25 March 2015

AA plc Preliminary Results for the year ended 31 January 2015

Robust performance; strategy for transformation and proposed refinancing
Intention to recommend dividends with respect to the 2016 financial year

Preliminary results

- Robust financial and operating performance and excellent cash generation:
  - Revenue up 1.0% to £983.5m
  - Trading EBITDA up 1.7% to £430.1m
  - Trading EBITDA margins 43.7% (2014: 43.4%)
  - Basic EPS 13.3p (2014: 32.7p) reflects the capital structure (adjusted EPS 23.3p)
  - Cash conversion 100% (2014: 102%)
  - Income per Personal Member up 7.1% to £135 offsetting decline in Personal Members to 3.8m (2014: 3.9m)
  - Increase in Business Customers by 14% to 9.6m
- Paid down £175m of the PIK notes in December, reducing annual financing costs by £17m

Strategy update

- Initiating a period of investment and consolidation to position the AA for growth through:
  - Accelerated investment in IT systems and digital capability of £128m over the next three years, including £82m in FY16. This amounts to a net overall incremental spend of £70m over the next five years
  - Investment in brand marketing of £10m
  - Restructuring, property rationalisation and cost initiatives driven by IT investment
  - Investment in Membership growth and new business initiatives
- New management team in place to lead transformation

Refinancing

- Proposing to raise £200m of new equity to redeem the PIK notes (£175m); issuing approximately £735m of new Class B2 notes to redeem all existing Class B notes (£655m); and using cash on balance sheet to prepay approximately £209m of the Senior Term Facility
- Expected to result in the reduction in overall cost of debt, saving approximately £45m in annual financing costs, and increased average maturity to six years
- Removes some of the restrictions that limit the payment of dividends

Dividend

- In view of our strong cash generation and following the refinancing, the Board intends to recommend dividends of no less than £50m in respect of FY16 and to adopt a progressive dividend policy going forward

Bob Mackenzie, Executive Chairman, commented:

"Today we have announced robust full year results, the details of our strategic investment plans, the refinancing that will significantly reduce the cost of debt, and our intention to pay a dividend with respect to the 2016 financial year.

"These results reflect the resilient and cash generative characteristics of the business. Our investment plans will enable us to revolutionise customer experience through new technology and strengthen the AA as the UK's pre-eminent motoring services organisation. The significant and accelerated investment in our IT systems, digital capability and brand marketing will have an impact on operating profit in the current financial year, but we expect to see the benefits in the medium term.

"The refinancing will help us to deliver a key financial objective set out at the time of IPO in June: to reduce borrowings and associated interest costs. The refinancing enables us to pay down the most expensive debt we inherited and reduce our Senior Term Facility. As a consequence, on completion, our interest payments would be expected to fall by approximately £45 million per annum. In addition, some of the restrictions which limit our scope to pay dividends will be removed.

"In view of the strength of our business model, characterised by strong cash generation, our confidence in our transformation plans and the impact of the proposed refinancing, the Board's current intention is to recommend dividends of no less than £50 million with respect to the current year, ending 31 January 2016. Thereafter, we intend to adopt a progressive dividend policy.

"This is a very exciting time for the AA - and our Members - as we put in place the building blocks for long term future growth as the UK's pre-eminent motoring services organisation."

Enquiries

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Presentation

A presentation by Bob Mackenzie, Executive Chairman, and Martin Clarke, CFO, will be held for analysts, investors and bond holders at 10am today at London Stock Exchange, 10 Paternoster Square, London EC4M 7LS.

Dial-in to the presentation

Webcast audio dial in: +44 20 3059 8125, Password: The AA
Replay: From all locations except the US: +44 121 260 4861; from the US: 1 866 268 1947
Code: 0493968#

Link to the webcast

http://www.axisto-live.com/investis/clients/aa/presentations/550c157d3eb8a3300b235cb1/fy15

Definitions applied throughout the statement

- Trading EBITDA (earnings before interest, tax, depreciation and amortisation) excludes exceptional items, share-based payments, acquisition earn-out costs and items not allocated to a segment. In the current period items not allocated to a segment principally relate to the difference between the cash contributions to the pension schemes for on-going service and the calculated annual service cost.
- Adjusted EPS (earnings per share) adjusts for a number of one-offs of which the largest are exceptional items and the amortisation of debt issue fees. (see note 6)

- Cash conversion is net cash flow from operating activities before tax and exceptional items divided by Trading EBITDA.
- Net debt includes the principal amounts of the Group's borrowings less cash and cash equivalents.

Executive Chairman's Statement

Robust performance demonstrating the resilience of our business

Operationally, the AA continued to deliver excellent service to our millions of customers in the UK and Ireland. Our 3,000 patrols attended some 10,000 breakdowns a day; we sold more than two million insurance policies; and our 2,670 franchised driving instructors taught people to drive. These statistics demonstrate the robust nature and scale of our business.

The strength of the AA's brand, our market leading positions across our segments and the very high level of customer retention have driven the 1.0% growth in revenue and 1.7% increase in Trading EBITDA, our main measure of profit. We demonstrated once again the power of the AA's cash generation, converting 100% of Trading EBITDA to cash.

This performance is a tribute to the resilience and strength of the AA's business and team that has delivered strong results during a year of such significant change.

Transition to a public company

The AA has undergone a great deal of change in ownership and, linked to that, change in management since its formation in 1905, but nothing has been quite as significant as the change public ownership brings.

Through the IPO, Acromas, the private equity-backed company, sold its entire £1.173 billion stake in the AA to a diverse range of leading institutional investors. We embrace our new status as a public company and look forward to delivering significant value to our shareholders.

We have transformed the Board of the AA. It is committed to and recognises the importance and value of good corporate governance. Following the appointment of a majority of non-executive directors, we have established the appropriate practices and procedures for a Premium Listed public company. We comply with the recommendations set out in the UK Corporate Governance Code other than the role of Executive Chairman.

The Management Buy-In (MBI) team, Bob Mackenzie, Martin Clarke and Nick Hewitt, recognised the potential in the AA and the value that bringing it to the stock market would unlock for shareholders. This team, with its extensive experience of transforming business performance and ambitions for the AA, is therefore best placed to deliver the long-term plan for growth. The Board has concluded, with the support of major shareholders, that it would be in the best interests of the business to retain Bob Mackenzie in the role of Executive Chairman. He expects to become Non-Executive Chairman once the transformation is well progressed. In November, Martin Clarke was appointed Chief Financial Officer.

John Leach, Margaret Young and Andrew Miller were appointed to the Board in the run up to the IPO and since then, we further strengthened it with the appointments of Andrew Blowers and Simon Breakwell in September. Each of the Board members offers the AA highly relevant, specific expertise and experience. Since the year-end Margaret Young has resigned from the Board for personal reasons and we thank her, as one of the initial non-executives appointed at the time of the MBI and IPO, for her valuable contribution during a transformational period for the AA. We are delighted that Andrew Miller, who has recent financial and general line management experience, has agreed to take over as Chairman of the Audit Committee.

By achieving premium listing, the AA became eligible to join the FTSE indices and was admitted in March 2015. This will provide us with the benefits of access to a wider investor base.

A strategy to build on and enhance the key strengths of the AA

At the time of the IPO, we set out a broad outline of our strategy for the AA that built on the AA's key strengths and was fundamental to the investment case. The strengths we intend to develop and enhance to generate value for our shareholders are as follows:

- High recurring revenues and significant cash flow generation
- The most highly regarded and trusted commercial brand in the UK
- Clear leadership in the stable Roadside Assistance market
- High levels of retention and loyalty among our Personal Members
- Strong market positions across our range of other products and services
- An experienced and dedicated workforce

With such strong foundations upon which to build, we are confident that we can leverage the AA's powerful brand to underpin our position as the pre-eminent motoring organisation in the UK. This is reflected in our strategic objectives which remain as set out at the IPO as follows:

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

The AA is dedicated to serving the needs and interests of our Members and customers and to continually improve our offering. We will develop our services while maintaining the outstanding experience delivered in our roadside assistance business, our core segment. Our aims are to strengthen Member benefits to improve loyalty; work more closely with our business partners as car technologies develop; and further enhance the motoring propositions we offer within the UK's consumer motoring market.

Reduce group borrowings and the associated interest costs

We are highly cash generative with low maintenance capital expenditure requirements and a negligible working capital investment requirement. Continuing to improve our operating profit will help generate significant further free cash flow. This will facilitate a sustained reduction in leverage and associated interest costs as well as allowing us to pursue a progressive dividend policy.

The announced refinancing represents significant progress in addressing this objective. The details and implications are discussed below.

Revolutionise customer experience through investing in and embracing new technologies

We will seek to invest in new technologies and improved customer systems to stimulate growth and enhance productivity across our business. As part of this we will invest in enhanced customer relationship management systems to allow our members to engage with us more easily. In addition, we will invest in our digital capabilities to help us provide tailored and distinctive products for them. We have a unique position as “Britain's most trusted commercial brand” and a leading position with motor manufacturers. This will provide the foundation for our investment in advanced diagnostics, using remotely gathered data to deliver emergency support. We are currently exploring a number of potential partnership opportunities in this area. We will also develop new distinctive services as the mobile connected motoring market develops.

