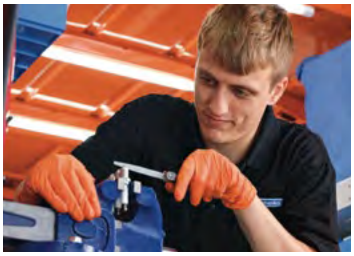
Annual Report & Financial Statements 2024

Breakdown

Service, Maintenance and Repair

Insurance

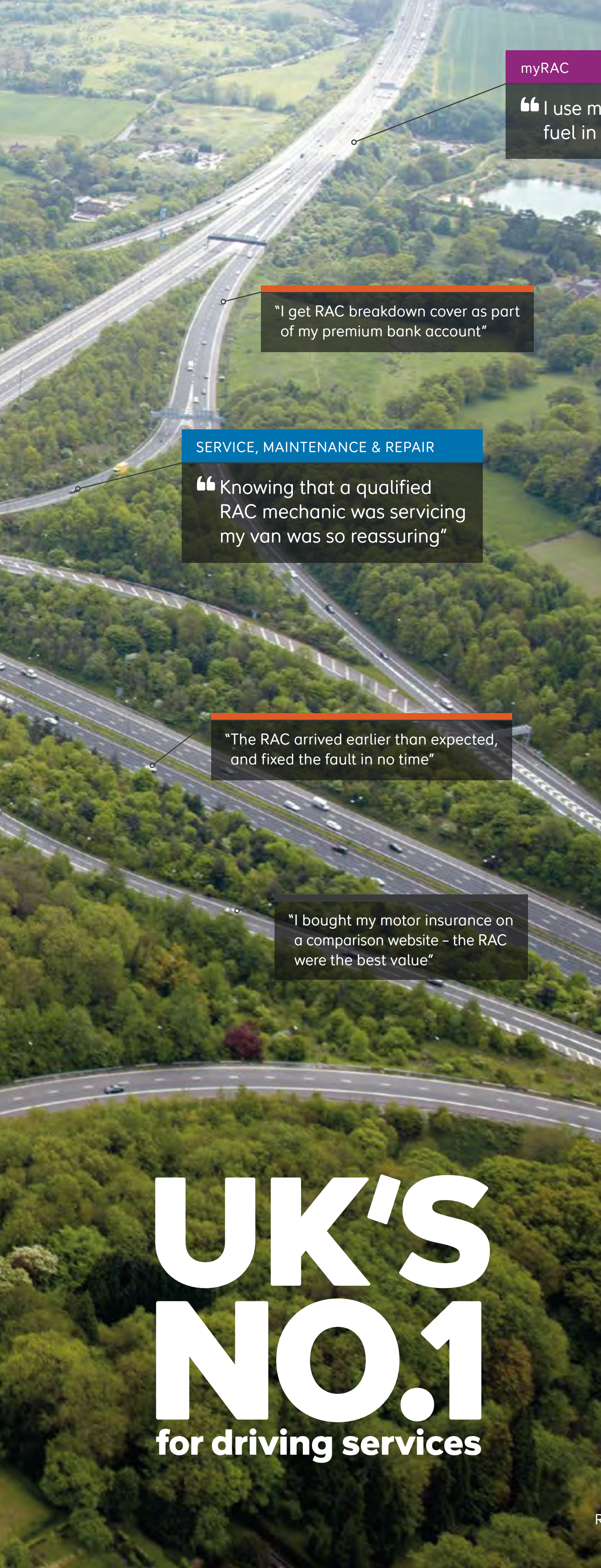





Powered by myRAC


Delivering 13 years of consecutive growth


"I trust the RAC to lobby on behalf of motorists – from potholes to headlight glare"
BREAKDOWN
❝ Timely and professional – and gave me a great price on a new battery with no pressure to buy"
"My car broke down and needed some follow up work – the RAC arranged for a Mobile Mechanic to come to my home to repair it"
myRAC
❝ It's so easy to report a breakdown using myRAC"
"It was so easy to renew my breakdown cover via myRAC – I also upgraded to "Complete" this year"
INSURANCE
❝ I am really pleased with my RAC Online Motor Insurance – I manage my account online and it saves me money"
"myRAC is so helpful – it reminds me when I need to service my car and saved me money on repairs"
SERVICE, MAINTENANCE & REPAIR
❝ I had my car serviced on my drive – it was super convenient"
"I just bought my first EV and was delighted that I am covered by my existing RAC breakdown policy"
BREAKDOWN
❝ RAC's patrol was so helpful – not only did he repair my car but also gave me some great advice about vehicle security"
SERVICE, MAINTENANCE & REPAIR
❝ I got a discount on my Mobile Mechanic service and was able to spread the payments"
INSURANCE
❝ A reputable brand offering good cover at a competitive price"
"My new car came with RAC breakdown cover for the first year"



At a glance

Revenue
£783m
up +9%
2023 – £720m

EBITDA
£295m
up +8%
2023 – £272m

Margin
38%
sustained
2023 – 38%

Cash conversion
94%
up +2%
2023 – 92%*

Membership
14.5m
up +0.9m
2023 – 13.6m

Leverage
5.0x
down 0.7x
2023 – 5.7x

*Cash Conversion for 2023 is on an adjusted basis, please see note 32 for APM definitions

Company information

Directors:

J Baker, S Fox, P Gale, T Gallico, D Hobday, P Hooper, A Khairat, A Levy, T Mohindra, S I Patterson, R Templeman and G M Wood

Registered office:

RAC House, Brockhurst Crescent, Walsall, West Midlands WS5 4AW
United Kingdom

Auditor:

Deloitte LLP, 100 Embankment, Cathedral Approach, Manchester, United Kingdom M3 7FB

Company number:

Registered in England and Wales:
No. 09229561

Other information:

The RAC Group (the Group or "RAC") comprises RAC Group (Holdings) Limited ("the Company") and its subsidiaries, as set out on page 178.

These Consolidated Financial Statements are presented for the year ending 31 December 2024. Comparatives are presented for the year ending 31 December 2023.

The RAC Group includes companies that are regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). RAC Insurance Limited is authorised and regulated by both bodies. RAC Motoring Services and RAC Financial Services Limited are authorised and regulated by the FCA in respect of insurance and mediation activities.

Daniel,
patrol since 2022,
North East

Contents

At the forefront of motoring since 1897

Founded in 1897 as the Automobile Club of Great Britain, the RAC has been rescuing British motorists for 127 years.

Our "Orange" brand is ingrained in the fabric of the nation's motoring history and, today, is one of the most trusted and experienced brands across driving services. From inspiring the creation of the Highway Code in 1931, and coining the phrase "black ice", the RAC has played a pivotal role in shaping the UK's motoring landscape, constantly evolving its range of products and services to remain relevant to motorists.

Innovation has always been at our core. We were pioneers in adopting roadside emergency phone boxes in 1912 and launching the Radio Rescue Service in 1957. In the 21st century, we continue to lead with technologies like our Rapid Deployment and All-Wheels-Up towing systems, enabling more RAC patrols to tow a greater variety of vehicles.

Our sophisticated diagnostic tools, universal spare wheel and, more recently, our award-winning EV Boost, which charges "flat" electric cars, showcase our forward-thinking approach.

Our focus today also encompasses digital and data-driven innovations. We engage with our members more and more online and via our digital member plaform, myRAC. We continually improve our breakdown journey, from logging a claim to dispatching our patrols, using AI and machine learning to ensure a better breakdown experience.

The RAC is the UK's authority on all things motoring, leading the market with innovation, investment and differentiation. The majority of drivers value a single brand to make all things car-related easier, and 92% of motorists trust the RAC to deliver this.

Timeline pictures:

1) 1897 – Founded by Frederick Richard Simms (pictured) and Charles Harrington Moore. 2) 1907 – Given Royal approval by King Edward VII – the Royal Automobile Club established. 3) 1912 – Introduced roadside emergency telephone (sentry) boxes. 4) 1922 – Introduced motorcycle patrols. 5) 1937 – Norton motorcycle sidecar combinations launched for patrols . 6) 1959 – Introduced the first motorway patrols. 7) 1982 – RAC 'At Home' service launched. 8) 1994 – RAC supercentre at Bristol opened alongside the M5. 9) 1998 – RAC de-mutualised – RAC Motoring Services Ltd became standalone breakdown assistance company. 10) 1999 – Acquired by Lex Group. 11) 2000 - Developed the 'rapid deployment' towing system increasing efficiency and enabling more patrol, rather than contractor, vehicle tows. 12) 2002 - RACScan vehicle diagnostic tool launched. 13) 2013 - New revolutionary universal spare wheel introduced to help patrols with growing 'puncture no spare' issue. 14) 2015 - RAC Fuel Patrols. 15) 2016 – RAC equips patrols with state-of-the-art battery diagnostic kits. 16) 2019 – RAC patrol vans transformed with unique All-Wheels-Up recovery capability. 17) 2019 – RAC developed EV boost system, emergency charging for EVs. 18) 2022 – RAC Mobile Mechanics launched to service and repair customers' vehicles at their homes and workplaces. 19) 2023 – Fuel Finder feature added to the myRAC app. 20) 2024 – RAC Academy graduates pictured at the Bescot head office.

1897


1


2

3


4


5

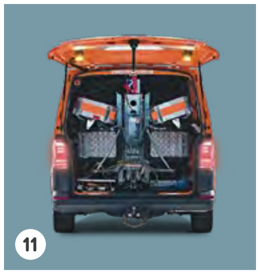

6

7


8


9


10


11

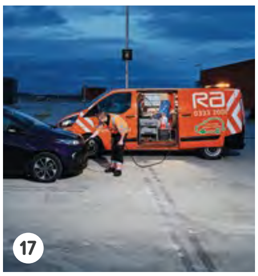

12


13

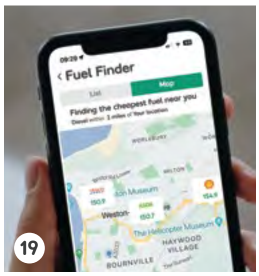
14


15


16


17

18



19


20

2024

Hugh,
mobile mechanic since 2019,
South West

Strategic report

For the year ending 31 December 2024

13 years of consecutive growth

Membership
14.5m
2023 – 13.6m

EBITDA
£295m
2023 – £272m

Revenue
£783m
2023 – £720m

Margin
38%
2023 – 38%

Cash conversion
94%
2023 – 92%*

Leverage
5.0x
2023 – 5.7x

*adjusted basis - see note 32 for APM definitions

I am proud to share our 2024 results following a positive year for the RAC, our 13th year of consecutive growth. We achieved strong revenue and EBITDA growth, sustained high margins, improved cash conversion and secured record membership of 14.5 million.

Our vision to be the UK's number one for driving services resulted in continued progress against our strategic objectives. We are growing our core businesses of Breakdown and Insurance, alongside expanding our Service, Maintenance and Repair offering. Our progress is increasingly underpinned by our unique data assets and expanding digital capabilities, in particular myRAC.

Our committed and passionate colleagues, our #OrangeHeroes, are at the heart of our business providing the highest quality service to our members. I would like to thank them for their significant contribution in 2024".

Dave Hobday

Dave Hobday, Chief Executive Officer

Dear Stakeholders,

We end 2024 having delivered a strong financial performance – growing revenue, EBITDA and cash conversion – RAC's 13th year of consecutive EBITDA growth.

Our results are set against the backdrop of a growing car parc, continued infrastructure challenges from potholes to EV charging and a changing mix of vehicles on the road with ever more sophisticated technology. These play to our strengths and diversified driving services proposition.

Being a driver has never been more challenging, as running and repairing a car becomes increasingly complex. As the UK's authority on driving since 1897, the RAC is a trusted brand with a track record of innovation, investment and differentiation. We are uniquely positioned to be the partner of choice and support our members providing complete peace of mind for all their driving needs.

Strong performance, growing revenue, EBITDA and membership

Revenue grew 9% to £783 million (2023: £720 million) supported by our growing membership of 14.5 million (2023: 13.6 million). EBITDA grew 8% to £295 million (2023: £272 million) continuing our track record of uninterrupted growth for a 13th consecutive year. EBITDA margin remained strong at 38% (2023: 38%) and cash conversion increased to 94% (2023: 92%).

