in note 37 to the financial statements.

Auditors

Ernst & Young LLP have signified their willingness to continue in office as statutory auditor of the AA and we are satisfied that Ernst & Young LLP is independent and there are adequate safeguards in place to safeguard its objectivity. A resolution to reappoint Ernst & Young LLP as the AA's auditors will be proposed at the 2015 AGM.

Directors' Report continued

Disclosure of information to auditors

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the auditors are unaware, and that each Director has taken all the steps that he/she ought to have taken as a Director to make him/her aware of any relevant audit information, and to establish that the auditors are aware of that information.

Directors' responsibilities

At the AA, quality is not something that is merely added on to the end of any process, it is embedded throughout to ensure that each stage reflects the standards we and our stakeholders expect. This also applies to the Annual Report. The Board is of the view that the Annual Report should be representative of the year and provide the necessary information for shareholders to assess the AA's performance, business model and strategy. This is not achieved by merely reviewing the final documents at the end of the preparation process. The Board ensured that their requirements were clear from the outset and communicated to all who input and assist with the preparation of the document.

The Board advise that the narrative reports should reflect its considered view of the information investors and other users of the reports need, and should avoid being promotional in nature. The narrative reports in the front and financial statements in the back of the report must be consistent and the teams worked closely together to achieve this. For an independent opinion, the Board requested that the Audit Committee review the report and provide feedback. The Audit Committee's feedback is found on page 49.

The current Directors, who are named on page 37 are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the AA's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- › Select suitable accounting policies and then apply them consistently
- › Make judgements and accounting estimates that are reasonable and prudent
- › State whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements
- › Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the AA to enable us to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards the financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the AA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the AA's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pursuant to Disclosure and Transparency Rule 4, each of the current Directors, whose names and functions are listed on page 37 of the Annual Report confirm that, to the best of their knowledge:

- › The AA's financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the AA Group taken as a whole
- › The Strategic Report and the Directors' Report (together the Management Report) include a fair review of the development and performance of the business and the position of the AA Group taken as a whole, together with a description of the principal risks and uncertainties that it faces
- › This Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the AA's performance, business model and strategy

Going concern

The AA's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 8 to 29. The financial position of the AA, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 23. In addition, notes 27 and 28 to the Group financial statements include the AA's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

We have a reasonable expectation that the AA has adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

By order of the Board



Mark Millar
Company Secretary

24 March 2015

Independent Auditor's Report to the members of AA plc

Our opinion on the financial statements is unmodified:

In our opinion:

- › The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2015 and of the Group's profit for the year then ended
- › The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union
- › The parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- › The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Overview

Materiality

Overall Group materiality of £8.4 million which represents 2% of Trading EBITDA.

Audit scope

We performed an audit of the complete financial information of the Roadside Assistance and Insurance Services divisions and audit procedures on specific balances for the remaining divisions.

The divisions and entities where we performed full audit procedures accounted for 89% of the Group's revenue and 92% of the Group's Trading EBITDA.

Areas of focus

- › Revenue recognition
- › Valuation of the net pension scheme liability
- › Valuation and disclosures relating to financial instruments

Our assessment of the risk of material misstatement

The table below shows the risks we identified that had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. For each risk identified we have documented our response and audit procedures.

Area of focus

How our audit work addressed the area of focus

Revenue recognition

Refer to page 48 (Audit Committee report) and note 1.2 (o) (accounting policy)

The basis of recognising revenue differs between the various products and services provided by the Group, as set out in accounting policy 1.2 (o). We consider that the variety of personal and business roadside assistance, insurance and driving services contracts in place presents an increased risk of error or potential management override, particularly in respect of new contracts and product terms and features.

Management has previously identified issues with the way in which an underlying system generates accounting entries for processing and deferring revenue from the personal roadside business, and have implemented additional procedures to ensure the accurate recording of such revenue.

- › We considered the Group's accounting policies in respect of revenue recognition to ensure that they appropriately reflected the requirements of IAS18
- › We assessed the design, implementation and operating effectiveness of key controls over revenue recognition and tested controls over revenue processing for the principal roadside assistance, insurance and driving services income streams
- › We performed tests of detail to assess whether the revenue recognition practices adopted complied with the stated accounting policies. In particular, we tested a sample of roadside assistance revenue transactions to ensure that revenue had been deferred in a manner consistent with the relevant contract and a sample of insurance broking transactions to confirm that all services under the contract had been performed at the point at which revenue was recognised
- › We reviewed journal entries for any evidence of management override and obtained evidence to corroborate individually unusual and/or material revenue journals
- › We performed analytical procedures to compare revenue recognised with our expectations from past experience, management's forecasts and our understanding of product features and terms
- › We reviewed material new business roadside assistance contracts and changes to product terms and features for personal roadside assistance products to ensure that revenue had been recognised in accordance with the Group's accounting policies
- › For the system where management has implemented additional procedures, we tested controls over those procedures. We checked the completeness of data used in the calculation of revenue, tested the methodology used to generate accounting entries by re-performing a sample of calculations and ensured that the resulting accounting entries had been accurately processed

Independent Auditor's Report to the members of AA plc continued

Area of focus

How our audit work addressed the area of focus

Valuation of the net pension scheme liability

Refer to page 48 (Audit Committee report), note 1.2 (n) (accounting policy) and note 25 (disclosures)

The Group operates three defined benefit pension schemes and we consider the valuation of the net pension liability to be a significant risk as:

- › The actuarial assumptions used to value the pension scheme liabilities are judgemental and sensitive.
- › The schemes hold certain illiquid assets, including investments in hedge funds and private equity funds for which there are no quoted prices therefore prices are obtained directly from the administrator.