Key initiatives to deliver our strategic objectives

We are now building the following detailed plans for delivering these objectives.

Investment in technology and people

Under its previous ownership and during the recent recession, levels of investment in both systems and people were curtailed at the AA.

A fundamental part of our strategic plan is to replace the systems that are constraining our ability to grow our business and depressing our productivity. We are therefore accelerating our investment in our IT systems with expected investment of £128 million over the next three years of which £82 million is to be invested in the 2016 financial year. We expect this investment to deliver significant savings in IT capital spend in the medium term. Taking into account these savings, the overall net incremental spend is expected to be £70 million over the next five years.

We have appointed an experienced and ambitious executive management team to execute the transformation and drive the business forward. We have also announced plans to increase our London presence to enable us to take maximum advantage of the talent and specialist skills available, particularly in marketing and digital development.

Restructuring of the business is underway to ensure we are more competitive, commercially agile and efficient. One-off restructuring costs are estimated at approximately £45 million over the next three years. With considerable natural attrition and reduced property costs, we expect savings of approximately £40 million per year once this programme is complete.

Increase roadside membership through leading service and loyalty

The AA leads the consumer roadside assistance market with a share of more than 40% which has been achieved by a continual dedication to outstanding service. In September 2014, the AA was awarded *Which? Recommended Provider* status in its survey of breakdown providers. This was the ninth successive year we held this or the previous *Which? Best Buy* recommendation. The continued upgrading of “in-van” advanced diagnostic systems has helped to increase our rates of first-time repairs at the roadside. A greater focus on Personal Member retention is already yielding benefits and helping to reduce the loss of Personal Members while maintaining income per Member. We expect to accelerate this through investment in pricing in the current year.

In the future, we will significantly enhance the AA Membership proposition to help reduce customer churn, stabilising and then growing the number of Personal Members in future years.

The AA is a leading provider of new driver training through its two driving schools, British School of Motoring (BSM) and the AA Driving School. In the past the level of take up of Personal Membership from these new drivers has been relatively low but we intend to place greater focus on winning these customers in the future.

Evolve the insurance services and financial services business models to drive profitable growth

The AA is a leading UK insurance broker and we had more than two million insurance policies in place at 31 January 2015. However we can do more to exploit the competitive advantage derived from our proprietary data such as the number of breakdowns a Member has in a year. Through sophisticated customer analysis, rating and tailored pricing capabilities, we believe that we can widen our footprint, meeting more Members’ insurance needs. To fully exploit this competitive advantage, we intend to set up an in-house insurance underwriter to participate on the AA’s Motor insurance panel. Our intention is to increase underwriting over time. Building on these strengths we will, in future, be able to provide more competitive and distinctive offers for members.

As we evolve our Insurance Service business, we will also invest in our Financial Services business to increase the attractiveness of our Financial Services products.

Deliver a step-change in digital capability

We have a significant online presence with TheAA.com, recording around 150 million hits per annum. This has been driven largely by the popularity of the AA Route Planner. We also have significant digital content, including breakdown services, education, travel and hospitality guides.

There is an opportunity to enhance customer relationships and commercial performance through a simpler and more coherent online experience. Additionally, we intend to build our mobile expertise to facilitate greater integration between roadside patrols, Members and motor manufacturers. We have recently re-launched the AA app providing a single consolidated portal for many of our services including the ability to request assistance and monitor the location of the allocated patrol in real time. Our current exploration of telematics partnership structures should lead to further enhancement of this customer proposition.

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

The AA is an iconic brand that is widely recognised and respected. However, the AA has not invested in its brand since 2008, resulting in the lowering of brand awareness. We now plan to support our broader strategic initiatives with an investment in our brand of approximately £10 million per year. The brand gives us the credibility to market our suite of existing services to a broader customer base.

Specifically, there is upside potential in the used-car market through the rapidly growing AA Cars website which can also be used as a channel for sales of Roadside Assistance. We also recognise significant opportunity in leveraging our brand to provide AA services to the dealer market. This includes extending AA Warranty, AA Vehicle Inspection and the creation of a new digital service and MOT portal. In addition, we will ensure we retain our position as the leading provider of driver education and development. We continue to investigate new business areas and evaluate the benefits of additional investment.

Grow Business Customer service offer through greater integration with our partners

We have the market-leading position with motor manufacturers, providing warranty roadside assistance for 67% of all new cars in the UK. In the shorter-term, we will develop these customer relationships to present the benefits of extending cover once the warranty has expired. Looking out further, the long-term nature of our Business Customer motor manufacturer relationships, through agreed contracts, will facilitate greater strategic integration and partnership. This will encompass the early adoption of enabling technologies to comply with European Directives on car connectivity. In turn this should lead to the provision of new customer-facing services to the motor industry.

Management appointed to deliver the strategy

In recognising that execution will be the key determinant of the success in delivering the strategy, we have appointed an experienced and ambitious management team. Janet Connor, Managing Director Insurance Services; Oliver Kunc, Managing Director Roadside Operations; Michael Lloyd, Group Commercial Director; and Kirsty Ross, Membership Services Director will manage those areas in which the transformation will be most significant. The risk of the IT and overall business transformation will be managed by Mark Huggins, Business Transformation Director, and Mehboob Neky, IT Transformation Director.

The executive Committee also includes Helen Hancock, HR Director; Deb Hearn, Claims Manager; Richard Jeffcoat, Director Business Services, Manufacturer; Edmund King, President of the AA, who manages media and public affairs; Jim Kirkwood, Managing Director Driving Services; Mark Millar, Company Secretary and General Counsel; Brendan Nevin, Managing Director AA Ireland; and Roger Williams, Director Business Services, Fleet. In addition, Geraint Hayter has recently been appointed as IT Director.

The Board has confidence that this is the right team to identify risks related to the programmes of change we are undertaking, mitigate them and ensure a smooth transition.

Refinancing

At the time of the IPO, one of our three strategic objectives was to reduce Group borrowings and associated interest costs. Today we are announcing a refinancing which will allow us to retire the most expensive elements of the debt that was inherited from the previous private equity owners of the AA.

We intend to raise £200 million of equity and issue new bonds of approximately £735 million which, combined with existing cash resources, will allow us to redeem the outstanding PIK notes, amounting to £175 million; redeem all of the existing Class B notes, amounting to £655 million; and prepay £209 million of the Senior Term Facility.

We expect the refinancing to reduce the financing costs of our debt by approximately £45 million per annum. This saving should allow us to delever more quickly in future years.

The new capital structure will improve our flexibility in supporting the development and growth of the business.

In addition, some of the restrictions that limit our scope to pay dividends will be removed and the Board intends to pay dividends with respect to the 2016 financial year.

Outlook

The current year will be one of transition and we have developed our strategy and begun making the considerable investment and operational changes which we anticipated at the time of the IPO.

We are accelerating our investment in systems to start the programme of modernisation in the back office and systems. We expect to invest £128 million over the next three years of which £82 million is planned to be invested in the 2016 financial year. We expect this investment to deliver significant savings in IT capital spend in the medium term. Taking into account these savings, the overall incremental spend is expected to be £70 million over the next five years. However, in order to continue to deliver our first-rate services without disruption, we will continue using old technology and processes while implementing the new.

Restructuring to ensure we are more competitive, commercially agile and efficient will incur one-off costs estimated at approximately £45 million over the next three years. Taking into account considerable natural attrition and reduced property costs, we expect savings of approximately £40 million per year once this programme is complete.

In addition we will increase our investment in brand marketing by approximately £10 million per annum. We are confident that these short-term investments will drive future revenue, earnings and cash generation.

Dividends

In view of the strength of the AA's business model, characterised by strong cash generation, our confidence in our transformation plans and the impact of the proposed refinancing, we expect to recommend dividends in respect of the year ending 31 January 2016. The proposed refinancing is anticipated to save the AA approximately £45 million in annual financing costs and to provide sufficient headroom with regard to the more restrictive covenants that have to date limited our ability to pay dividends to shareholders. As a result, while further deleveraging is planned, it is the Board's current intention to pay dividends of no less than £50 million with respect to the year ending 31 January 2016.

Going forward, we intend to adopt a progressive dividend policy.

Business performance review

Operationally, the AA continued to deliver excellent service to our millions of customers in the UK and Ireland. Our 3,000 patrols attended some 10,000 breakdowns a day; we sold more than two million insurance policies; and our 2,670 franchised driving instructors taught people to drive. These statistics demonstrate the robust nature and scale of our business.

The strength of the AA's brand, our market leading positions across our segments and the very high level of customer retention have driven the 1.0% growth in revenue and 1.7% increase in trading EBITDA, our main measure of profit. We demonstrated once again the power of the AA's cash generation, converting 100% of our EBITDA to cash.