In Consumer Breakdown we gained 13,000 members. Member loyalty remains high with an average tenure of around 9 years. Churn was 16.0% (2023: 14.1%) driven by the mix of members acquired in 2023 which normalised in 2024 and our outlook remains positive based on performance in early 2025.

In Business Breakdown we welcomed almost one million new members, taking membership to 11.1 million (2023: 10.2 million) with growth across all four sectors – motor manufacturers, fleet, banks and insurers.

During 2024 we attended 2.4 million breakdowns (2023: 2.6 million). We improved our efficiency and further enhanced our service levels, increasingly leveraging digital solutions, achieving consistently high Net Promoter scores and an "Excellent" Trustpilot rating.

In Insurance we maintained good performance in a volatile market. Overall Insurance membership was flat at 0.7 million (2023: 0.7 million), with 31,000 more Motor members.

We grew our Service, Maintenance and Repair (SMR) offering, ending 2024 profitably, with revenue of £22 million, over 200 Mobile Mechanics (2023: 75), completing almost 100,000 jobs (2023: 23,000) and receiving exceptional feedback with a 4.7 "Excellent" Trustpilot rating and 90% of reviews receiving 5 stars.

Our myRAC app delivered a growing user base of 2.6 million members and 0.8 million monthly active users, both increasing by c.20% versus 2023.

Kevin,
patrol since 2020,
Scotland

Another step towards becoming the UK's number one for driving services

We operate in large, attractive and growing markets and our vision is to become the UK's number one for driving services, providing complete peace of mind for our members' driving needs. We are uniquely placed in the centre of the driving ecosystem to deliver this with more products and services, underpinned by a seamless digital experience which in turn creates sustainable growth.

Our strategy remains unchanged, and we have delivered strong proof points against our three strategic pillars during 2024: **(1) DRIVE** continued growth in our core businesses; **(2) EXPAND** our total addressable market into SMR; and **(3) ACCELERATE** growth by leveraging our unique data assets and myRAC digital member platform.

1 DRIVE

continued growth in our core businesses

In Consumer Breakdown we broadened our range of products and services, including new breakdown extras. We continue to build our member loyalty programme and have introduced increasingly more sophisticated lifetime value-based pricing at both acquisition and renewal. We are using our data and digital platforms more and more extensively to fuel these initiatives and accelerate our growth.

In Business Breakdown we successfully renewed Mercedes Benz, Nissan, Renault, Hastings and Royal Mail. Additionally, we welcomed new partners, including Monzo and Omoda, a major Chinese manufacturer that has recently entered the UK market. We further cemented our relationships with partners by cross selling more services to them and their customers. We increasingly provide legal expenses cover to our breakdown insurance partners, end-to-end in-life management and SMR services (more on this overleaf) to fleet providers to reduce downtime and improve efficiency.

Operationally we invested in people, processes and technology including implementing a new claims management system which enables us to better identify our members' policy entitlement and claims history, delivering a better breakdown experience. We further refined our machine learning technology which ensures we have the right patrols in the right places at the right times to meet the needs of our members.

In Insurance we have doubled down on the motor market, expanding our footprint to target new, attractive segments where our brand and data provide competitive advantage. In a market with a higher propensity to "switch" we enhanced our loyalty rewards, leveraging our Breakdown and SMR propositions as well as launching our new RAC Online products.

❷ EXPAND

our total addressable market into SMR

Controlled expansion into the fragmented SMR market is a logical step leveraging our existing operations, trusted brand and 14.5 million members. Our current volume comes predominantly from three highly efficient channels.

1. Breakdown referrals: a proportion of breakdowns require a permanent repair and, with increasingly long garage waits, our mobile offering provides the trust and convenience which is often lacking. We grew the number of breakdown referrals into SMR, alongside investing in solutions to make this service even more convenient for members.
2. Digital: scheduled vehicle servicing and repairs are booked by members (and non-members) via our website and myRAC. We use vehicle data to selectively market to our members, providing relevant maintenance information and exclusive offers for their vehicle.
3. Fleet partners: our SMR offering is progressively becoming a key part of our Business Breakdown proposition as we collaborate with partners like BCA, Novuna and Motability to improve their fleet efficiency, and we expect this to expand to even more partners.

❸ ACCELERATE

growth by leveraging our unique data assets and myRAC digital member platform

Through our targeted investments we've built a single view of our 0.5 trillion data points, including vehicles, members, policies and claims. This data, alongside investments in AI and our unique myRAC platform has created a single place for our members to access all things RAC and driving. The range of driving related services and features expanded in 2024 – members can now renew and amend policies, log a breakdown, track their patrol ETA, access their breakdown report or book a vehicle service. All this creates loyalty and engagement, reduces cost and drives revenue.

Passionate employees – our #OrangeHeroes

Our colleagues are at the heart of our business, and it is their commitment and passion that makes the RAC the provider of choice for our members. The RAC employs over 4,500 #OrangeHeroes at roadside, in our contact centres and across our support functions providing exceptional service to millions of members. I would like to personally thank them for their significant contribution in 2024.

Positive outlook for 2025 and beyond

The RAC is a strong, recognisable brand. As the UK's authority on motoring, we are positioned at the heart of the driving ecosystem as the single, trusted partner in an ever more complex and challenging motoring world. Our strategy, coupled with our recurring membership model creates strong and predictable results supporting the delivery of sustainable earnings and cash generation. We remain confident about the RAC's outlook for 2025 and beyond as we take another step towards becoming the UK's number one for driving services; growing our core businesses, further expanding our SMR proposition, and accelerating the benefits of our unique data and myRAC digital member platform.

Spotlight

Champion for motorists

The RAC is recognised as the UK's authority on all things motoring. Our unique insights are gathered directly from our members and published in our annual Report on Motoring. Using this knowledge, our expertise and influence, we actively champion the interests of UK motorists with the Government.

In 2024, we propelled the great pothole debate forward, resulting in the Government giving a record level of funding to local authorities to repair local roads and prevent future potholes forming.

We responded decisively to government proposals to extend MOT intervals to 2 years, strongly supporting the retention of the yearly interval to prioritise safety and vehicle reliability.

Our lobbying paid a key role in the extension of the 5p fuel duty cut and in introducing a new law to improve fuel price competition. By publishing fuel price data, we spotlight retailers charging excessive margins, to help motorists benefit from fairer pricing.

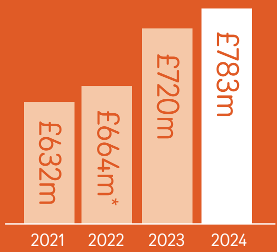
The nation's transition to EVs hinges on affordability and robust infrastructure. A House of Lords inquiry supported the RAC's view that EV uptake would be stimulated by a targeted grant aimed at making EVs more affordable and an EV Public Charging Charter that ensures charge point operators adopt minimum standards for accessibility, availability and reliability.

Financial review

Selected KPIs

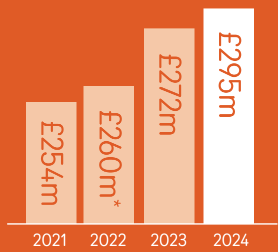
Revenue

£783m



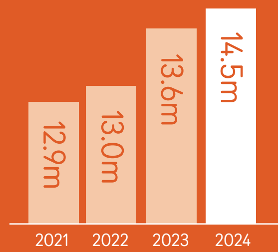
EBITDA

£295m



Total members

14.5m



Operating profit

£220m

up 12%

2023 – £197m

Profit before tax

£121m

up 9%

2023 – £111m

Net cash flows from operating activities

£276m

Cash conversion of 94%

2023 – £249m with cash conversion of 92%*

Jo Baker, Chief Financial Officer

*Selected prior year KPIs are presented on an adjusted basis, see note 32 for definitions of APMs.

The Group continued its operational and financial progress in 2024

- 13th consecutive year of EBITDA growth, up £23 million or 8% to £295 million.
- EBITDA growth in both segments – Membership Services up 9% and Insurance up 5%.
- Revenue of £783 million increased by £63 million or 9%.
- Strong net cash flows[1] from operating activities of £276 million (2023: £249 million) resulting in cash conversion of 94% (2023: 92%).
- Successfully refinanced our 2020 Senior Term Facility and repurchased £115 million of 2026 Class A2 Notes. Total debt reduced by £50 million and leverage reduced to 5.0x (2023: 5.7x).

The Consolidated Financial Statements of RAC Group (Holdings) Limited are set out from page 133 onwards.

[1]Prior year net cash flows from operating activities are shown on an adjusted basis, see note 32 for definitions of APMs.

Consolidated Income Statement

	2024 £m	2023 £m
Revenue	783	720
EBITDA before exceptional items	295	272
Depreciation	(26)	(29)
Amortisation	(49)	(39)
Exceptional items	–	(7)
Operating profit	220	197
Net finance expenses	(99)	(86)
Profit before tax	121	111
Tax charge	(26)	(25)
Profit after tax	**95**	**86**

Revenue of £783 million (2023: £720 million) increased by £63 million or 9% driven by strong growth across our core businesses of Breakdown and Insurance, alongside our continued expansion into the Service, Maintenance and Repair ("SMR") market. Membership Services revenue increased by £59 million to £713 million (2023: £654 million) and Insurance revenue increased by £4 million to £70 million (2023: £66 million).

EBITDA of £295 million (2023: £272 million) was £23 million higher. This was a result of strong revenue growth, partially offset by inflationary cost increases and continued investment, in particular in SMR and Digital.

Depreciation and amortisation totalled £75 million (2023: £68 million) with the increase primarily due to investment related to the growth in both Consumer and Insurance in the last 2 years flowing through as higher amortisation, which is now expected to stabilise.

Net finance expenses of £99 million (2023: £86 million) were incurred, with the impact of higher interest rates partially offset by a reduction in the total amount of borrowings.

Profit before tax in 2024 was £121 million (2023: £111 million), up 9%. As a result of this, and the increase in tax rate, the tax charge increased to £26 million (2023: £25 million).


WINES
RAC
PI RAC

Consolidated Statement of Financial Position

	2024 £m	2023 £m
Goodwill and intangible assets	1,679	1,658
Contract costs	48	47
Property, plant and equipment	30	30
Right of use assets	74	68
Trade and other receivables	60	55
Trade and other payables	(225)	(195)
Insurance contract liabilities	(71)	(69)
Net current liabilities	(189)	(28)
Borrowings	(1,548)	(1,601)
Net assets / (liabilities)	21	(69)

At 31 December 2024, goodwill and intangible assets amounted to £1,679 million (2023: £1,658 million) primarily representing the goodwill and brand recognised on the acquisition of the RAC Group of Companies in 2014. The increase of £21 million reflects £30 million of intangible capital expenditure offset by £9 million of amortisation.

Contract costs of £48 million (2023: £47 million) relate to commissions and fees paid to third parties, primarily arising following the sale of a motor insurance policy where the RAC is a broker. The amount was broadly flat as sales volumes are stable year on year.

Property, plant and equipment of £30 million (2023: £30 million) relates to fixtures and fittings and computer hardware. During the year, the balance has remained stable due to £9 million of capital expenditure, primarily on maintaining existing assets, which was offset by £9 million of depreciation.

Right of use assets of £74 million (2023: £68 million) relate to IFRS 16 'leases' and comprise vehicles and properties. The £6 million increase primarily reflects additional lease vehicles, including scheduled replacements of breakdown vans and the growth of SMR.

Trade and other receivables of £60 million (2023: £55 million). Within this, trade receivables of £28 million (2023: £14 million) reflects amounts owed for non-insurance related revenue and has increased due to higher revenue in Business Breakdown alongside the timing of invoicing to certain corporate partners. The remaining balance is primarily comprised of prepayments and accrued income of £25 million (2023: £26 million), other receivables of £1 million (2023: £4 million).

Trade and other payables of £225 million (2023: £195 million) mainly represents trade payables and accruals of £66 million (2023: £59 million) with the increase driven by timing of supplier invoicing plus an increase in the overall cost base. Other payables of £139 million (2023: £118 million) increased due to an increase in indirect taxes accrued and the lease liabilities recognised as a result of IFRS 16. Deferred income was £20 million (2023: £18 million).