Due to the significance of the value of the pension obligation, a small change in actuarial assumptions may result in a material difference to the amounts reported.

- › We understood and walked through management's controls in respect of the selection of key assumptions related to valuation of actuarial liabilities and the valuation of scheme assets
- › Using external data we verified the appropriateness of the key actuarial assumptions, as detailed in note 25 of the consolidated financial statements, used by management, in determining the pension obligation under IAS 19(R) to ensure their assumptions were appropriate, met the requirements of IFRS and were in line with market practice
- › This included a comparison of life expectancy with relevant mortality tables, benchmarking inflation and discount rates against external market data, considering changes in historical assumptions and evaluating the independence, qualifications and results of work performed by management's experts involved in the valuation process
- › We used our pension specialists to assist us with these procedures
- › We obtained net asset value (NAV) statements in respect of the schemes' investments in hedge funds and private equity funds directly from the fund administrator and reconciled them to both the scheme's custody records and the Group financial statements
- › Where applicable we reviewed administrator controls reports for controls over the valuation of investments in hedge funds and private equity funds
- › We obtained and reviewed a sample of audited fund financial statements for private equity funds to assess whether the NAV on which the investment valuation was based was appropriate

Financial instrument measurement, recognition and disclosure

Refer to page 49 (Audit Committee report), note 1.2 (j) (accounting policy) and notes 20 and 27 (disclosures)

Certain of the Group's borrowing instruments described in note 20 to the financial statements contain prepayment options, which potentially represent embedded derivatives requiring separation from the host and measurement at fair value under IAS39. As stated in the audit committee report management consider that any such embedded derivatives are not material.

The Group has hedged the variable interest rate exposure on the Senior Term facility using interest rate swap arrangements as described in note 20. Cash flow hedge accounting has been applied to these arrangements.

The judgment involved in identifying and valuing embedded derivatives within the loan instruments and in demonstrating hedge effectiveness for the cash flow hedge accounting leads to a higher risk of error in the recognition, measurement and disclosure of financial instruments in the financial statements.

- › We reviewed the terms of the documents governing the class A notes, class B notes and PIK notes and, using our financial instrument valuation specialists, performed our own valuation of the prepayment options in the various loan notes. This enabled us to confirm management's assessment that there were no material embedded derivatives requiring separation from the host in these loans
- › We assessed the design, implementation and operating effectiveness of key controls over the valuation of the hedging instruments and the application of hedge accounting
- › Using our derivative valuation specialists, we reperformed the valuation of a sample of the swaps used as hedging instruments
- › We critically assessed management's hedging documentation to confirm that it demonstrated hedge effectiveness as required by IAS39
- › We tested management's hedge effectiveness calculations to assess whether they had properly identified ineffectiveness and related amounts to be directly included in the income statement or reclassified from OCI
- › We vouched the amounts recorded in OCI and the income statement to the movements in the valuations of the swaps in the period

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements, if any, on the financial statements and in forming our opinion in the Audit Report.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £8.4 million, which is approximately 2 per cent of trading earnings before interest, tax, depreciation and amortisation ('Trading EBITDA'). We base our materiality on trading EBITDA as this is the key metric used by management in measuring and reporting on the performance of the business.

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely £4.2 million. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of £8.4 million for the financial statements as whole.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. The range of the performance materiality allocated to components was £0.7 million to £3.3 million.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.4 million, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

Following our assessment of the risk of material misstatement to the Group financial statements, our audit scope focused on the two largest divisions, Roadside Assistance and Insurance Services, which were subject to a full scope audit for the year ended 31 January 2015. For the remaining divisions (Driving Services and Ireland) and the statutory entities containing the group's borrowings and related hedging instruments, pension scheme balances and head office costs, specific audit procedures were performed including full audit of the accounts that were impacted by our assessed risks of material misstatement. The entities and divisions for which we performed full scope audits accounted for 89 per cent of the Group's turnover and 92 per cent of the Group's Trading EBITDA. For the remaining entities in the group, we undertook analytical and enquiry procedures to address the residual risk of material misstatement.

What we have audited

We have audited the financial statements of AA plc for the year ended 31 January 2015 which comprise:

Group

- › The consolidated income statement
- › The consolidated statement of comprehensive income
- › The consolidated statement of financial position
- › The consolidated statement of changes in equity
- › The consolidated statement of cash flows
- › The related notes 1 to 37 to the consolidated financial statements

Company

- › The Company balance sheet
- › The related notes 1 to 8 to the Company financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Independent Auditor's Report to the members of AA plc continued

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 70, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- › The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006
- › The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- › Materially inconsistent with the information in the audited financial statements or
- › Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit or
- › Otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- › Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us or
 - › The parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns or
 - › Certain disclosures of Directors' remuneration specified by law are not made or
 - › We have not received all the information and explanations we require for our audit
- Under the Listing Rules we are required to review:
- › The Directors' statement, set out on page 70, in relation to going concern
 - › The part of the corporate governance statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review

John Headley (Senior statutory auditor)

for and on behalf of Ernst & Young LLP
Statutory Auditor
London

24 March 2015

1 The maintenance and integrity of the AA plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.