This performance is a tribute to the resilience and strength of the AA's business and team that has delivered strong results during a year of such significant change.

Roadside Assistance

The Roadside Assistance division is the largest in the AA contributing £358.9 million, which amounts to 75% of the Group's Trading EBITDA (excluding Head Office costs).

Last year, our nationwide patrols attended, nearly 10,000 breakdowns per day, repairing approximately 80% of vehicles at the roadside. By getting them back on their way quickly and safely, our patrols reinforce the value of our service which supports our high customer retention rates.

Roadside Assistance also includes additional products such as vehicle inspections, windscreen replacement and the Group's publishing activities. Collectively these businesses generate approximately £8 million of Trading EBITDA.

Year ended 31 January	**2015**	**2014**
Revenue (£m)	728.1	712.5
Trading EBITDA (£m)	358.9	348.2
Trading EBITDA margin (%)	49.3	48.9
Personal Members (000)	3,770	3,946
Business customers (000)	9,640	8,451
Breakdowns attended (m)	3.5	3.5
Number of patrols	3,081	2,981
Average income per Personal Member (£)	135	126
Average income per Business customer (£)	19	21

- Income per Personal Member rose and retention rates were stable
- The Roadside Assistance contract with Lloyds Banking Group and TSB Bank, encompassing both Lloyds Bank and TSB brands, was renewed for five years from April 2014. Lloyds Banking Group is our largest customer
- We retained our contracts with the car manufacturers Ford Motor Company and Jaguar Land Rover; and won contracts with VW Group, Hyundai and Porsche for the first time. The AA now provides Roadside Assistance to 67% of the UK's new vehicle manufacturers
- AA awarded *Which? Recommended Provider* status for both consumer and AA-provided manufacturer breakdown cover for the ninth year in a row

Roadside Assistance revenue of £728.1 million grew 2.2%, driven by stable retention rates, an increase in the average income per Personal Member and new contract wins for Business customers.

Personal Members declined by 4.5%, while average income per Personal Member increased by 7.1% compared with the same period in the prior year. During the year we experienced a reduction in new business volumes across our core channels of online, telephony and face-to-face sales as a result of testing increased prices to better reflect the premium value of our service. Additionally, we had fewer renewal opportunities because recruitment of Personal Members in the previous year was lower. Retention, however, was stable demonstrating the positive impact of the investment in headcount and training programmes at our contact centres focused on retaining existing customers.

Overall, we improved revenue from business customers driven by a 14.1% increase in Business customers compared with the same period last year. New, prestigious contract wins included the VW Group, Hyundai and Porsche. This success partially offset the lower price achieved on the renewed Lloyds contract which resulted in the overall reduction in average income per Business customer.

Trading EBITDA increased by £10.7 million to £358.9 million, mostly from the improvement in revenue. Trading EBITDA margin increased from 48.9% to 49.3%. This was a strong performance in view of the slight increase in the overall costs of delivering Roadside Assistance services owing to higher spend with our garage network.

Insurance Services

The Insurance Services division contributes 18% of the Group's Trading EBITDA (excluding Head Office costs) at £83.9 million. As an insurance broker, we arranged 2,163,000 policies for Motor insurance, Home insurance and Home Emergency Response for emergency repairs to boilers, heating systems and other domestic installations.

Through its intermediary financial services business, the AA offers a range of competitive products including savings, loans and credit cards.

Year ended 31 January	**2015**	**2014**
Revenue (£m)	142.4	148.9
Trading EBITDA (£m)	83.9	89.4
Trading EBITDA margin (%)	58.9	60.0
Policy numbers (000)	2,163	2,290
Average income per policy (£)	66	65

- Reversed the seven-year decline in Motor insurance policy volumes with a successful focus on sales
- Renewal rates of both Motor and Home insurance reached their highest levels since 2008
- We achieved significant cost efficiencies in our call centres
- Our core products of Motor and Home Insurance achieved the top award, a five star rating, from DEFAQTO, the independent researcher of financial products

Insurance Services revenue was down £6.5 million on the prior year to £142.4 million, reflecting a 5.5% decline in policy numbers as well as the mix between renewals and new business.

Overall policy numbers, excluding Home Emergency Response, remained relatively stable year on year. Total renewals were down, reflecting the lower number of customers who could potentially renew compared to the previous year which masked the strongest renewal rates in seven years for both Motor and Home policies. This decline was offset by an increase in new customer sales for Motor insurance, and given the competitive nature of the Motor insurance market, means that the income for new business customers is below that of renewing customers, resulting in a small decrease in average income per member, excluding Home Emergency Response customers.

The investment in marketing to secure these additional new customers resulted in a lower Trading EBITDA margin. This was offset slightly by improvements in efficiency within our contact centres.

Home Emergency Response policy numbers were lower year-on-year resulting from the curtailment in the prior year of the offer of free Home Emergency Response insurance as an incentive to buy Motor Insurance. The benefit of this is seen in the increase in overall Insurance Services income per policy. During the year, we also improved delivery of Home Emergency Response to existing customers and the efficiency of our engineers.

Driving Services

The Driving Services division provided £20.4 million of Group Trading EBITDA. Our driving school business comprises the AA Driving School and the British School of Motoring (BSM) which are the two largest driving schools in the UK with 2,670 franchised driving instructors. AA DriveTech is also in this division. This business is the market leader in providing speed awareness courses for police forces in the UK and fleet training services.

Year ended 31 January	**2015**	**2014**
Revenue (£m)	73.7	72.6
Trading EBITDA (£m)	20.4	15.6
Trading EBITDA margin (%)	27.7	21.5
Driving School instructors	2,670	2,837

- Growth in pupil numbers reflected a buoyant market despite the reduction in the number of franchised driving instructors
- The number of DriveTech courses improved, following the introduction by the Police of a new administrative process
- Refinancing of the driving school fleet provided significant cost savings

The increase in revenue to £73.7 million arose from higher volumes of core Police training courses delivered through AA DriveTech. This reversed the pressure on volumes in the previous year which resulted from the introduction of a new administration system by the Police.

While driving pupil numbers increased, Driving School revenue declined in line with the 5.9% fall in the number of franchised instructors. The buoyancy of the market has led to many instructors becoming independent.

£3.3 million of the £4.8 million growth in Trading EBITDA to £20.4 million was driven by savings on the fleet costs of the driving schools business. This followed the renegotiation of the terms of our leases and their reclassification as finance leases. The impact of this change is discussed in the Financial Review.

Ireland

AA Ireland provides £14.8 million of the Group's Trading EBITDA. This business operates in Ireland in the same segments as AA in the UK. Roadside Assistance and Insurance Services are the largest parts of our business in Ireland.

Year ended 31 January	2015	2014
Revenue (£m)	38.7	39.6
Trading EBITDA (£m)	14.8	15.0
Trading EBITDA margin (%)	38.2	37.9
Personal Members (000)	119	115
Insurance policy numbers (000)	178	172

- The business is resilient and has continued to perform well despite difficult economic conditions in Ireland. On a constant currency basis both revenue and Trading EBITDA increased
- Personal membership numbers rose, as a result of our improved membership proposition, reinforced by the 105,000 breakdowns which we attended during the year
- Motor insurance retention benefited from improved competitiveness and our differentiated Motor product

The reduction in revenue to £38.7 million was the result of the weakness of the Euro compared to the prior period; on a constant currency basis, revenue rose by £1.5 million. This robust performance reflected the success of our strategic focus in Roadside Assistance and Insurance. Personal Members increased by 3.5% reflecting an increase in cross-selling from Motor Insurance and higher retention as a result of the focus on adding value to the Membership proposition.

The increase in Insurance policy numbers resulted from improvements in sales and marketing and benefited from the full year effect of the prior year's Motor insurance offering connected to Membership. However, the Home Insurance market remains weak in the difficult economic conditions in Ireland.

Trading EBITDA margin benefited from our successful reduction in administration costs which enabled some additional investment in marketing. This is reflected in Trading EBTIDA on a constant currency basis which rose by £0.7 million. However, on a reported basis, Trading EBITDA declined £0.2 million to £14.8 million.

Financial review

The financial year to 31 January 2015 was a significant year in the history of the AA and the beginning of a new era. Not only has the ownership of the AA changed, but a new management team took over in June, followed in November by the appointment of Martin Clarke as CFO. Andy Boland, the previous CFO left in December 2014.

Revenue

Year ended 31 January	**2015 £m**	**2014 £m**
Roadside Assistance	728.1	712.5
Insurance Services	142.4	148.9
Driving Services	73.7	72.6
Ireland	38.7	39.6
Insurance Underwriting	0.6	0.3
Group revenue	983.5	973.9

Revenue growth of £9.6 million to £983.5 million was largely attributed to our Roadside Assistance business. An increase in income per Personal Member and strong retention rates drove an increase in revenue of £15.6 million. Insurance Services revenue was down on the prior year by £6.5 million due to the shift in the mix of Motor sales to lower-value new business. Ireland revenue has fallen due to the weakening of the Euro over the year.