Insurance contract liabilities of £71 million (2023: £69 million), includes an insurance acquisition cash flows asset, liability for remaining coverage and liability for incurred claims. The movement in the year is primarily due to an increase in liability for remaining coverage due to an increase in insurance revenue.

The Group has net current liabilities of £189 million (2023: £28 million) with the movement largely due to the 2021 Senior Term Facility of £170 million which is due for repayment in June 2025 and is therefore now disclosed as a current liability. Consistent with our proactive approach to capital management, new facilities to refinance this debt were formally agreed shortly after the balance sheet date – see note 31 (events after the reporting period) for further details.

The capital structure of the Group consists of third-party borrowings net of capitalised finance costs amounting to bank debt of £467 million (2023: £404 million) and bonds issued of £1,081 million (2023: £1,197 million). The Group remains highly cash generative and in March 2024, repurchased £115 million of Class A2 Notes, plus repaid £141 million of 2020 Senior Term Facility using £205 million generated from the new 2024 Senior Term Facility and £50 million generated from the Class A3 bonds issuance in 2023 which was held as restricted cash as at 31 December 2023.

The third party borrowings are subject to covenants as follows:

- The Senior Term Facilities, Class A2 Notes and Class A3 Notes (together "Class A Debt") are subject to one financial covenant, being the ratio of free cash flow to Class A Debt service charges.
- The Class B2 Notes ("Class B Debt") are also subject to one financial covenant, being the ratio of free cash flow to the aggregate of Class A Debt service charges and Class B debt service charges.

At 31 December 2024 the Group had comfortable levels of headroom against both financial covenants and has complied with these financial covenants throughout the periods since issue.

Our leverage ratio was 5.0x (2023: 5.7x) and we are making good progress towards our target of 4.0-4.5x.

	Rate	Maturity	2024	2023
Class A2 Notes	4.87%	May-26	485	600
Class A3 Notes	8.25%	Nov-28	250	250
Class B2 Notes	5.25%	Nov-27	345	345
Senior Term Facility 2020	SONIA + 2.50%	Jan-25	–	141
Senior Term Facility 2021 (A)	SONIA + 1.80%	Jun-25	170	170
Senior Term Facility 2021 (B)	SONIA + 2.50%	Jun-28	95	95
Senior Term Facility 2024	SONIA + 3.00%	Jan-29	205	–
Working Capital Facility	SONIA + 3.00%	Jan-29	–	5
Drawn debt			**1,550**	**1,606**
Working Capital Facility	SONIA + 3.00%	Jan-29	50	45
Liquidity Facility	SONIA + 2.25%	Annual renewal	100	99
Undrawn debt			**150**	**144**

Consolidated Statement of Cash Flows

	2024 £m	2023 £m
Cash and cash equivalents	155	119
Working capital adjustments	13	1
Tax paid	(32)	(23)
Adjusted net cash flows from operating activities[1]	276	249
Adjusting items	–	(11)
Net cash flows from operating activities	276	238
Net cash flows used in investing activities	(79)	(74)
Interest paid	(91)	(87)
Net increase/ (decrease) in cash and cash equivalents	36	(19)

[1] Prior year net cash flows from operating activities are shown on an adjusted basis, see note 32 for definitions of APMs.

The Group generated a net cash inflow from operating activities of £276 million (2023 £249 million). Operating cash conversion was 94% (2023: 92%).[1]

Capital investment totalled £84 million (2023: £82 million), of which:

- £45 million (2023: £43 million) of spend is in respect of insurance acquisition cash flows and contract costs, as a result of new business sales.
- £9 million (2023: £11 million) of spend relates to Property, Plant and Equipment which includes investment in equipment to support the continued development of our SMR offering and improvements to the equipment used by our roadside patrols, as well as investment in our premises.
- The remaining £30 million (2023: £28 million) relates to investment and maintenance projects as we continue to invest in the systems underpinning our business and our enhanced digital capabilities.
- In the year ending 31 December 2023 capital investment was offset by £4 million sales proceeds from the sale of an office building which does not repeat.

Tax paid of £32 million (2023: £23 million) increased following a one-off adjustment in 2023 of £6 million due to prior period overpayments. Adjusting for this, tax paid increased in-line with the tax charge in the income statement.

Interest paid was £91 million (2023: £87 million) due to the full year impact of the Class A3 bonds, offset by reduced interest following repayment of the 2022 Senior Term Facility in October 2023.

Key Performance Indicators ("KPIs")

The financial and non-financial KPIs set out in the table below are fundamental to the RAC's business and reflect focus on the value drivers that will enable the management team to achieve the RAC business plans, strategic aims and objectives.

	2024	2023
Revenue (£m)	783	720
EBITDA before exceptional items (£m)	295	272
Operating profit (£m)	220	197
Net cash flows from operating activities (£m)[1]	276	249
Operating cash conversion (%)[1]	94	92
Number of breakdowns (millions)	2.4	2.6
Consumer breakdown churn rate (%)	16.0%	14.1%
Total members (millions)	14.5	13.6
– Membership – Consumer (millions)	2.7	2.7
– Membership – Business (millions)	11.1	10.2
– Insurance (millions)	0.7	0.7
SMR jobs (thousands)	97	23
myRAC accounts (millions)	2.6	2.1

The Group also uses a range of other financial and non-financial performance indicators to monitor performance. See note 32 for definitions of APMs.

Spotlight

Electric vehicles: An opportunity for the RAC

In January 2024, the 1 millionth EV was registered. EVs now comprise over 17% of all new car registrations but the delay in the ban on the sale of new internal combustion engine (ICE) vehicles to 2035 has impacted driver's thinking on their next vehicle. Currently, most EV drivers are in business or fleet vehicles, meaning EVs are still a small percentage of the UK car parc and a small but growing percentage of the RAC's breakdowns (under 5%).

Surprisingly, the most frequent causes of breakdown are common to EVs and ICE vehicles, being faults related to tyres or the 12V battery, which powers essential systems including starting and instruments.

EVs do have some different requirements. "Range anxiety" is common for drivers considering moving to an EV. The RAC broke new ground in 2019 with "EV Boost", the first lightweight, mobile EV charger which can give "flat" vehicles enough power to get to the nearest charging point. Today, over 300 RAC patrol vans carry EV Boost technology.

EVs are more likely to require a tow than ICE vehicles and the RAC has continually innovated our towing experience in readiness for a more electric world. Since 2001, our patrols have been able to tow most vehicles on two wheels using the Rapid Deployment Trailer, fitted to all our patrol vans. In 2019, we launched "All-Wheels-Up", allowing our patrols to tow EVs, as well as more SUVs and 4x4s. Today, 80% of our patrol vans are equipped with All-Wheels-Up technology.

James,
patrol since 2017,
West Midlands

Strategy

The RAC's vision is unchanged. To become

UK'S NO.1 for driving services

Providing complete peace of mind for our members' driving needs.

Our strategy is designed to deliver this and is fully embedded within our organisation.

Kevin,
patrol since 2020,
Scotland

Our markets

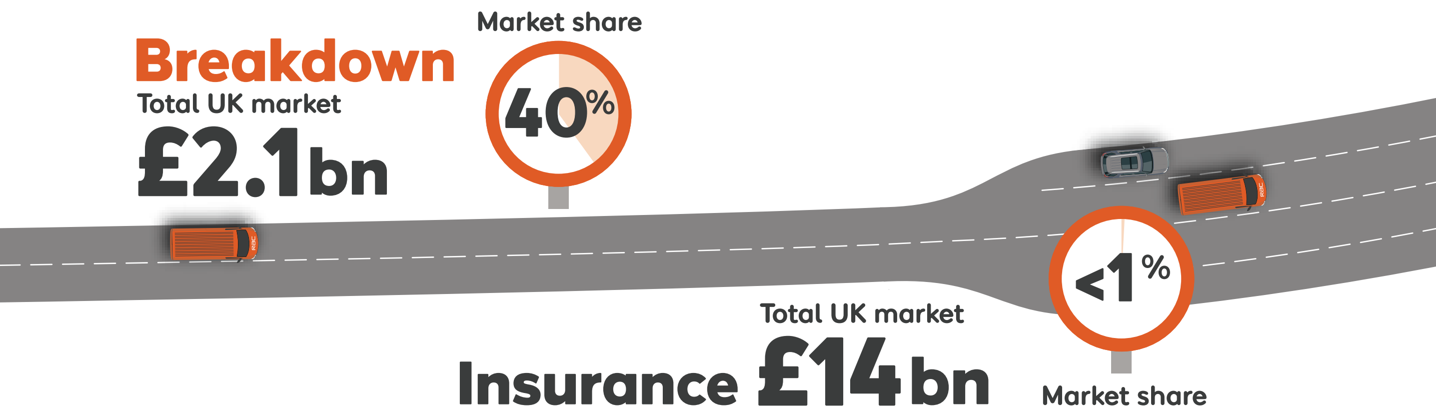
The RAC principally operates in three large, attractive and growing markets.

Breakdown

Since 1897, the RAC has been present in the UK breakdown market, worth approximately £2.1 billion in 2024, and expected to reach £2.4 billion by 2028. The RAC is one of only two large-scale, nationwide, branded breakdown assistance operators in the UK. Based on the number of members, the RAC has c.40% share of the breakdown market.

In a complex motoring world, breakdown cover is seen as an essential product with strong emotional pull. c.90% of consumers see having breakdown cover as important and consider a car to be essential. Breakdown products are distributed through a variety of B2C and B2B channels either as a standalone purchase, packaged with another product such as a bank account or an insurance policy, or included when buying a new or used vehicle.

The key underlying drivers of this market are the number, age and complexity of vehicles alongside other factors such as weather and the quality of UK roads. According to the Department for Transport, the UK car parc continues to grow, reaching 38 million in 2023, with the average age of cars in the UK being 9.4 years. The percentage of electric vehicles on the road continues to grow, accounting for 6.24% of cars at the end of 2024 (up from 4.67% at the end of 2023).

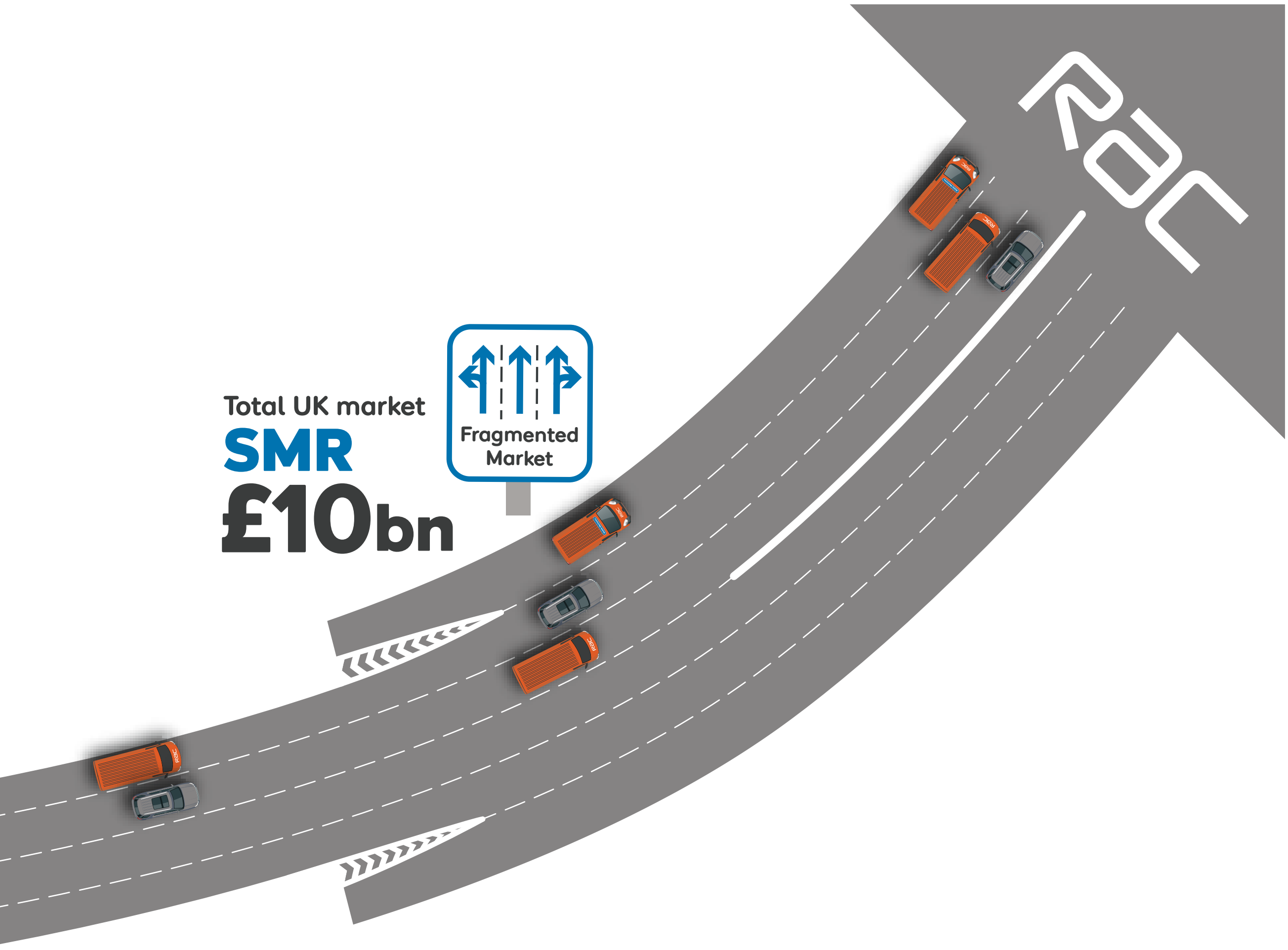


Insurance

The UK motor insurance market is worth approximately £14 billion and is expected to grow to over £16 billion by 2028. The market is relatively fragmented, with multiple brands competing for market share. Most insurers sell direct to customers but many also work with brokers like the RAC who do not take on underwriting risk but can provide unique data insights and/or brand advantages to allow them to be more competitive on price.