The Insurance Underwriting segment consists of the Group's reinsurance vehicle which reinsures certain private motor insurance business that originates within the Insurance Services segment. There has been a small increase in activity during the financial year ending 31 January 2015, although these contracts are expected to expire in December 2015. We are currently developing plans to launch an in-house insurer.

Trading EBITDA

Year ended 31 January	**2015 £m**	**2014 £m**
Roadside Assistance	358.9	348.2
Insurance Services	83.9	89.4
Driving Services	20.4	15.6
Ireland	14.8	15.0
Insurance Underwriting	(0.1)	(0.1)
Head Office costs	(47.8)	(45.3)
Group Trading EBITDA	430.1	422.8
Trading EBITDA margin (%)	43.7	43.4

Group Trading EBITDA increased by 1.7% to £430.1 million (2014: £422.8 million) while Trading EBITDA margins increased to 43.7% (2014: 43.4%). This growth was driven primarily by Roadside Assistance revenue growth, offset slightly by the increase in the costs of using garages when our patrols were unable to provide assistance by the roadside. In July, we renegotiated the terms of leases for the supply of cars for driving schools and employees resulting in a change in the classification of these leases as finance leases. This increased Trading EBITDA by £3.3 million and depreciation by £3.0 million, therefore increasing operating profit by £0.3 million. Insurance

Services Trading EBITDA reduced by £5.5 million, despite flat Motor and Home policies, due to a change in mix between renewals and new Motor policies resulting in more introductory discounts.

Group Trading EBITDA includes £47.8 million (2014: £45.3 million) relating to Head Office costs which includes £4.4 million of continuing, incremental expenditure related to being a public company (which is expected to be approximately £8 million in a full year). Excluding this, Head Office costs, including IT, finance, property and other back-office support functions, were £1.9 million lower as a result of a Group restructuring project, delivered in the 2014 financial year, as well as a continuing programme of cost management. This expenditure excludes the impact of share-based schemes that are separately disclosed and are not reported within Trading EBITDA.

Operating profit

Year ended 31 January	2015 £m	2014 £m
Trading EBITDA	430.1	422.8
Items not allocated to a segment	(6.4)	5.2
Amortisation and depreciation	(48.3)	(39.6)
Share based-payments and acquisition earn-out costs	(1.9)	(2.2)
Exceptional items	(47.6)	(14.6)
Operating profit	325.9	371.6

Operating profit reduced by £45.7 million to £325.9 million (2014: £371.6 million). The increase in trading EBITDA was offset by an increase in exceptional items, principally those arising from the IPO as well as additional costs relating to the reorganisation of group activities.

Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one-off in nature. These principally related to the difference between the cash contributions to the pension schemes for on-going service and the calculated annual service cost. For the year ended 31 January 2014, there was a one-off benefit of £12.4 million relating to the closure of the Irish pension scheme that is not expected to reoccur.

Amortisation and depreciation increased by £8.7 million to £48.3 million (2014: £39.6 million). £3.0 million of this increase relates to the reclassification of the driving school and employee car leases from operating lease to finance leases. The balance of the increase in amortisation and depreciation principally relates to the on-going expenditure on IT systems and hardware.

Share based-payments relate to an accounting charge for the management value participation shares and the employee share offer.

Exceptional costs of £47.6 million included £33.7 million relating to the IPO and refinancing transactions (2014: £13.8 million). The remaining exceptional items of £13.9 million in the year (2014: £0.8 million) principally relate to cost restructuring activities including the costs of redundancy payments and onerous property costs from the reorganising of Group operations.

Net finance costs

Net finance costs increased to £265.1 million in the year (2014: £179.2 million). This increase is due to the full year impact of the Group's financing activities that completed on 2 July 2013 and includes an exceptional write-off of debt issue fees of £20.7 million (2014: £20.3 million) due to the refinancing of £913 million of debt in May 2014 and the repayment of £175 million of PIK notes in December 2014 as well as a PIK note early repayment fee of £3.5 million (2014: £nil). Also included in net finance costs are the on-going amortisation of debt issue fees of £8.9 million (2014: £9.0 million) and pension interest costs of £10.7 million (2014: £6.8 million).

Taxation

The tax credit for the period is £8.3 million (2014: tax charge of £39.4 million). This includes a credit of £22.0 million relating to the recognition of tax losses that are forecast to be utilised against future taxable profits following the IPO. Excluding this credit and the impact of costs relating to the IPO of £14.7 million that are non-deductible for corporation tax, our underlying effective tax rate is 18.1% (2014: 20.4%).

Profit and earnings per share

Profit after tax reduced by £84.3 million to £69.1 million (2014: £153.4 million).

Basic earnings per share reduced by 19.4p from 32.7p to 13.3p. This reduction is due to the full year impact of the finance costs from the Group's financing transactions in 2014, exceptional costs relating to the IPO and an increase of 84.7 million in the number of shares that were issued at the time of the IPO.

Cash flow and liquidity

Year ended 31 January	**2015 £m**	**2014 £m**
Cash flow from operating activities before exceptional items and taxation	430.5	433.0
Exceptional items and tax paid	(59.7)	(45.6)
Cash flow from investing activities	(30.0)	(24.5)
Cash inflow from IPO	199.2	-
Repayment of PIK notes	(175.0)	-
Cash flow from other financing activities	(265.5)	(193.1)
Net increase in cash and cash equivalents	99.5	169.8
Cash conversion (%)	100.1	102.4

The AA's cash generation has remained strong with net cash flows from operating activities before exceptional items and tax of £430.5 million (2014: £433.0 million) and cash conversion of 100.1% (2014: 102.4%). These cash flows include £15.4m of proceeds from sale of vehicles (2014: £nil) following the change in lease terms for driving school vehicles and employee cars.

During the year, the AA Group raised £199.2 million from the IPO. These proceeds were principally used to repay £175.0 million of PIK notes in December 2014 and partially funded some of the exceptional IPO costs.

The increase in cash and cash equivalents for the year of £99.5 million was £70.3 million lower than in the previous year (2014: £169.8 million). This reduction was due to exceptional IPO costs, an increase in investment in IT and the full year impact of the interest costs on the Group borrowings.

The AA has a cash balance of £301.5 million, invested in AAA money market funds, giving overnight access and high liquidity. In addition, we have access to a £150 million Working Capital Facility. The Working Capital Facility was undrawn save for a £10 million ancillary facility, which has been used to issue letters of credit to certain corporate insurance providers. We do not currently envisage needing to draw on the Working Capital Facility for the foreseeable future.

We are required to hold segregated funds as ‘restricted cash’ in order to satisfy regulatory requirements governing our Insurance Underwriting business and Irish subsidiaries. These restricted cash balances were £24.2 million (2014: £23.7 million). In addition, we had £18.5 million of pre-funded cash to pay PIK note interest (2014: £55.4 million).

Net debt, financing transactions and whole business securitisation

In July 2013, more than £3 billion of debt was raised in the banking and capital markets, and an investment grade secured corporate financing structure, commonly referred to as a Whole Business Securitisation (the WBS) was put in place. At the same time a high yield offering of £655 million of Class B secured notes was completed. Through a combination of the repayment of intercompany balances and the payment of dividends, these proceeds were passed to the Acromas group.

Subsequently, a number of financing transactions have taken place whereby additional Class A notes have been issued and the Senior Term Facility has been repaid. In May 2014 we raised additional indebtedness under the WBS by issuing £250 million of additional Class A4 notes and entered into a new senior term facility (the “Senior Term Facility”) of up to £633 million with the AA’s key relationship banks to prepay the Initial Senior Term Facility. Following this, the AA wrote off £17.9 million of debt issue fees relating to the Initial Senior Term Facility. A new working capital facility was also entered into, commitments under which replaced the existing commitments under the Initial Working Capital Facility. The margin on these new facilities has been set at 2% per annum over LIBOR and additional interest rate swaps have been entered into, fixing LIBOR at 1.98% until 31 July 2018 and then at 3.00% until 31 January 2019.

In addition to the WBS structure, £350.0 million of PIK notes were issued in November 2013. These PIK notes are outside the WBS and the high yield offering and have no recourse to the assets secured by the WBS and the high yield offering. In December 2014, we prepaid £175.0 million of these PIK notes, using most of the proceeds generated from the IPO. As part of this transaction, we incurred an early repayment fee of £3.5 million and wrote off £2.1 million of debt issue fees relating to the PIK notes.