Motor insurance is mandatory for all drivers and therefore the key factors impacting growth are the number of vehicles on the road and changes in risk factors that affect the cost and frequency of claims. Most policies are sold through price comparison websites, where consumers show a tendency to choose trusted providers, like the RAC, over less well-known brands.

Despite having <1% market share, the RAC remains the largest pure play broker brand in the motor market. The RAC also operates in other insurance markets (including travel, home, van) but these are much smaller in scale.



Service, Maintenance and Repair

The UK service, maintenance and repair market is worth over £10 billion. The market is highly fragmented comprising thousands of independently owned garages and just a handful of national chains conducting reactive and proactive vehicle repairs and servicing.

Historically car repairs and services have been undertaken in traditional "bricks and mortar" businesses. More recent years have seen an increasing shift to digital platforms and mobile services to provide increased trust, transparency and convenience.

As owning and running a car becomes increasingly complex, the RAC is uniquely placed to leverage its existing brand, member base and technical expertise to win in this market.

During 2024, the RAC accelerated its expansion into this market offering choice, convenience, and trust through its 200+ RAC Mobile Mechanics and c.1,000 RAC Approved Garages.

Our business model

We are a single, trusted provider of driving services, delivered via three complementary member offerings – Breakdown, Insurance and Service, Maintenance and Repair (SMR) – underpinned by our unique data assets and digital capabilities including our member platform, myRAC.

Breakdown

We are one of the largest players in the UK roadside breakdown market, with 127 years of experience working across B2B and B2C. Our breakdown services are delivered 24/7, 365 days a year by over 1,700 roadside patrols, who attend more than 2.4 million breakdowns every year. We also provide market-leading breakdown cover to members travelling to Europe.

In Consumer Breakdown, we offer a range of subscription breakdown products and services designed to offer complete peace of mind to individual consumers and SMEs. In Business Breakdown, we work with corporate partners in various sectors (including motor manufacturers, fleet, banks and insurers) through long-term contracts, available on either a subscription or a "per usage" basis.

Breakdowns are reported either through the Rescue Me function of the myRAC app or via our dedicated UK contact centres. In some cases, we can resolve vehicle issues remotely. When attendance is required, we fix 80% of vehicles at the roadside. Alternatively, we either recover the vehicle to the member's home, where they can choose to have an RAC Mobile Mechanic repair, or we can recover it to an RAC Approved Garage.

Insurance

Our Insurance offering is as a broker (with no underwriting risk) providing a range of products through price comparison websites, with our primary offering being motor insurance. Capitalising on our trusted brand, we work with a leading panel of underwriters and leverage our unique and differentiated data assets to obtain the best possible rates for our members.

SMR

Launched in 2022, our fast-growing mobile service provider now has over 200 mobile mechanics, and c.1,000 garages, in the national RAC network.

Our skilled RAC Mobile Mechanics deliver premium services on a "to you" basis – at home, at work or at a fleet depot – to vehicle manufacturer standards. The RAC garage network continues to offer services on a franchised basis, operating to high standards that are regularly audited by the RAC.

Our SMR offering can be booked via the myRAC app or online at rac.co.uk. But it is the synergies with our breakdown business that really differentiate RAC Mobile Mechanics. Sometimes, when a member has broken down, further work is needed to permanently repair the vehicle. Our members then have a choice – to have the repair work done at an RAC Approved Garage, or via a Mobile Mechanic, at a time and place which is convenient.

In B2B, fleet operators are particularly sensitive to vehicle downtime. RAC Mobile Mechanics can be booked outside of core operating hours, guaranteeing minimal vehicle downtime and maximising business efficiency.

Other

The RAC also provides other driving products and services such as accident management services, branded customer contact centre services, garage services, legal advisory services (including legal expenses insurance) as well as RAC Cars and the RAC Shop.

1 DRIVE

continued growth in our core businesses

We will continue to **drive** sustainable growth in our core businesses of Breakdown and Insurance, evolving and expanding our increasingly personalised range of products and services, to ensure we remain relevant to our members throughout the driving lifecycle.

Breakdown

- Across Consumer and Business, this means differentiated and enhanced breakdown products and services, offering greater value to our members.
- Specifically in Consumer, focus will be on retaining more members and driving cross-sell in our sales journeys, by using data and our new dynamic pricing digital capability to deliver a higher quality and growing membership base.
- In Business, we will further extend our long-standing relationships with partners via cross-sell (including SMR) and the introduction of new services whilst selectively acquiring new, profitable partners.
- Our Breakdown operations will be transformed with ongoing technology, AI, data and digital initiatives that improve efficiency and member outcomes – further supporting the retention and growth of our membership base.

Insurance

- Leveraging our data and operating model to expand our Motor footprint, we will open up RAC Insurance to a wider segment of the market to drive membership and value, while remaining the broker of choice for our panel of underwriting partners.
- Via our improved suite of products and propositions, we will optimise sales conversion and integrate other RAC propositions to drive increased value.

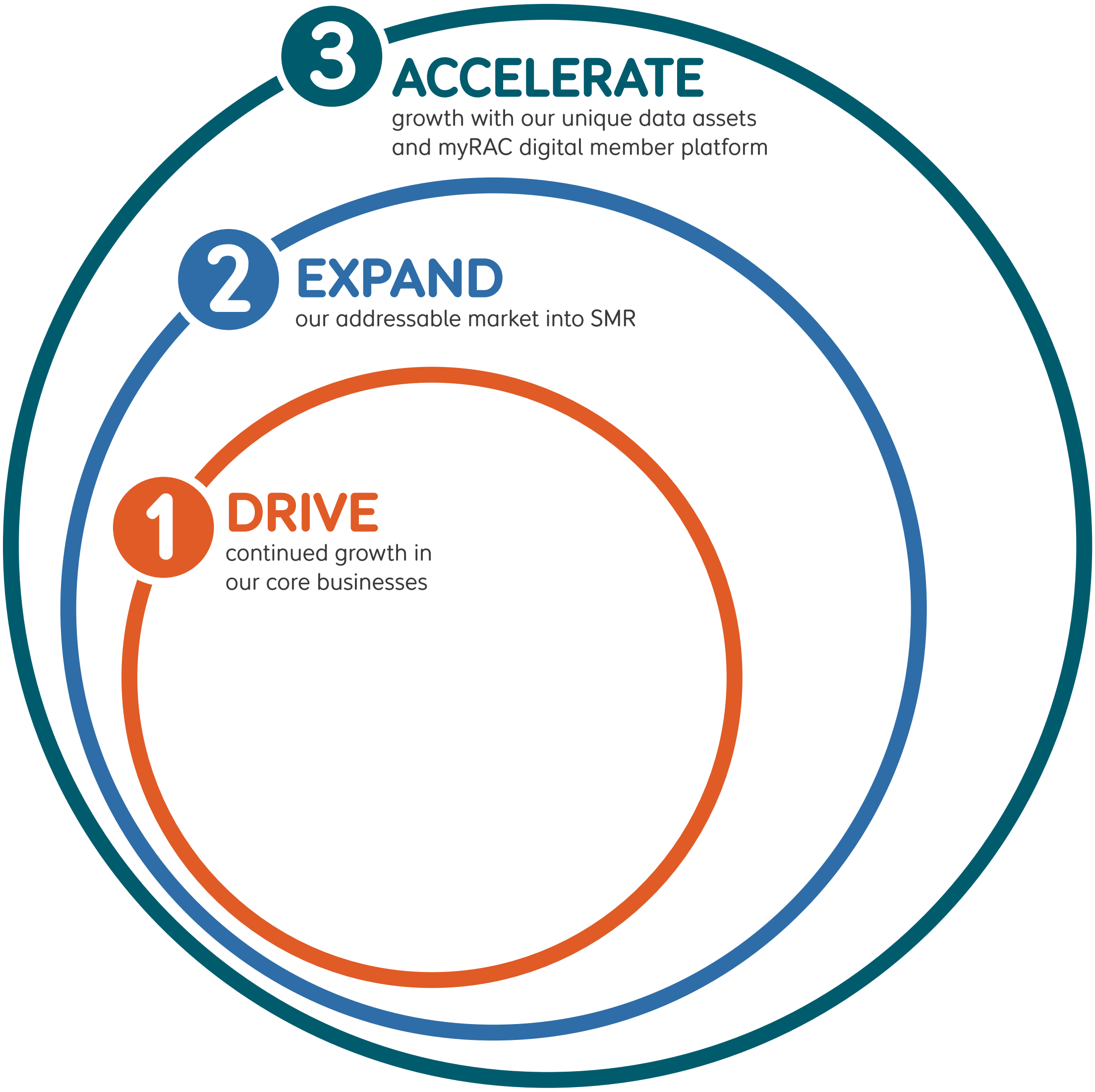
2 EXPAND

our addressable market into SMR

Service Maintenance and Repair (SMR) is an obvious market choice for the RAC with a clear right to play and win by harnessing our operational expertise and experience to deliver high quality, mobile, technical solutions for drivers in a market that is fragmented and often poorly served.

We will continue to **expand** our newest division, our third complementary member offering, supporting our vision of being the UK's number one for driving services. We will:

- Leverage our iconic brand to continue to scale our SMR business, offering a premium service, choice and convenience for our members.
- Recruit and train more mobile mechanics to meet ever increasing demand and deliver our trusted, 5-star service.
- Leverage our membership base generating demand at a low, or zero acquisition cost, delivering repeatable cross-sell, including post-breakdown.
- Collaborate with corporate partners, developing solutions that minimise vehicle downtime and maximise efficiency.



❸ ACCELERATE

growth with our unique data assets and myRAC digital member platform

We collect billions of data points across hundreds of different sources relating to our members and their vehicles. Using data-science, we create an enriched and unique data asset that gives us a competitive advantage – providing actionable insights to **accelerate** tangible business outcomes for the RAC, our members and partners.

Amongst other things, our data is at the heart of and powers myRAC, our digital membership platform which is the hub for all our members' driving needs. We will continue to invest in myRAC, to deliver an ever-increasing range of features designed to increase member engagement and interaction. This in turn drives loyalty, increases revenue and reduces cost to serve, at the same time providing a seamless and intuitive experience.

Risk management

The RAC operates a risk management framework to ensure that the risks to which the Group is exposed are identified, assessed, mitigated and reported on a regular basis. The key instruments of the framework include the risk management strategy, policies, risk appetite statements, registers and risk reports, and the governance and oversight structure.

Paul,
patrol since 2006,
South East

The RAC has an established governance framework with the following key elements

- A formal Investment Agreement which sets out the Board terms of reference, delegated authorities and certain matters which require the consent of major shareholders.
- Allocation of Senior Management Functions, Prescribed Responsibilities, Overall Responsibilities and Key Functions for each of our regulated subsidiaries under the regulators' Senior Managers and Certification Regime, documented in the Management Responsibilities Map.
- A clear organisational structure with defined terms of reference for the Group company boards, and board and executive management committees, in addition to documented delegated authorities and responsibilities, both from and to the Group's boards, board and executive management committees and senior management.

The Group's risk management framework is designed to identify, assess, mitigate and report on risks that could impact the Group's financial performance, reputation, or strategic objectives.

Ben,
mobile mechanic since 2023,
West Midlands

The Group's risk management approach is underpinned by a three-lines-of-defence model, adapted to suit the Group's decentralised and entrepreneurial structure.

First line

The first line of defence comprises operational teams who manage risks inherent in their day-to-day activities. Primary responsibility for risk identification and management lies with business areas which form the first line of defence. Business area management use various mechanisms for ensuring risks are appropriately identified, monitored, managed, and reported.

Second line

The second line of defence, led by the Chief Risk & Legal Officer, comprises risk and compliance functions that provide oversight, advice and challenge to the first line. These functions support and challenge on the completeness and accuracy of risk assessment, risk reporting and the adequacy of mitigation plans.

Third line

The Group's internal audit function independently assesses the effectiveness of the risk management framework. It reports to the Board Risk & Audit Committee and forms the third line of defence. It undertakes a risk-based audit programme to independently review and challenge the policies, processes and controls in place across the business.

Risk management is well embedded within the Group's day-to-day activities and divisional leaders routinely include risk considerations in their regular management and strategy meetings. By doing so, discussions around potential challenges and opportunities, both commercially and in respect of customer outcomes, are a natural part of the way we operate as a business.

Key forums, such as customer committees and performance review meetings at a divisional level, also provide platforms for discussing risks. These forums enable the business to take a holistic and strategic approach to identifying issues, assessing their impact, and developing mitigation strategies alongside the more immediate and focussed approach outlined above.

Within the framework, risk registers are maintained at both the group and divisional levels. These registers are regularly reviewed and updated to reflect changes in the risk landscape. Key risks are reported to the Executive Risk & Audit Committee and the Board Risk & Audit Committee.

To foster a risk-aware culture, the risk management function operates a collaborative and business-partnering approach. Risk professionals engage with divisional leaders to provide advice on identification and management of risks and to provide an appropriate level of challenge, tailored to the specific needs of each division.

The RAC's Chief Risk & Legal Officer is responsible for leading the risk debate and supporting appropriate decision-making by providing effective challenge to both senior management and the business divisions, as well as driving enhanced value by increasing risk capability and embedding the RAC's risk management culture at all levels across the business.

Hugh,
mobile mechanic since 2019,
South West

Principal risks

In 2024, the Board and Executive Risk & Audit Committees continued their oversight of the principal risks.

The principal risks to the Group are shown below, along with details of the actions being taken to address these risks.

The Group's principal risks have been aligned with the Group's three strategic pillars.

1 **DRIVE** continued growth in our core businesses.

2 **EXPAND** our addressable market into SMR.

3 **ACCELERATE** growth with our unique data assets and myRAC digital member platform.

Risk Change in year key: Increased / Static / Decreased

Strategy and business model

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 2 & 3	**Impact:** A decline in breakdown or insurance market share and margin and associated adverse effects on the long-term sustainability of the Group.	Static
The Group defines this as the risk of strategies not being optimally chosen, implemented or adapted to changing long-term trends in the market. This risk also considers the Group's ability to deliver competitively priced products and compelling propositions, or to acquire and retain members and corporate partners in a competitive market.	The Group has a clear vision to be the UK's number one for driving services. The strategy that supports this vision is reviewed on a regular basis and defines the key growth drivers for the business. The Group plans to continue its expansion into the service, maintenance and repair market, through the further development of products and services to meet the broader driving needs of members. We continue to drive member growth in our core businesses and maintain margins enabling us to continue to deliver consistent and sustainable EBITDA growth. We monitor member behaviour, demands and requirements on an ongoing basis to ensure that we fulfil as many of our members' driving needs as possible, and our overall offering to ensure that our products offer fair value.	The components of this risk have remained broadly stable during the year.

Debt leverage

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 2 & 3	**Impact:** The business being unable to continue as a going concern.	—
The Group defines this as the risk that either business performance or general market conditions deteriorate, impacting the RAC's ability to service its debt.	The Group requires sufficient cash to be generated by the business as well as access to external financing sources to enable it to service debt and to repay or refinance its debt at maturity. The Group is well-placed to manage this risk as it undertakes regular reviews of its cash flow forecasts and financing options, with contingency plans in place where appropriate. The Group is deemed to have access to sufficient cash to cover commitments as they fall due and also has access to working capital and liquidity facilities which are available to draw in the unlikely event of a liquidity shortfall.	The profile of this risk has remained broadly stable during the year.

People risk

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 2 & 3	**Impact:** A loss of opportunities, operational disruption for our members, and inability to fully execute the strategy for the business.	—
The Group defines this as the risk that the Group fails to attract or retain business critical skill sets including roles critical for the delivery of our strategy.	The Group works with its internal recruitment function as well as external agencies to run recruitment campaigns with continually revised adverts to increase applications to meet required workforce plan numbers. Regular reviews of workforce plans are completed to ensure that demand can be met, and that targeted support is given to address recruitment hotspots or where there will be pinch points throughout the year. The Group works hard to maintain a compelling colleague proposition with an active reward and engagement strategy and a clear training and competency scheme in each division to maximise opportunities for development.	The profile of this risk has remained broadly stable during the year.

Information security and data protection / governance risk

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 2 & 3	**Impact:** Brand damage, non-compliance with data protection laws, regulatory fines, class action lawsuits, contractual breaches and significant operational disruption.	∨
The Group defines this as the risk of failure to manage the evolving data risks presented to the Group by external and internal threats including cyber-attacks, non-compliance with data protection (DP) laws and failure to ensure that appropriate governance is in place over data.	The Group is committed to ensuring that its information assets are secure and protected from potential threats. The Group has a specialist Information Security Team with ISO27001 in place. The Group undertakes regular penetration testing, vulnerability scanning and phishing simulations and regular training and briefings are provided to employees. The Group has undertaken stress-testing exercises across the year and has introduced new controls. These enhance the ability to both defend against cyber threats and ensure response processes and procedures are well-tested. The Group has a Data Protection Officer and data protection team in place who operate a complete and robust data protection framework, provide advice to the business and ensure a data conscious culture is embedded within the business.	Further improvements taken against the Group's cyber strategy. As such the profile of this risk has reduced in the year.

Breakdown service delivery

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1	**Impact:** Adverse outcomes for members, financial losses due to reduced retention rates of our consumer members and loss of corporate partners and/or additional costs to service breakdowns, as well as complaints, censure or reputational damage.	—
The Group defines this as the risk that members receive poor service from their dealings with the RAC Breakdown operation due to failure to forecast and to resource our operations effectively in a fast changing environmental (weather) and operational environment.	We carefully manage our resourcing levels to ensure we deliver good service to members at their point of need. In the year, various programmes of work have been completed to improve operational processes and further improve the experience delivered to our members. These include improvements to forecasting accuracy and improved resource flexibility and availability.	The profile of this risk has remained broadly stable during the year.

Operational resilience

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 2 & 3	**Impact:** Poor outcomes for members and/or damage to commercial relationships, regulatory action, failure to acquire new and retain individual members and corporate partners.	—
The Group defines this as the risk of failure of important business services, loss of buildings, loss of critical business roles, the failure of an essential business asset or an operational failure of RAC or third-party IT systems.	The Group continues to respond to the FCA (Financial Conduct Authority), PRA (Prudential Regulation Authority) and Bank of England requirements on operational resilience and has delivered the required milestones ahead of the March 2025 regulatory deadline. The Group manages this risk by employing specialist teams to manage the operation and resilience of its IT systems and by having clear business continuity plans and change management processes. Material outsourcers and key suppliers are subject to enhanced oversight. Various programmes of work have been completed in the year to further improve the Group's IT infrastructure to support its strategy and to improve ongoing operational resilience. The Group also has a crisis management process in place, which allows it to respond promptly and effectively to challenges to the continuity of services.	The profile of this risk has remained broadly stable during the year.

Health & safety

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 & 2	**Impact:** Serious injury or loss of life, regulatory action against the RAC and/or individuals including fines or other sanctions, compensation payments and associated reputational damage.	^
The Group defines this as the risk of death or serious injury to colleagues and/or third parties affected by our operations, and/or non-compliance with applicable health and safety legislation across all the RAC's operations.	Health and safety considerations are of the utmost importance to the Board, the Executive and the Group as a whole. The Group's roadside operations necessitate attendance by patrols or third-party contractors to inspect and repair members' vehicles at the roadside which will inherently regularly involve high-risk situations. The introduction of our Service, Maintenance and Repair proposition in 2022 and its continued expansion has also changed our health and safety profile. Consequently, there is a clear emphasis on regular communication from senior management level to drive standards and messaging regarding the importance of health and safety from the top down. The Group has a specialist health and safety management system in place which is mandatory in all areas of the business. This gives visibility of key data points to management and embeds an understanding of health and safety considerations across all of the Group's activities and gives visibility to management of key data points and embeds understanding of the health and safety aspects across all the Group's activities. Training programmes are in place, utilising both face-to-face training for patrols and computer-based training for other colleagues. The Group continues to maintain the ISO45001 Occupational Health & Safety Standard accreditation which demonstrates its commitment to health and safety across the business and recognises the benefits of ongoing efforts to minimise risk to colleagues and third parties.	The profile of this risk has increased in the year as the number of new starters has increased, increasing the requirement for training.

Climate change and related financial reporting requirements

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 & 2	**Impact:** Short-term & long-term increases in costs to respond to extreme weather events, to ensure regulatory compliance or secure funding. Adverse outcomes for members and associated reputational damage. Regulatory action against the RAC including fines or other sanction.	Decreased
The Group defines this as the risk of an adverse impact linked to climate change in terms of a) the transition to net zero and b) the physical impact of extreme weather events on the RAC's strategy, financial targets, and/or operations or sites and c) failure to properly implement or failure to operate in line with, regulatory requirements (PRA 'Financial risks from climate change', TCFD, CFD).	The Group continues to invest in forecasting tools to more accurately predict and plan for weather events. Longer-term risks are being addressed by a decarbonisation plan with associated strategy, targets and timelines which are monitored by the Board Sustainability Committee. This Committee has primary responsibility for climate-related risk management and preparations, progress against goals and targets for addressing climate-related issues, CFD (TCFD) compliance and ongoing compliance with FCA/PRA rules and guidance in relation to climate change. The Group has ongoing interaction with advisers and investors to keep abreast of changing market expectations and opportunities to improve the Group plans and overall preparedness.	The Group has embedded its decarbonisation plan with associated strategy, targets and timelines and CFD reporting requirements. As such the profile of this risk has decreased in the year.

Conduct risk / Regulatory and legal compliance and change

Risk description	Potential impact and mitigation activities	Risk change in year
Strategic alignment: 1 2 & 3	**Impact:** Detriment to our members, regulatory enforcement including fines and/or significant brand or reputational damage to the Group.	∨
The Group defines this as the risk of failure to meet legal and regulatory expectations, as well as the risk that regulatory change could have an adverse impact on the Group for example by impacting on the commercial model, trading or economics of the business.	The Group has a robust training and competency scheme in operation across all areas of the business and provides regular training and briefings to its employees to ensure a customer-centric and compliant culture exists throughout the business. In addition, the Group has clear processes and procedures in place to identify and monitor any emerging risks and to ensure that controls are in place to minimise the risk of any legal or compliance failure or breach. The Group has several first line compliance specialists embedded within the divisions as well as a team of second line regulatory and compliance specialists, who conduct proactive monitoring, to ensure that the regulatory and legislative requirements are adhered to. Legislative and regulatory developments are monitored and assessed in order that the Group can adapt to any changes well in advance of their implementation and minimise any commercial impact. The Group maintains focus on Consumer Duty with the revised governance structure of customer committees focused on the monitoring of the outcomes being delivered to members, an Executive Compliance Committee as well as a Conduct & Culture Committee which oversees the Group's culture, the outputs of which are reviewed by the executive monthly to ensure that we are proactively identifying trends in, and early warning indicators of risks to member outcomes. The Group also undertakes an ongoing cycle of product reviews and fair value assessments to ensure that its products deliver good outcomes for members.	The profile of this risk has decreased in the year. The Executive has led improvement plans to enhance customer outcomes in service delivery and complaint handling and the delivery and oversight of enhanced outcomes monitoring.