A summary of the AA’s financing transactions since July 2013 is shown below:

Issue date:	Initial Senior Term Facility £m	New Senior Term Facility £m	Class A1 notes £m	Class A2 notes £m	Class A3 notes £m	Class A4 notes £m	Class B notes £m	PIK notes £m	Total £m
2 July 2013	1,775.0	-	300.0	325.0	-	-	655.0	-	**3,055.0**
27 August 2013	(362.0)	-	175.0	175.0	-	-	-	-	**(12.0)**
7 November 2013	-	-	-	-	-	-	-	350.0	**350.0**
29 November 2013	(500.0)	-	-	-	500.0	-	-	-	**-**
2 May 2014	(913.0)	663.0	-	-		250.0	-	-	**-**
19 December 2014	-	-	-	-	-	-	-	(175.0)	**(175.0)**
Total	**-**	**663.0**	**475.0**	**500.0**	**500.0**	**250.0**	**655.0**	**175.0**	**3,218.0**

A summary of the AA's borrowings with maturity date and effective interest rates are outlined below:

	Expected maturity date	Interest rate	Principal £m
Senior Term Facility	31 January 2019	3.98%	663.0
Class A1 notes	31 July 2018	4.72%	475.0
Class A2 notes	31 July 2025	6.27%	500.0
Class A3 notes	31 July 2020	4.25%	500.0
Class A4 notes	31 July 2019	3.78%	250.0
Class B notes	31 July 2019	9.50%	655.0
PIK notes	6 November 2019	9.50%	175.0
		5.90%	**3,218.0**

The weighted average interest rate for all borrowings of 5.9% has been calculated using the effective interest rate and carrying values on 31 January 2015.

Net Debt

Year ended 31 January	**2015 £m**	**2014 £m**
Senior Term Facility	663.0	913.0
Class A notes	1,725.0	1,475.0
Less: AA Intermediate Co Limited group cash and cash equivalents	(261.2)	(144.7)
Net Senior Secured Debt[1]	2,126.8	2,243.3
Class B notes	655.0	655.0
Finance lease obligations	50.4	20.0
Net Debt excluding PIK notes[2]	2,832.2	2,918.3
PIK notes	175.0	350.0
Less: AA plc Group cash and cash equivalents[3]	(40.3)	(58.5)
Total Net Debt	2,966.9	3,209.8
Net debt ratio[4]	6.9x	7.6x
Class B Leverage ratio[5]	6.6x	6.9x
Senior leverage ratio[6]	4.9x	5.3x
Class A Free Cash Flow : Debt Service	3.5x	3.3x
Class B Free Cash Flow : Debt Service	2.2x	2.2x

1 Principal amounts of the Senior Term Facility and Class A notes less AA Intermediate Co Limited group cash and cash equivalents
2 Principal amounts of the Senior Term Facility, Class A notes, Class B notes and finance leases less AA Intermediate Co Limited group cash and cash equivalents
3 Total cash and cash equivalents for the Group excluding the value reported as the AA Intermediate Co Limited group cash and cash equivalents
4 Ratio of Total Net Debt to Trading EBITDA for the last 12 months
5 Ratio of Net Debt excluding PIK notes to Trading EBITDA for the last 12 months

6 Ratio of Net Senior Secured Debt to Trading EBITDA for the last 12 months

We have achieved deleveraging owing to improved profitability combined with net cash generation after debt service and primary proceeds from the IPO. At the period end, Net Debt was 6.9 times Trading EBTIDA and Net Senior Secured debt was 4.9 times Trading EBITDA.

Finance lease obligations have increased by £30.4 million due to the reclassification of the leases for driving school and employee vehicles as finance leases. The Group also recognised an asset of £27.9 million relating to these vehicles.

Under the terms of the AA's borrowings, there are two covenants in place which measure the ratio of the Group's debt service costs to free cash flow. Class A free cash flow was 3.5 times to debt service and Class B free cash flow was 2.2 times debt service showing substantial covenant headroom versus the requirements of 1.1 and 1.0 times respectively. The directors do not envisage this situation changing in the foreseeable future.

Pensions

At 31 January 2015, the IAS19 net retirement deficit increased to £434.4 million (2014: £265.5 million). This increase is due to a reduction in the corporate bond yield used as the discount factor in determining the present value of our future pension liabilities.

The most recent actuarial revaluation of the UK pension scheme was carried out at 31 March 2013 and showed a deficit of £202 million. Subsequent to this, the AA Group implemented an asset-backed funding scheme whereby an annual deficit reduction contribution of £12.5 million, increasing with inflation, is made over a period of up to 25 years secured on our brands. This also generated a one-off £198 million tax deduction that we had fully utilised by 31 January 2015. This compared favourably to a traditional deficit reduction plan that would have required the deficit to be reduced over a substantially shorter period.

In addition, during the year ended 31 January 2014, the AA closed its pension scheme in Ireland for the future accrual benefits, replacing it with a defined contribution scheme for employees.

Directors' responsibility statement:

We confirm that to the best of our knowledge:

- The financial statements within the full Annual Report and Accounts, from which the financial information within this preliminary announcement has been extracted, are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

- The Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

Signed for and on behalf of the Board on 24 March 2015 by

Bob Mackenzie	Martin Clarke
Executive Chairman	Chief Financial Officer

Consolidated income statement

	Note	for the year ended 31 January 2015 £m	2014 £m
Revenue	2	983.5	973.9
Cost of sales		(345.4)	(343.6)
Gross profit		638.1	630.3
Other operating income		0.4	0.3
Administrative & marketing expenses		(313.5)	(259.4)
Share of profits of joint venture and associates, net of tax		0.9	0.4
Operating profit		325.9	371.6
Trading EBITDA	2	430.1	422.8
Items not allocated to a segment	2	(6.4)	5.2
Amortisation and depreciation	8,9	(48.3)	(39.6)
Share-based payments and acquisition earn-out costs		(1.9)	(2.2)
Exceptional items	2	(47.6)	(14.6)
Operating profit		325.9	371.6
Profit on disposal of joint venture		-	0.4
Finance costs	3	(266.1)	(179.5)
Finance income	4	1.0	0.3
Profit before tax		60.8	192.8
Tax credit / (expense)	5	8.3	(39.4)
Profit for the year		69.1	153.4

Earnings per share from profit for the year

	Note	**2015 pence**	2014 pence
Basic	6	**13.3**	32.7
Diluted	6	**13.3**	32.7

Consolidated statement of comprehensive income

	2015 £m	2014 £m
	for the year ended 31 January	
Profit for the year	**69.1**	153.4
Other comprehensive income on items that may be reclassified to profit and loss in subsequent years		
Exchange differences on translation of foreign operations	**(0.8)**	(0.1)
Effective portion of changes in fair value of cash flow hedges	**(14.2)**	(7.8)
Tax effect	**2.8**	1.6
	(12.2)	(6.3)
Other comprehensive income on items that will not be reclassified to profit and loss in subsequent years		
Remeasurement losses on defined benefit schemes	**(167.3)**	(122.7)
Tax effect	**32.5**	24.5
	(134.8)	(98.2)
Total other comprehensive income	**(147.0)**	(104.5)
Total comprehensive income for the year	**(77.9)**	48.9

Consolidated statement of financial position

	Note	**2015 £m**	2014 £m
		as at 31 January	
Non-current assets			
Goodwill and other intangible assets	8	**1,256.9**	1,245.7
Property, plant and equipment	9	**99.8**	77.3
Investments in joint ventures and associates		**4.1**	3.5
Deferred tax assets		**81.4**	36.4
Other receivables	10	**21.2**	6.4
		1,463.4	1,369.3
Current assets			
Inventories		**5.0**	4.9
Trade and other receivables	10	**187.1**	162.9
Current tax receivable		**1.2**	-
Cash and cash equivalents	11	**301.5**	203.2
		494.8	371.0
Total assets		**1,958.2**	1,740.3
Current liabilities			
Trade and other payables	12	**(498.2)**	(461.9)
Provisions		**(8.0)**	(11.9)
		(506.2)	(473.8)
Non-current liabilities			
Borrowings and loans	13	**(3,240.9)**	(3,351.4)
Finance lease obligations		**(15.8)**	(7.9)
Defined benefit pension scheme liabilities	15	**(434.4)**	(265.5)
Provisions		**(12.2)**	(15.7)
Insurance technical provisions		**(3.9)**	(4.2)
		(3,707.2)	(3,644.7)
Total liabilities		**(4,213.4)**	(4,118.5)
Net liabilities		**(2,255.2)**	(2,378.2)
Equity			
Share capital		**0.6**	0.2
Share premium		**199.7**	0.8
Currency translation reserve		**(1.9)**	(1.1)
Cashflow hedge reserve		**(17.6)**	(6.2)
Retained earnings		**(2,436.0)**	(2,371.9)
Total equity attributable to equity holders of the parent		**(2,255.2)**	(2,378.2)

Consolidated statement of changes in equity

	Attributable to the equity holders of the parent					
	Share capital £m	Share premium £m	Currency translation reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total £m
At 1 February 2013	**0.2**	**0.8**	**(1.0)**	**-**	**144.8**	**144.8**
Profit for the year	-	-	-	-	153.4	153.4
Other comprehensive income	-	-	(0.1)	(6.2)	(98.2)	(104.5)
Total comprehensive income	-	-	(0.1)	(6.2)	55.2	48.9
Dividends	-	-	-	-	(2,571.9)	(2,571.9)
At 31 January 2014	**0.2**	**0.8**	**(1.1)**	**(6.2)**	**(2,371.9)**	**(2,378.2)**
Profit for the year	-	-	-	-	69.1	69.1
Other comprehensive income	-	-	(0.8)	(11.4)	(134.8)	(147.0)
Total comprehensive income	-	-	(0.8)	(11.4)	(65.7)	(77.9)
Reorganisation of share capital	0.3	(0.3)	-	-	-	-
Issue of share capital	0.1	199.2	-	-	-	199.3
Share-based payments	-	-	-	-	1.6	1.6
At 31 January 2015	**0.6**	**199.7**	**(1.9)**	**(17.6)**	**(2,436.0)**	**(2,255.2)**