Climate-related financial disclosures

Global temperatures are currently on a trajectory to increase by 4°C above pre-industrial levels by 2100. The RAC have included this global threat of climate change as a principal risk to our business operations and in 2023 we worked with specialist consultants to finalise our climate-related targets and milestones for the business, and to identify opportunities to achieve net zero in advance of 2050.

This included the development of a decarbonisation plan that will lead to a reduction of 50% in emissions per job by 2035 and is a significant step towards our ambition to achieve net zero by 2050 at the latest.

Hugh,
mobile mechanic since 2019,
South West

We continue to explore ways to accelerate progress as the technology available continues to improve. In the 12 months since the decarbonisation plan was introduced, we have been working on a clear set of short-term actions that are already producing positive reductions in emissions.

The sections below set out in detail the way that risks and opportunities are assessed and managed, in accordance with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations.

These disclosures also address the requirements set out under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Climate-related issues are proactively monitored and managed through integration into the Group's existing risk management framework. Scenario analysis capabilities have been developed further in the year to help us better understand the potential impact of climate on the Group's operations, financial performance and strategy.

We have assessed the impact of climate risks and opportunities on our income statement and statement of financial position and have concluded that it is not possible to identify any material impact on the financial statements for the year ending 31 December 2024. The impact of risks and opportunities on future financial statements, in the medium and long-term are considered potentially more material if action is not taken to mitigate them and are detailed in the following sections.

Stuart,
patrol since 2007,
South West

Table 1.0 TCFD recommendations index

Section	Recommendations	Section
1. Governance	a) Describe the board's oversight of climate-related risks and opportunities	1.1
	b) Describe management's role in assessing and managing climate-related risks and opportunities	1.2
2. Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	2.1
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	2.2
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	2.3
3. Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	3.1
	b) Describe the organisation's processes for managing climate-related risks	3.2
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	3.3
4. Metrics & targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	4.1
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	4.2
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	4.3

1. Governance

1.1. Board's oversight of climate-related risks and opportunities

The RAC has a strong established governance framework, allowing the Boards, management committees and senior management to integrate climate-related risks and opportunities into our strategy, decision making and business processes.

Table 1.1 Climate risk governance structure

Board level governance

RAC Group (Holdings) Board
Establishes purpose, sets strategic goals, monitors and oversees progress against climate-related targets and ambitions for the Group

The Regulated Entities Board
Ensures that the climate-related targets and ambitions are appropriate in the context of the regulated entities and that we meet our regulators' expectations

Board Risk & Audit Committee	Board Sustainability Committee
Oversight of the overall climate change risk and opportunity assessment and of climate-related disclosure compliance	Reviewing and approving the detailed assessment of material risks and opportunities from climate change and the sustainability strategy, targets and associated metrics and monitoring progress against these

Management level governance

Executive	Executive Risk & Audit Committee	Chief Financial Officer	Chief Risk & Legal Officer
Responsible for the implementation of the sustainability strategy	Oversight of overall climate-related change risk assessment	Accountable to the RAC Group (Holdings) Board for the implementation of the Group's sustainability strategy. Senior manager responsible for climate-related financial risk under the senior manager's regime	Reviews and challenges the climate-related risk and opportunity assessment undertaken by the Executive and the Board Sustainability Committee

Management Working Groups

RAC Group (Holdings) Board

The RAC Group (Holdings) Board has ultimate responsibility for ensuring that climate-related risks and opportunities are identified and managed effectively. Specifically, the Board ensures that the Board Sustainability Committee has a clear focus on potential climate-related risks and opportunities, their associated management, control, and mitigation, and that disclosure requirements have been satisfied.

The RAC Group (Holdings) Board will be kept informed of climate related issues through reporting from the Board Sustainability Committee and the Board Risk & Audit Committee.

The composition and competencies of the Board are set out in the Governance Report on pages 86-91. The Board meets regularly to discuss material matters which impact the Group.

The Regulated Entities Board

The role of the Regulated Entities Board is to provide appropriate governance and oversight of climate-related issues in the subsidiaries of the Group which are subject to FCA and/or PRA jurisdiction, namely RAC Motoring Services, RAC Financial Services Limited and RAC Insurance Limited and to ensure that the Group meets the regulators' expectations in relation to climate change. Further detail of the composition and responsibilities of the Regulated Entities Board, and the frequency of meetings is set out in the Governance Report on page 95.

Board Risk & Audit Committee

The Board Risk & Audit Committee oversees all aspects of financial, regulatory, and operational risk, including the long-term risk to the Group from climate change. The Board Risk & Audit Committee meets a minimum of three times a year. Further detail of the composition and responsibilities of the Board Risk & Audit Committee is set out in the Governance Report on page 93.

Board Sustainability Committee

The RAC Group (Holdings) Board has established a Board Sustainability Committee which is responsible for oversight of the Group's sustainability strategy, including the Group's response to climate-related risks and opportunities as well as establishing and overseeing progress towards climate-related goals and targets. Further details of the composition and responsibilities of the Board Sustainability Committee, and the frequency of meetings, where climate-related matters are regularly considered, is set out in the Governance Report on page 94.

Management and the Executive update Board Sustainability Committee with climate-related matters a standard agenda item (e.g. risks, opportunities, decarbonisation plans). The outcome of reviews may include the reprioritisation of risks or opportunities, challenge to their potential financial impact or actions to assess current risk mitigation plans and strategies to maximise opportunities.

The introduction of climate-related considerations into the Group's decision making continues to develop and evolve. This year has seen further integration into the Group's strategy setting and long-term business planning and the development of net zero targets and associated decarbonisation plans.

1.2. Management's role in assessing and managing climate-related risks and opportunities

The Board and its committees work closely with senior managers to assess and manage climate-related issues, providing oversight and direction to the Management Working Groups via the Executive, Chief Financial Officer and Chief Risk & Legal Officer.

Executive

The Executive input into the overall strategy and targets for sustainability and the assessment of the key risks and opportunities through a robust review of the climate-related risk and opportunity register.

The Executive includes representatives from all the Group's operational and functional business units who will use this forum to raise and collectively assess the impact of any emerging risk or opportunity specific to their division. These risks will also be captured on the associated Group Executive member's divisional risk register.

Executive Risk & Audit Committee

The Executive Risk & Audit Committee has responsibility for oversight of the overall assessment of climate-related risks and opportunities. Each executive member has the opportunity to review and input into the overall description and rating of the key climate change risks and opportunities, and to challenge any proposed actions being taken to address these risks or capitalise on the opportunities.

Management report details of the key risks within their business area to the Executive Risk & Audit Committee a minimum of four times per year. Additionally, a detailed assessment of the climate-related risks to the Group is reported to the Executive Risk & Audit Committee at least annually, with additional reporting if there is a material change to existing or emerging risks and opportunities.

Chief Financial Officer

The Chief Financial Officer has responsibility for overseeing, managing, and setting the Group's sustainability strategy and agenda, which includes the work to recommend appropriate decarbonisation targets, and the challenge that the financial risks and opportunities from climate-related change are identified and managed effectively.

Management Working Group

The Management Working Group is multi-disciplinary, involving several governance, risk and compliance functions who manage the integration of climate-related risk into the overall risk management framework and our Group finance function who support the business to understand the financial impacts of net zero and ensure compliance with disclosure requirements. The process by which climate-related issues are managed is described in section 3.2 below.

Our Head of Sustainability is responsible for co-ordinating the day to day delivery of sustainability initiatives across the group, including the work undertaken this year to develop a full decarbonisation roadmap. This includes targets and KPIs to allow the Group to monitor the progress of plans and assist in the identification of risks and opportunities.

Chief Risk & Legal Officer

The Chief Risk & Legal Officer reviews the assessment of climate-related risks and opportunities and will provide input into and challenge in relation to this assessment, prior to assessment by the Chief Financial Officer and Executive.

Hugh,
mobile mechanic since 2019,
South West

2. Strategy

The Intergovernmental Panel on Climate Change (IPCC) has concluded that the world must reach net zero emissions in the early 2050s to limit global warming to 1.5°C above pre-industrial levels and avoid the worst consequences of climate change. In support of this global target, the RAC has made a commitment to also achieve net zero by 2050 at the latest, in line with the UK government's broader objectives. Integral to delivering on this commitment is understanding all the actual and potential risks and opportunities that may impact the Group as we transition towards a low-carbon economy.

The principal risks and opportunities, and their potential impact on our business, strategy and financial planning are provided in tables 2.2 to 2.3. The potential financial impact is shown on an unmitigated basis, before any Group action to manage the risks and opportunities.

The risks and opportunities have been assessed across three plausible climate scenarios and over the short-term, medium-term, and long-term. Details of the three scenarios are outlined in table 2.1 and reflect Early Action towards a low carbon economy (EA), Late Action (LA), and No Additional Action above existing government commitments already announced (NAA).

2.1. Scenarios for risk assessment

We believe the Group has a resilient business model which supports its long-term sustainable performance. Each climate-related risk and opportunity, regardless of the applicable time horizon, is factored into the Group's strategic planning on an ongoing basis. Scenario analysis and decarbonisation plan costings are important considerations in informing the longer-term strategic outlook.

To assess our resilience to climate change, we selected three independent climate scenarios relevant to our sector and to national UK government climate targets. The climate scenarios were aligned to the three Climate Biennial Exploratory Scenario (CBES) scenarios that are based upon a subset of the Network for Greening the Financial System (NGFS) climate scenarios. Our internal scenario analysis was initially performed in 2022, and then updated in 2023 and 2024.

The selected scenarios allow us to evaluate the implications of various plausible pathways relating to global warming of between 1.5°C to 4.1°C. Having developed our initial scenario analysis, we then assessed the potential risks and opportunities of each climate scenario to the Group over the short, medium and long-term.

Short-term represents 1 year to the end of 2025: this is aligned to existing budgeting processes which are reviewed and evaluated on an annual basis. Medium-term represents 2026-2030: this is broadly aligned to average key asset lifecycles. Long-term represents 2031-2050: this is aligned to the period beyond the current key asset lifecycle and extends to the Paris Agreement target of 2050.

Each year the business prepares its strategy and associated 5-year financial plan, with the useful economic life of key assets typically between five and eight years.

Short-term risks and opportunities impact the early years of the current 5-year plan, with medium-term risks beginning to emerge in the outer years. The useful life of most assets extends towards the end of the medium-term scenario in 2030. Long-term risks and opportunities are considerations in the strategy but extend beyond the standard 5-year plan. The financial impact of these risks and opportunities are assessed through in-house built scenario models which build out from the 5-year plan exit rates.

These scenarios were selected as the most relevant to our sector and widely used in our comparator group. The scenarios are also fully aligned with our overarching target to be net zero by 2050.

The three climate scenarios are assessed against a hypothetical baseline scenario that assumes no increase in physical or transition risk through the scenario period.

Table 2.1 shows key physical and transition variables in the scenarios selected.

Table 2.1 CBES scenarios

CBES scenario	Early Action (EA)
Nature of transition	Early and orderly Carbon taxes and other transition policies intensify relatively gradually over the scenario horizon.
Global CO2 emmisions	Reduced to net-zero by 2050
Global warming^ – Year 0 – by 2030 – by 2050 – by 2100	 1.1°C 1.4°C 1.8°C 1.5°C
Policy change date	2021
Modelled risk type	Transition risks
Transition risks	Medium
Physical risks	Limited
Impact on output	Temporarily lower growth
Key model inputs climate & physical changes – UK weather summary – UK sea level rise by 2050 – UK average precipitation increase by 2050	 Further changes limited 0.16m 0.30%
Policy changes & emissions – Vehicle advancement towards EV	 Government acts promptly to encourage a smooth transition to electric vehicles. The proportion of new vehicles accounted for by internal combustion engine vehicles gradually falls and policies are introduced to remove used internal combustion engine vehicles from the road.
UK economic impact UK average annual output growth – Year 6 – 10 (to 2030) – Year 11 – 15 (to 2035) – Year 26 – 30 (to 2050)	 1.40% 1.50% 1.60%
Fossil fuels & GHG emissions – Phase out of fossil fuels – 2050 energy needs – UK – 2050 energy needs – global	 Fossil fuels are almost entirely replaced by renewables in the UK primary energy mix by 2050. 90% renewables 70% renewables
Fossil fuels & GHG emissions – Carbon pricing per tonne of CO2 equivalent (exc. Inflation) – Carbon sequestration	 US$900 Moderate Level Assumes only a moderate level can be achieved by private and public investment.

The unmitigated scenario analysis outcomes are summarised by RAG status in tables 2.2 to 2.3. Based on the Group's strategic plans and capabilities, we believe we are well-positioned to mitigate the financial risks and take advantage of the opportunities related to climate change.

Late Action (LA)	No Additional Action (NAA)
Late and disorderly The implementation of policies to drive the transition is delayed until 2031 and is then more sudden and disorderly. The more compressed nature of the reduction in emissions results in material short-term macroeconomic disruption.	Only policies that were in place before 2021 Primarily explores physical risks from climate change. No new climate policies are introduced beyond those already implemented. The absence of transition policies leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase.
Reduced to net-zero by 2050	Net-zero not acheived
1.1°C 1.4°C 1.8°C 1.8°C	1.1°C 2.5°C 3.3°C 4.1°C
2031	n/a
Transition risks	Physical risks
High	Limited
Limited	High
Sudden contraction (recession)	Permanently lower growth and higher uncertainty
Further changes limited 0.16m 0.30%	Increase average temperatures Increase precipitation in the winter months Reduce precipitation in the summer months Increased exposure to subsidence Increased exposure to heatwaves 0.39m 11.00%
There are substantial government policies to manage the transition to electric vehicles beginning in 2026 rather than 2021.	Paths for vehicle prices, sales and vehicles on the road mirror LA scenario to 2030. Thereafter transition stops – announced policies not subsequently introduced.
1.50% 0.10% 1.60%	1.40% 1.40% 1.20%
Fossil fuels are almost entirely replaced by renewables in the UK primary energy mix by 2050. 90% renewables 70% renewables	Not applicable 40% renewables 25% renewables
US$1,000+ Low Level Due to the absence of timely and sizeable investment in sequestration technologies.	US$30 Low Level Due to the absence of timely and sizeable investment in sequestration technologies.

2.2. Climate-related risks and opportunities identified over the short, medium, and long-term

During the year we continued to refine our existing climate risk assessment, in consultation with relevant stakeholders across the business, to re-assess climate-related risks and opportunities over the short, medium, and long-term. Risks for the Group have been categorised in accordance with TCFD recommendations of transition risks and physical risks. Climate-related opportunities are also considered.

Transition risks

Transition risks arise from the efforts by governments, institutions, and businesses to accelerate the global transition to a low carbon economy. This may result in policy and regulatory intervention, new market incentives or shifts in demand and behaviour that could lead to financial impacts on the Group, our customers, and our suppliers. In general, transition risks are likely to materialise more rapidly than physical risks, which are likely to be gradual and materialise in the longer-term.

Examples of transition risks that may impact the business in the short, medium, and long-term are provided in table 2.2.

Physical risks

Physical risks represent risks to the physical environment due to unabated greenhouse gas emissions, global warming and changing climate patterns. These risks are likely to lead to increased extreme weather events such as more frequent and intensive storms, extreme heat and cold, floods, droughts, and fires, as well as chronic gradual impacts such as higher than average temperatures and rises in sea levels which may lead to economic loss for the Group, our customers, and our suppliers.

Examples of physical risks that may impact the business in the short, medium, and long-term are provided in table 2.2.

Transition opportunities

The transition to a low-carbon economy can also lead to opportunities to support our suppliers, partners, and customers in their shift to new technologies and business models. The size of these transition opportunities will be affected by the rate of transition the UK and the world's economies undergo over the scenario review period to 2050.

Examples of transition opportunities that may impact the business in the short, medium, and long-term are provided in table 2.3.

Climate-related risks and opportunities have been assessed at a national level, reflecting our primarily UK-based operations. Principal risks and opportunities have not been aggregated by sector on the basis that most risks impact all sectors in a similar way, although each individual risk or opportunity describes any specific sector impacts, where appropriate.

2.3. Impact of climate-related risks and opportunities on business, strategy and financial planning

Overall, the Group is most exposed to the transitional risks of climate change, such as increases in carbon levies, rather than physical risks, brought about by extreme weather events or changing weather patterns. We are committed to ensuring our business operations are structured to enable us to contribute to a low-carbon economy by transitioning to electric vans, renewable energy sources, improving operational productivity, and maximising our energy efficiency.

In response to these transition risks, the Group has published its decarbonisation plan as part of the annual report and accounts to drive and support reductions in GHG emissions in line with our commitment to be net zero by 2050 at the latest.

Using the TCFD categorisations all key risks and opportunities are RAG assessed to reflect probability and financial impact based on the specific financial statement category affected. Group materiality is then applied to determine which of these key risks represent principal risks and opportunities. Materiality is based on 3% of Group EBITDA.

Table 2.2 represents potential risks on an unmitigated basis. However, with the current governance structure, management are confident that the business is alert to the key risks and opportunities related to climate change and can implement appropriate mitigating actions to reduce the residual risk in the short, medium, and long-term.

Table 2.3 provides details of the key opportunities that have been identified.

Glen,
patrol since 2018,
Wales

Table 2.2 Principal climate-related transition and physical risks

TCFD category		Risk description	Financial category impacted
Technology	Market not ready for ban on new petrol and diesel vehicle sales by 2035.	Impact on members: UK electric vehicle model availability, prohibitive cost, or lack of infrastructure may constrain sales of new EVs. This may result in a stalling of UK new car sales growth, constraints on parts supply for repairs and an increase in average membership vehicle age and propensity to break down.	Costs
		Impact on the RAC fleet: UK electric commercial vehicle model availability and/or capability may not be adequate to support the transition to EVs. Constraints may either delay the full electrification of the RAC's fleet leading to exposure to higher carbon taxes and levies as well as additional maintenance costs on older vehicles, or require some compromise on vehicle specification which could impact operational efficiency. This risk is reducing as new models become available.	Costs
	Electric & alternative fuel vehicles replace petrol and diesel vehicles.	Impact on breakdown mix: Transition to electric, hydrogen and/or hydrotreated vegetable oil (HVO) fueled vehicles may result in significant changes in breakdown fault mix distribution and/or claims frequency. This changing profile will require investment in training and equipment and/or other changes to our breakdown operations being required.	Costs, assets, & capital expenditure
Market	Reduced demand for breakdown, insurance and SMR products and services.	Reduced private vehicle ownership: A shift away from, or reduction in, private vehicle ownership which may reduce the number of breakdown members and/or car insurance policy holders.	Revenue
	Cost of transition to low carbon business model.	Higher input costs: Increased operating and capital expenditure as overall input costs reflect the inflationary impact of a lower carbon economy (including higher fuel, energy, payroll, water, waste treatment). Existing partners may be unwilling or unable to meet our targets and we may therefore need to find alternative suppliers, potentially incurring transition costs and higher run costs.	Costs
Reputation	Increased stakeholder concern or negative stakeholder feedback.	Demonstrable green credentials: There may be a loss of competitive advantage and market share if customers and suppliers do not perceive sufficient progress is being made towards certified net zero targets. Capital availability and funding during the transition to a low carbon economy will favour low emissions sectors and companies. Without demonstrating green credentials, access to competitive investing and borrowing rates may be restricted. Medium-term risk in the early action scenarios and long-term risk in the late action scenaro has reduced in the year from high to medium, reflecting the delay in mandatory electric new vehicle sales from 2030 to 2035.	Revenue & costs
Physical	Acute and chronic climate change.	Chronic climate change: Long-term changes in precipitation patterns and mean temperatures may have a permanent impact on the demand profile for breakdowns. Acute climate change: Climate change is also expected to increase the number of short-term extreme weather events, including excessive precipitation, flooding, heatwaves, and storms. Both the chronic and acute physical risks could adversely impact the volume and fault mix of breakdowns leading to increased uncertainty and higher operational costs per job.	Costs

Transition scenarios	
EA	Early Action (1.4°C by 2030, 1.8°C by 2050, 1.5°C by 2100)
LA	Late Action (1.4°C by 2030, 1.8°C by 2050, 1.8°C by 2100)
NAA	No Additional Action (2.5°C by 2030, 3.3°C by 2050, 4.1°C by 2100)

Unmitigated financial impact	Scenario	Unmitigated impact by term: Short term 2025	Medium term 2030	Long term 2050	Strategies to mitigate risk
Increased claims frequency/ costs as members are unable to replace their ICE vehicles and average vehicle age increases.	EA	Low	Medium	Medium	The risk to future changes in breakdown demand and claims frequency will be mitigated through our existing usage based approach to pricing. Most of our individual member policies renew annually and business contracts are for between 1 and 3 years. The business uses these relatively short renewal cycles to adjust premiums in response to any emerging changes in claims rates and costs.
	LA	Low	High	Medium	
	NAA	Low	Low	Low	
Reduced patrol efficiency/ increased fleet costs as full electrification of the fleet is delayed.	EA	Low	Medium	Low	Patrol vehicles are typically leased over a five year term, allowing the fleet to be regularly refreshed and benefit from the latest technology. In addition, the business is actively working in collaboration with OEMs to help develop and pilot new commercial EVs. Non patrol vehicles (company cars, support vans etc) are already being transitioned to EV wherever possible. Proactive long-term procurement planning ensures that the business secures access to new technology on competitive commercial terms.
	LA	Low	Medium	Medium	
	NAA	Low	Low	Low	
The relative impact of increased or decreased specific fault impact is currently uncertain. Where EVs cannot be repaired at roadside, costs may be higher. In addition to higher costs, there may also be increased capital investment and training required.	EA	Low	Medium	Medium	The RAC has a highly experienced and capable workforce and we invest in state of the art equipment and training to enable our mechanics to repair and recover vehicles effectively. As more data becomes available, we will continue to monitor alternative fuel breakdown performance and refine our plans to adapt our capabilities in step with evolving demands. We also have the ability to flex pricing in response to changes in costs.
	LA	Low	Low	Medium	
	NAA	Low	Low	Low	
Reduced breakdown, motor insurance and adjacency revenue.	EA	Low	Medium	Medium	Market surveys still reflect a strong preference for private vehicle ownership, even during periods of lockdown when mileage dipped for several months. Today, the RAC offers a broad and diversified range of products and services, including EV servicing, which cater for a wide range of customer needs not just breakdowns. We will continue to innovate and develop new propositions as member needs change.
	LA	Low	Low	Medium	
	NAA	Low	Low	Low	
Increased supplier costs.	EA	Low	Medium	Medium	As part of our roadmap to net zero, we are investing in energy efficient assets, which will help mitigate the potential risk of future energy costs. In regards to suppliers, the business has stringent selection criteria in place, and partners who are unable to support the RAC's climate related targets may be deselected and replaced with organisations that can demonstrate decarbonisation plans aligned with the RAC.
	LA	Low	Low	Medium	
	NAA	Low	Low	Low	
Reduction in existing and/or new business revenue. Increases in capital and funding costs if access to competitive rates is limited.	EA	Low	Medium	Medium	The business has an overarching target to reduce its impact on the environment by being net zero by 2050 at the latest. Work was undertaken during 2023 to develop a specific decarbonisation plan to identify opportunities to achieve net zero in advance of 2050. Specific targets and metrics have also been identified to ensure successful delivery against this target.
	LA	Low	Low	Medium	
	NAA	Low	Low	Low	
Increased cost base due to changes in breakdown volumes and profile.	EA	Low	Low	Low	Current demand forecasting and resource planning processes utilise a series of short- and long-term forecasting techniques, including weather related inputs and changes in fault mix. Any gradual chronic change in climate will be factored into long-term trend analysis to identify emerging trends in volume and distribution to ensure efficient deployment of resource. Any increased costs associated with long-term change or increased frequency of weather events will impact claim frequencies and costs, and as a result be reflected in future premiums and prices.
	LA	Low	Low	Low	
	NAA	Low	Medium	Medium	

Risk rating Low risk Medium risk High risk

Table 2.3 Principal climate-related opportunities

TCFD category	Opportunity	Opportunity description
Products & services	Development of low emission goods and services.	EV products & services: The transition to a low carbon economy will present many opportunities for the RAC to use its innovation and trusted brand to bring new EV products and services to its existing membership base and the broader motoring services market, including collaboration with motor manufacturers. Partnerships to accelerate EV transition: Supporting consumers in their decision making and transition to EV, including advisory services, financing, and post transition support services (insurance, breakdown, SMR).
Resource efficiency	Use of more efficient modes of transport.	Electrification of patrol fleet: By 2035, all new vehicles will need to be electric. There is an opportunity to gain a competitive advantage by early adopting new patrol fleet technology and taking advantage of lower fuel costs. This will support the RAC's green credentials and improve the business' reputation and give a commercial advantage, particularly over competitors with smaller direct patrol fleets and greater reliance on contractors.
		Reduced environmental impact: Increasing the efficiency of RAC operations to reduce overall travel distances of recoveries, reducing environmental impact and also improving customer experience.