Consolidated statement of cash flows

	Note	for the year ended 31 January 2015 £m	2014 £m
Net cash flows from operating activities before tax	7	**373.3**	395.6
Tax paid	7	**(2.5)**	(8.2)
Net cash flows from operating activities	7	**370.8**	387.4
Investing activities			
Software development expenditure		**(31.4)**	(19.9)
Purchase of property, plant and equipment (excluding vehicles)		**(5.0)**	(9.7)
Acquisition of subsidiaries, net of cash acquired		**-**	(0.6)
Proceeds from disposal of joint venture		**-**	0.4
Proceeds from fixed term investments – restricted		**5.0**	4.6
Interest received		**1.4**	0.7
Net cash flows used in investing activities		**(30.0)**	(24.5)
Financing activities			
Proceeds from borrowings		**913.0**	4,266.4
Issue costs on borrowings		**(9.8)**	(100.3)
Repayment of borrowings		**(1,088.0)**	(862.0)
Dividends paid		**-**	(2,571.9)
Repayment of amounts owed to parent undertakings		**-**	(718.3)
Refinancing transactions		**(184.8)**	13.9
Share capital issued		**199.2**	-
Interest paid on borrowings		**(220.4)**	(102.9)
Payment of finance lease capital		**(31.2)**	(19.1)
Payment of finance lease interest		**(4.1)**	(2.8)
Payments to group treasury		**-**	(82.2)
Net cash flows from financing activities		**(241.3)**	(193.1)
Net increase in cash and cash equivalents		**99.5**	169.8
Net foreign exchange differences		**(1.2)**	(0.6)
Cash and cash equivalents at 1 February	11	**203.2**	34.0
Cash and cash equivalents at 31 January	11	**301.5**	203.2

Notes to the consolidated financial statements

1 Basis of preparation

The financial information set out in this report does not constitute the Company's statutory accounts for the years ended 31 January 2015 or 2014, but is derived from those accounts. The statutory accounts for the year ended 31 January 2014 have been delivered to Companies House and those for 2015 will be delivered in due course. The Auditor has reported on those accounts; its Reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying its Report and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

The financial information included in this preliminary announcement has been prepared on the same basis as set out in the 2015 Annual Report and Accounts.

2 Segmental information

For management purposes, the Group is organised into business units based on their products and services, with the exception of Ireland, which represents a separate geographical area. The Group has six reportable operating segments as follows:

- *Roadside Assistance:* This segment is the largest part of the AA business. The AA provides a nationwide service, sending patrols out to members stranded at the side of the road, repairing their vehicles where possible and getting them back on their way quickly and safely.
- *Insurance Services:* This segment includes the insurance brokerage activities of the AA, primarily in arranging motor and home insurance for customers, its home emergency activities and its intermediary financial services business.
- *Driving Services:* This segment contains the AA Driving School and the British School of Motoring, which are the two largest driving schools in the UK, as well as AA Drivetech, which provides driver training and educative programmes.
- *Ireland:* This segment competes in the same segment types as the AA UK business, with the largest part of its business being Insurance Services and Roadside Assistance.
- *Insurance Underwriting:* This segment consists of a reinsurance company, which historically reinsured certain private motor insurance business which originate from the Group's Insurance Services segment.
- *Head Office costs:* This segment includes IT, finance, property and other back office support functions.

Segment performance is primarily evaluated using the Group's key performance measure of Trading EBITDA. Trading EBITDA is profit after tax as reported adjusted for depreciation, amortisation, net finance costs, taxation, exceptional items, share-based payments, acquisition earn-out costs, items not allocated to a segment and profit on disposal of joint venture.

Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance and include transactions which are one–off in nature. In the year ended 31 January 2015 these principally relate to the difference between the cash contributions to the pension schemes for on-going service and the calculated annual service cost.

Depreciation, amortisation, profit on disposal of joint venture, exceptional items, share-based payments, acquisition earn-out costs, net finance costs and tax expense are not allocated to individual segments as they are managed on a group basis.

	2015 £m	2014 £m
Revenue		
Roadside Assistance	**728.1**	712.5
Insurance Services	**142.4**	148.9
Driving Services	**73.7**	72.6
Ireland	**38.7**	39.6
Insurance Underwriting	**0.6**	0.3
Total revenue	**983.5**	973.9
Trading EBITDA		
Roadside Assistance	**358.9**	348.2
Insurance Services	**83.9**	89.4
Driving Services	**20.4**	15.6
Ireland	**14.8**	15.0
Insurance Underwriting	**(0.1)**	(0.1)
Head Office costs	**(47.8)**	(45.3)
Total Trading EBITDA	**430.1**	422.8
Items not allocated to a segment	**(6.4)**	5.2
Amortisation and depreciation	**(48.3)**	(39.6)
Share-based payments and acquisition earn-out costs	**(1.9)**	(2.2)
Exceptional items	**(47.6)**	(14.6)
Operating profit	**325.9**	371.6
Profit on disposal of joint venture	**-**	0.4
Net finance costs	**(265.1)**	(179.2)
Profit before tax	**60.8**	192.8

With the exception of Ireland, all other segments operate wholly in the UK. Turnover by destination is not materially different from turnover by origin.

During the year, management responsibility for the Group's Media business was transferred from Driving Services to Roadside Assistance. As a result the above analysis has been restated to show the results from Media within the Roadside Assistance segment for all periods. For the year ended 31 January 2014, Revenue of the Media business was £14.9m and Trading EBITDA was £4.3m.

Exceptional items includes £33.2m relating to the IPO (2014: £nil), £0.5m relating to financing transactions (2014: £13.8m) and £0.3m (2014: £nil) relating to joint ventures. The remaining exceptional items of £13.6m (2014: £0.8m) relate mainly to cost restructuring activities and onerous property lease costs.

Depreciation, amortisation, profit on disposal of joint venture, exceptional items, share-based payments, acquisition earn-out costs, net finance costs and tax expense are not allocated to individual segments as they are managed on a group basis.

3 Finance costs

	2015 £m	2014 £m
Interest on external borrowings	**(210.9)**	(123.7)
Finance charges payable under finance leases	**(4.1)**	(2.8)
Penalties on early repayment of debt	**(3.5)**	-
Total cash finance costs	**(218.5)**	(126.5)
Interest on shareholder loans	**-**	(16.6)
Amortisation of debt issue fees	**(29.6)**	(29.3)
Transfer from cashflow hedge reserve for extinguishment of cashflow hedge	**(7.0)**	-
Net finance expense on defined benefit pension schemes	**(10.7)**	(6.8)
Unwinding of discount and effect of changes in discount rate on provisions	**(0.1)**	(0.2)
Other finance charges	**(0.2)**	(0.1)
Total non-cash finance costs	**(47.6)**	(53.0)
Total finance costs	**(266.1)**	(179.5)

Cash at bank and in hand – restricted (see note 11) includes an amount of pre-funded interest to cover interest payments on the PIK notes until June 2015.

Within interest on external borrowings is £20.7m (2014: £26.0m) of interest charged on the Senior Term Facility and £10.2m (2014: £9.4m) charged in relation to the interest rate swaps used to hedge the variable element of the Senior Term Facility (see note 14).

Shareholder loans were fully repaid on 2 July 2013 and no further interest was incurred after this date.

Amortisation of debt issue fees include £20.7m (2014: £20.3m) that was immediately written off following the repayment of the Senior Term Facility in May 2014 and the repayment of £175.0m of PIK notes in December 2014 (see note 14). In addition, a penalty fee of £3.5m was paid due to the early repayment of £175.0m of the PIK notes.

Following the repayment of the Initial Senior Term Facility in May 2014, the Group has transferred the fair value of the cashflow hedges at that date to the income statement.

Other finance charges mainly relate to exchange differences.

4 Finance income

	2015 £m	2014 £m
Interest receivable	**1.0**	0.3
Total finance income	**1.0**	0.3

5 Tax

The major components of the income tax expense are:

	2015 **£m**	2014 £m
Consolidated income statement		
Current income tax		
Current income tax charge	**1.4**	1.3
Adjustments in respect of previous years	**-**	0.4
	1.4	1.7
Deferred tax		
Effect of tax rate change on opening balances	**-**	6.5
Relating to origination and reversal of temporary differences – current year	**(9.2)**	32.2
Relating to origination and reversal of temporary differences – prior years	**(0.5)**	(1.0)
	(9.7)	37.7
Tax (credit) / expense in the income statement	**(8.3)**	39.4

The Group has tax losses which arose in the UK of £110.2m (2014: £194.4m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Following the IPO, a deferred tax asset of £22.0m has been recognised on these tax losses as the Group now expects to have sufficient taxable profits to be able to recover these losses. Excluding the impact of the recognition of this deferred tax asset and the impact of expenses relating to the IPO that are disallowable for tax purposes of £14.7m, the Group's effective tax rate is 18.1% (2014: 20.4%).

Following the asset-backed funding arrangements on the AA UK pension scheme detailed in note 15, there was a £39.5m release of the AA UK pension deferred tax asset during the year to 31 January 2014. The remaining £12.9m of tax relief relating to this transaction was utilised in the year ending 31 January 2015.

6 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
Basic earnings per share:		
Profit after tax (£m)	**69.1**	153.4
Weighted average number of shares outstanding (millions)	**520.1**	469.3
Basic earnings per share (pence)	**13.3**	32.7

Immediately prior to the IPO, the existing share capital of the Company was reorganised to have 469.3 million shares. This had no impact on the overall share capital of the Company and therefore for all periods prior to the IPO, the Company has been deemed to have 469.3 million shares outstanding for the purpose of the earnings per share calculation and the earnings per share figure has been recalculated accordingly.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares. As at 31 January 2015 the Group has only one class of dilutive potential ordinary shares being the employee staff scheme for the UK (SIP), where the share price at which shares will be purchased is expected to be less than the average market value of ordinary shares for the period from issue of the options to 31 January 2015.

	2015	2014
Weighted average number of ordinary shares in issue (millions)	**520.1**	469.3
Potentially dilutive shares under SIP (millions)	**1.0**	-
Weighted average number of diluted ordinary shares (millions)	**521.1**	469.3
Diluted earnings per share (pence)	**13.3**	32.7

Reconciliation of reported earnings per share to adjusted earnings per share:

	2015	2014
Profit after tax as reported (£m)	**69.1**	153.4
Adjusted for:		
Exceptional items (£m)	**47.6**	14.6
Share-based payments and acquisition earn-out costs (£m)	**1.9**	2.2
Items not allocated to a segment (£m)	**6.4**	(5.2)
Profit on disposal of joint venture (£m)	**-**	(0.4)
Amortisation of debt issue fees (£m)	**20.7**	20.3
Penalties on early repayment of debt (£m)	**3.5**	-
Transfer from cashflow hedge reserve for extinguishment of cashflow hedge (£m)	**7.0**	-
Tax (credit) / expense (£m)	**(8.3)**	39.4
Adjusted profit before tax (£m)	**147.9**	224.3
Tax at the effective rate of 18.1% (2014: 20.4%) (£m)	**(26.8)**	(45.8)
Adjusted profit after tax (£m)	**121.1**	178.5
Weighted average number of shares outstanding (millions)	**520.1**	469.3

Adjusted basic earnings per share (pence)	**23.3**	38.0
Weighted average number of diluted ordinary shares (millions)	**521.1**	469.3
Adjusted diluted earnings per share (pence)	**23.2**	38.0

Amortisation of debt issue fees include £20.7m (2014: £20.3m) that was immediately written off following the repayment of the Senior Term Facility in May 2014 and the repayment of £175.0m of PIK notes in December 2014 (see note 3). In addition, a penalty fee of £3.5m was paid following the early repayment of the PIK notes.

7 Cash flow from operating activities

	2015 £m	2014 £m
Profit before tax	**60.8**	192.8
Amortisation of intangible assets	**19.7**	12.1
Depreciation of tangible fixed assets	**28.6**	27.5
Finance costs	**266.1**	179.5
Finance income	**(1.0)**	(0.3)
Other operating income	**(0.4)**	(0.3)
Share of profit of joint venture and associates	**(0.9)**	(0.4)
Share-based payments	**1.6**	-
Profit on disposal of joint venture	**-**	(0.4)
Working capital adjustments:		
(Increase)/decrease in inventories	**(0.1)**	0.4
(Increase)/decrease in trade and other receivables	**(24.1)**	36.9
Increase/(decrease) in trade and other payables	**25.2**	(11.4)
Decrease in provisions	**(7.6)**	(22.2)
(Decrease)/increase in insurance technical provisions	**(0.3)**	1.0
Difference between pension charge and cash contributions	**(9.2)**	(19.6)
Purchase of vehicles	**(0.5)**	-
Proceeds from sale of vehicles	**15.4**	-
Net cash flows from operating activities before tax	**373.3**	395.6
Tax paid	**(2.5)**	(8.2)
Net cash flows from operating activities	**370.8**	387.4

The cash flows from operating activities are stated net of cash outflows relating to exceptional items of £57.2m (2014: £37.4m). This relates to the cost of the IPO of £32.1m (2014: £nil), re-financing of the Group's borrowings £0.5m (2014: £10.8m), acquisition earn out payments of £2.3m (2014: £1.8m), restructuring expenditure costs from the re-organising of Group operations of £18.7m (2014: £18.8m) and onerous property provision lease costs in respect of vacant properties of £3.6m (2014: £6.0m).

8 Goodwill and other intangible assets

	Goodwill £m	Software £m	Total £m
Cost			
At 1 February 2013	1,197.8	80.3	1,278.1
Additions	0.7	19.9	20.6
Disposals	-	(0.1)	(0.1)
At 31 January 2014	**1,198.5**	**100.1**	**1,298.6**
Additions	-	31.4	31.4
Disposals	-	(1.9)	(1.9)
At 31 January 2015	**1,198.5**	**129.6**	**1,328.1**
Amortisation and impairment			
At 1 February 2013	**-**	40.8	40.8
Amortisation	-	12.1	12.1
At 31 January 2014	-	**52.9**	**52.9**
Amortisation	-	19.7	19.7
Disposals	-	(1.4)	(1.4)
At 31 January 2015	**-**	**71.2**	**71.2**
Net book value			
At 31 January 2015	**1,198.5**	**58.4**	**1,256.9**
At 31 January 2014	1,198.5	47.2	1,245.7

Goodwill additions relate to business combinations.

Within software, £9.9m (2014: £12.0m) relates to assets under construction which are not amortised.

9 Property, plant and equipment

	Freehold Land & Buildings £m	Long Leasehold Land & Buildings £m	Vehicles £m	Plant & equipment £m	Total £m
Cost					
At 1 February 2013	23.9	8.3	69.4	97.1	198.7
Additions	-	2.2	9.2	7.8	19.2
Disposals	-	-	(12.2)	(0.3)	(12.5)
Exchange adjustments	-	(0.1)	(0.1)	(0.6)	(0.8)
At 31 January 2014	**23.9**	**10.4**	**66.3**	**104.0**	**204.6**
Additions	-	0.3	61.9	5.5	67.7
Disposals	-	(0.1)	(36.1)	(1.1)	(37.3)
Exchange adjustments	-	(0.3)	(0.1)	(1.4)	(1.8)
At 31 January 2015	**23.9**	**10.3**	**92.0**	**107.0**	**233.2**
Depreciation and impairment					
At 1 February 2013	4.9	2.9	37.1	67.3	112.2
Charge for the year	0.6	0.5	14.7	11.7	27.5
Disposals	-	-	(11.9)	(0.2)	(12.1)
Exchange adjustments	-	-	-	(0.3)	(0.3)
At 31 January 2014	**5.5**	**3.4**	**39.9**	**78.5**	**127.3**
Charge for the year	0.6	0.6	17.4	10.0	28.6
Disposals	-	-	(20.4)	(1.1)	(21.5)
Exchange adjustments	-	(0.1)	-	(0.9)	(1.0)
At 31 January 2015	**6.1**	**3.9**	**36.9**	**86.5**	**133.4**
Net book value					
At 31 January 2015	**17.8**	**6.4**	**55.1**	**20.5**	**99.8**
At 31 January 2014	18.4	7.0	26.4	25.5	77.3

The net book amount of vehicles includes £53.8m (2014: £24.8m) held under finance lease agreements. The accumulated depreciation on these assets is £35.2m (2014: £38.5m).

The net book amount of other assets includes £0.3m (2014: £1.9m) in respect of plant & machinery held under finance lease agreements. The accumulated depreciation on these assets is £7.7m (2014: £6.1m).

10 Trade and other receivables

	2015 £m	2014 £m
Current		
Trade receivables	**156.4**	134.1
Prepayments and accrued income	**25.4**	21.9
Trade receivables from fellow subsidiary undertakings	**-**	0.8
Other receivables	**5.3**	6.1
	187.1	162.9
Non-current		
Interest rate swap derivatives	**21.2**	1.4
Fixed term investments - restricted (see note 11)	**-**	5.0
	21.2	6.4

Trade receivables from fellow subsidiary undertakings at 31 January 2014 are unsecured, payable within one month and bear no interest.

11 Cash and cash equivalents

	2015 £m	2014 £m
Ring-fenced cash at bank and in hand – available	**243.6**	127.6
Ring-fenced cash at bank and in hand – restricted	**17.6**	17.1
Non ring-fenced cash at bank and in hand – available	**15.2**	1.5
Non ring-fenced cash at bank and in hand – restricted	**25.1**	57.0
	301.5	203.2

Ring-fenced cash and cash equivalents relate to cash held by AA Intermediate Co Limited and its subsidiaries. There are restrictions on dividends that can be paid to AA plc until certain debt to EBITDA and cashflow criteria are met.

Cash at bank and in hand – restricted includes £18.5m (2014: £55.4m) held as pre-funded interest to cover interest payments on the PIK notes (see note 14) and cannot be used for any other purpose.

Cash at bank and in hand, short-term deposits and fixed term investments (see note 10) include £24.2m (2014: £23.7m) held by and on behalf of the Group's insurance businesses which are subject to contractual or regulatory restrictions. These amounts are not readily available to be used for other purposes within the Group.

12 Trade and other payables

	2015 £m	2014 £m
Trade payables	**114.1**	102.3
Trade payables owed to group undertakings	**-**	12.8
Other taxes and social security costs	**25.5**	21.1
Accruals and deferred income	**303.6**	273.6
Other payables	**20.4**	40.0
Obligations under finance lease agreements	**34.6**	12.1
	498.2	461.9

Trade payables owed to group undertakings as at 31 January 2014 are unsecured, payable between one and three months and bear no interest.

13 Borrowings and loans

	2015 £m	2014 £m
Borrowings (see note 14)	**3,190.7**	3,342.2
Interest rate swap used for hedging	**50.2**	9.2
	3,240.9	3,351.4

14 Borrowings

	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	Total at 31 January 2015 £m	Total at 31 January 2014 £m
Senior Term Facility	31 January 2019	3.98%	663.0	(3.1)	0.6	**660.5**	893.0
Class A1 notes	31 July 2018	4.72%	475.0	(3.0)	1.0	**473.0**	472.4
Class A2 notes	31 July 2025	6.27%	500.0	(0.8)	0.1	**499.3**	499.3
Class A3 notes	31 July 2020	4.25%	500.0	(2.7)	0.5	**497.8**	497.3
Class A4 notes	31 July 2019	3.78%	250.0	(2.2)	0.3	**248.1**	-
Class B notes	31 July 2019	9.50%	655.0	(21.5)	5.6	**639.1**	635.7
PIK notes	6 November 2019	9.50%	175.0	(5.6)	3.5	**172.9**	344.5
		5.90%	**3,218.0**	**(38.9)**	**11.6**	**3,190.7**	3,342.2

A summary of the Group's financing transactions are shown below:

	Initial Senior Term Facility £m	New Senior Term Facility £m	Class A1 notes £m	Class A2 notes £m	Class A3 notes £m	Class A4 notes £m	Class B notes £m	PIK Toggle notes £m	Total £m
Issue date:									
2 July 2013	1,775.0	-	300.0	325.0	-	-	655.0	-	**3,055.0**
27 August 2013	(362.0)	-	175.0	175.0	-	-	-	-	**(12.0)**
7 November 2013	-	-	-	-	-	-	-	350.0	**350.0**
29 November 2013	(500.0)	-	-	-	500.0	-	-	-	**-**
2 May 2014	(913.0)	663.0	-	-		250.0	-	-	**-**
19 December 2014	-	-	-	-	-	-	-	(175.0)	**(175.0)**
Total	**-**	**663.0**	**475.0**	**500.0**	**500.0**	**250.0**	**655.0**	**175.0**	**3,218.0**

At 31 January 2015, the Senior Term Facility carried interest at a rate of LIBOR plus a margin of 2%. The variable element has been fully hedged using matching interest rate swap arrangements which fix LIBOR at 1.98% until 31 July 2018 and then at 3.00% until 31 January 2019. All other borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 5.9% has been calculated using the effective interest rate and carrying values on 31 January 2015.

In order to show the Group's net borrowing, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings.

All of the Class A notes and Senior Term Facility are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co group's assets ranks ahead of the Class B notes. The Class B notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co group, AA Mid Co Limited. There are restrictions on the ability of the AA Mid Co Limited group to pay a dividend until certain net debt to EBITDA and cashflow criteria are met. The PIK notes are unsecured.

Any early repayment of the Class A, Class B or PIK notes would incur a make-whole payment.

Following the refinancing of the Initial Senior Term Facility in May 2014 and the prepayment of the PIK notes in December 2014, amortisation of the associated issue fees has been accelerated and an additional £20.7m (2014: £20.3m) has been written off in the period.

15 Pensions

The Group operates two funded defined benefit pension schemes: the AA UK Pension scheme (AAUK) and the AA Ireland Pension scheme (AAI). The assets of the schemes are held separately from those of the Group in independently administered funds. New entrants to the AAUK scheme accrue benefits on a career average salary basis. The AAUK scheme has final salary sections that are closed to new entrants but open to future accrual for existing members. The AAI scheme is closed to new entrants and future accrual of benefits. The Group also operates an unfunded post-retirement Private Medical Plan scheme (AAPMP), which is a defined benefit scheme that is not open to new entrants.

On 29 November 2013, the Group completed the AAUK pension scheme triennial valuations agreeing a deficit of £202m with the pension trustees and implementing an asset backed funding scheme. The asset backed funding scheme provides a long-term deficit reduction plan where the Group has an annual deficit reduction contribution of £12.5m increasing with inflation, over a period of up to 25 years from 29 November 2013 secured on the Group's brands and gave a one-off £198.0m tax deduction that the Group could utilise within two years. This compares with the traditional unsecured deficit reduction plan requiring the deficit to be removed over a substantially shorter period and would have resulted in significantly higher annual deficit contributions.

The valuations have been based on a full assessment of the liabilities of the schemes which have been updated where appropriate to 31 January 2015 by independent qualified actuaries.

The Group expects to pay £20.3m in on-going employer contributions and £14.0m in deficit reduction employer contributions to its defined benefit plans (AAUK and AAI) in the year ending 31 January 2016.

The amounts recognised in the balance sheet are as follows:

	As at 31 January 2015			
	AAUK £m	AAI £m	AAPMP £m	Total £m
Present value of the defined benefit obligation in respect of pension plans	(2,177.5)	(51.4)	(49.4)	(2,278.3)
Fair value of plan assets	1,808.9	35.0	-	1,843.9
Deficit	**(368.6)**	**(16.4)**	**(49.4)**	**(434.4)**

	As at 31 January 2014			
	AAUK £m	AAI £m	AAPMP £m	Total £m
Present value of the defined benefit obligation in respect of pension plans	(1,759.7)	(42.0)	(44.0)	(1,845.7)
Fair value of plan assets	1,546.8	33.4	-	1,580.2
Deficit	**(212.9)**	**(8.6)**	**(44.0)**	**(265.5)**

The increase in the deficit is mainly due to changes in financial assumptions mostly from a fall in the discount rates in all of the schemes. This has been partially offset by a gain on assets.

16 Related party transactions

Following the refinancing in July 2013, under the Umbrella Services Agreement, the Group and Acromas agreed to procure that their respective groups provide specified services to the other, including fleet management, sales and marketing services relating to certain AA financial products, and IT services. There are also a number of specific additional contracts in place for the provision of services between various members of the respective groups including the provision of underwriting by Acromas Insurance Company Limited ("AICL"), for various AA Group products, such as motor insurance, home insurance and home emergency cover. Following the IPO in June 2014, the Acromas group ceased to be a related party.

The following table provides the total value of transactions that have been entered into with related parties during each financial year.

Transactions with Acromas group companies:

	2015 £m	2014 £m
Sales to the Acromas group		
Insurance underwriting related	**7.0**	14.8
Non-insurance underwriting related	**0.4**	0.8
Purchases from the Acromas group		
Insurance underwriting related	**18.3**	52.7
Non-insurance underwriting related	**2.7**	14.4
Reinsurance transactions with the Acromas group		
Reinsurance premium receipts	**0.2**	0.3
Reinsurance claims payments	**0.2**	0.8
Sale of fixed asset investments	**5.0**	-

Transactions with associates:

		2015 £m	2014 £m
A.C.T.A. S.A.	Call handling fees paid	**2.2**	2.2
	Amounts payable at 31 January	**0.1**	-
A.R.C. Europe S.A.	Registration fees paid	**0.6**	0.5
	Amounts payable at 31 January	**0.4**	0.2

17 Events after the reporting period

The Board intends to raise £200m of additional equity and £735m of new loan notes, using the proceeds combined with existing cash resources to pay off all of the remaining £175m of PIK notes, all £655m of the Class B notes and £209m of the Senior Term Facility.

As announced in the March Budget new anti-avoidance legislation will be introduced to reduce, in certain circumstances, the ability of companies to utilise brought forward losses after 18 March 2015. Until final legislation has been enacted it is uncertain whether the group's losses, and the £22m of deferred tax provided on them, will be affected by this change but we will continue to review the value of the asset as information becomes available going forward.