Financial category impacted	Unmitigated financial impact	Scenario	Unmitigated impact by term: Short term 2025	Medium term 2030	Long term 2050
Revenue & capital expenditure	Increased breakdown demand and revenue and investment cost.	EA	Low	Medium	High
		LA	Low	Medium	Medium
		NAA	Low	Low	Low
Revenue, costs & capital expenditure	Reduced patrol operating costs and increased revenue from higher demand for early lower carbon products. The impact of additional investment in capital expenditure is expected to be low as the operational vehicles are already leased on a 5-year term, enabling the fleet to be continuously refreshed with the latest technology.	EA	Low	Medium	Medium
		LA	Low	Medium	Medium
		NAA	Low	Medium	Medium
Costs	Reduced breakdown operating costs from shorter tow distances and improved overall efficiency rates.	EA	Low	Medium	Medium
		LA	Low	Medium	Medium
		NAA	Low	Medium	Medium

Opportunity rating ● Low opportunity ● Medium opportunity ● High opportunity

Transition scenarios

EA	Early Action (1.4°C by 2030, 1.8°C by 2050, 1.5°C by 2100)
LA	Late Action (1.4°C by 2030, 1.8°C by 2050, 1.8°C by 2100)
NAA	No Additional Action (2.5°C by 2030, 3.3°C by 2050, 4.1°C by 2100)

3. Risk management

The Group's risk management framework sets out how we identify, measure, monitor, manage and report on the risks to which our business is, or could be, exposed. During the year, climate-related transition and physical risks were managed through this framework, enabling the identification, assessment, and management of risks in a consistent manner.

3.1. Processes for identifying and assessing climate-related risks

The Executive identify material climate-related risks and opportunities by performing an annual 'top down' assessment of the climate-related impacts to the business and recording them on an overall Group Climate Change Risk Register. These risks are reported to the Board Sustainability Committee annually. The significance of climate-related risks relative to the Group's other non-climate risks are assessed as part of the Board's review of the Group's overall principal risks.

The Group regularly considers existing and emerging regulatory requirements related to climate change. External horizon scanning and monitoring of emerging scientific climate scenarios, TCFD, Companies Act, FCA and PRA regulatory requirements is completed by the cross disciplinary Management Working Group. Updates are reviewed regularly by the executive and Board Sustainability Committee and, where necessary, will inform any changes to our climate-related risk management.

Climate-related risk has been designated as a material risk to the strategy, operations or financial performance of the Group. As such, the risk is captured on the Group Key Risk Register which will then be reported into the Executive Risk & Audit Committee and Board Risk & Audit Committee. In addition, any material risks from climate change which could specifically impact on RAC Insurance Limited will be included in the annual Own Risk & Solvency Assessment ('ORSA'). The Group will continue to evolve its approach to managing the risks from climate change in 2025.

Hugh,
mobile mechanic since 2019,
South West

3.2. Processes for managing climate-related risks

The Board has overall responsibility for risk management and the implementation of risk management policy, including the determination of risk appetite. Our process for managing climate-related risks involves deciding whether to avoid, transfer, mitigate or accept a given risk within this risk appetite. The process requires that all our principal climate-related risks are assessed using specific probability and financial impact criteria and are monitored throughout the year to identify any changes in profiles and associated risks and mitigating controls.

The most critical climate-related risks and opportunities are selected for climate scenario analysis. Key mitigating strategies in response to climate-related risks, for example the decarbonisation plan targets, are approved by the Sustainability Committee. These are prioritised based on factors such as net zero commitments, materiality, regulatory requirements and commercial risk or opportunity. Climate risk information is updated at least annually, including changes to risk levels based on a range of factors, including emerging legislation or regulation. This information is provided to the Board through incorporation into the Group's risk register.

Prioritisation of climate-related risks

The initial identification of climate-related risks started with a workshop-based approach to a long list of potential risks that may impact the businesses' sectors and geographies. Risks were considered both to Group operations as well as customers, suppliers, and partners. Using the TCFD framework, each potential risk was then categorised as either a transition or physical risk and qualitatively assessed in the short, medium, and long-term.

Financial impact

Each potential risk was then individually reviewed to determine the specific revenue or cost category of the financial statements most likely to be affected, should the risk crystallise. Management then applied judgement to consider the potential percentage increase or decrease to the respective financial categories, above a base case. Individual percentage judgements were then applied separately to transition risks, acute physical risks, chronic physical risks, and transition opportunities. Judgements also varied by time horizon and scenario to reflect the varying risk profiles over time and under different transition conditions.

Applying the percentage uplifts or downgrades to the specific income statement and statement of financial position categories quantified the potential financial impact of each risk under each scenario and time horizon. Financial impact was then benchmarked against a selected materiality of 3% of EBITDA with an impact above materiality categorised as high and a reducing balance approach applied to the remaining impact categories of medium and low.

Probability assessment

The probability of each potential risk crystallising was also individually assessed under each time horizon and transition scenario and categorised as high, medium or low. This assessment was initially performed by the Management Working Group prior to subsequent review.

3.3. Integration into the Group's overall risk management framework

The process for identifying, assessing and managing climate-related risks uses the established approach as for all the risks faced by the Group, further details on which can be found in the Risk Management section on pages 36 to 47.

This approach is designed to enable the Group to be aware of risks which have been identified and any emerging risks which may impact the business, as well as taking advantage of opportunities, within the risk appetite of the Board. The Board Sustainability Committee monitors the actions taken across the Group to manage the risks and ensures that adequate assurance is obtained over them. In addition, the Board Sustainability Committee ensures that risks have been appropriately assessed in relation to risk rating.

We continue to focus on strengthening our management of climate-related risks, making these considerations a component of our strategic planning process.

4. Metrics and targets

The Group's overarching climate-related target is to achieve net zero by 2050 at the latest, in line with the UK's broader commitment. In the medium-term this will be delivered through incremental improvements in network operational efficiency, vehicle fuel efficiency and electrification of our lighter vehicle fleets and company car fleet. In the longer-term, the more significant reduction in carbon emissions, and the decarbonisation of our heavier fleet, are expected to be supported by maturing battery and hybrid technologies and commercial viability improvements.

4.1. Metrics used to assess climate-related risks and opportunities

To monitor progress of the Group's response to climate-related risks and opportunities, management monitor several indicative performance metrics. As disclosed above, scenario analysis demonstrates that the most significant climate-related risks to the business are the transition risks associated with decarbonisation.

The Group monitors its exposure to carbon levies through its direct and indirect greenhouse gas emissions and its energy usage. These are considered key indicators of the activity that may be subject to future increases in regulatory costs.

In order to deliver our target of achieving net zero by 2050, our key metric is the absolute level of Scope 1 and Scope 2 CO_2 emissions. To achieve this target, we have established a decarbonisation plan with a series of supporting sub targets. The current targets are based on currently available technology and infrastructure but do not yet fully meet SBTI thresholds. Further details of the plan can be found within the decarbonisation section of the Sustainability report on pages 103 to 121.

4.2. Greenhouse gas emissions

The Group has assessed greenhouse gas emissions using the 'GHG Reporting Protocol – A Corporate Accounting and Reporting Standard' and in accordance with the Defra's 'Environmental Reporting guidelines: including Streamlined Energy and Carbon Reporting requirements'. The Group's carbon footprint, including Scope 1, Scope 2, and Scope 3 greenhouse gas emissions (excluding supply chain), is available in the SECR report on pages 126 to 128.

4.3. Decarbonisation targets

The Group's overarching climate-related target is to achieve net zero by 2050 at the latest. We already have line of sight to achieving an intensity target of a 50% reduction in scope 1 and 2 emissions per job by 2035, which would represent a 30% absolute reduction in total scope 1 and 2 emissions and have established that as our interim target.

We see potential to go further and to achieve net zero across scope 1 and 2 emissions by 2035 providing that the range of EV options available and the infrastructure to support those continue to develop in a direction that will meet our business needs and we will review the target annually.

Climate-related risk or opportunity	Metric	KPI
Risks & opportunities		
Reduced environmental impact Higher input costs (GHG levies) Demonstrable green credentials	Net-zero carbon by 2050 Scope 1 & Scope 2 CO_2 emissions	Scope 1 & 2 emissions reduction
Electrification of van fleet	Transition mechanics' vans to electric/alternative fuel	% of mechanics vans electric/alternative fuel
Impact on the RAC Fleet	Transition company car fleet to electric	% of company car fleet electric

As part of our ongoing activity, we will work with our partners and suppliers to reduce emissions across our supply chain, with the aim to develop a more detailed scope 3 reduction plan and associated targets by 2026.

The metrics in place are linked to the risks and opportunities identified and modelled as part of the scenario analysis. Each individual metric has a specific target which, in aggregate, support our overall decarbonisation plan to deliver net zero by 2050 at the latest, in line with the UK's broader commitment. These metrics and interim targets are monitored by the Board Sustainability Committee and inform decision making to execute our strategic priorities.

Absolute or intensity	**Unit of measure**	**Baseline year**	**Interim target**	**Interim target year**
Absolute Intensity	tCO_2e $kgCO_2e$ per job	2021 2021	(30%) (50%)	2035 2035
Intensity	%	2021	50%	2035
Intensity	%	2021	100%	2035

Existing operational and commercial metrics and targets are used to manage all other principal climate-related risks and opportunities. These additional metrics are not disclosed, due to their commercial sensitivity. As our assessment and understanding of climate risk evolves, the Group will update its metrics and targets in line with its response.

Non-financial information statement

Information regarding non-financial matters is contained throughout the RAC Group (Holdings) Limited strategic report. The following table summarises where stakeholders can find information in our strategic report that relate to non-financial matters as required by sections 414CA and 414CB of the Companies act 2006.


RAC

Our approach	Relevant policies, documents and reports	Where to find them	
Environmental matters			
The RAC recognises the impacts that its activities, products and services may have on the environment and is committed to compliance with relevant legislation and regulations and to being net zero carbon by 2050 at the latest. In 2024, we refined our overarching roadmap to net zero by establishing short-term goals and targets to reduce scope 1 and 2 emissions over the next two years. We also reviewed our climate-related risks, using the TCFD disclosure framework to strengthen our approach to identifying, assessing, and managing these risks.	• Environmental Policy Statement • Climate related Financial Disclosures • Sustainability, Corporate & Social Responsibility Report	Our strategy	36–37
		raccorporate.co.uk/corporate-responsibility/environmental-policy	
		Streamlined energy & carbon reporting	128-131
		Sustainability, Corporate & Social Responsibility Report	104-123
		Climate-related financial disclosures	50–73
		Section 172 statement	78–83
Employees			
At the RAC we recognise the benefit of a diverse workforce. We are committed to equality, diversity and inclusion which increases our ability to better understand and meet our wide ranging member needs and to attract and retain a high calibre of talent. The RAC is an equal opportunities employer and is committed to developing a culture that is: • representative of its diverse communities • accessible and open • collaborative and inclusive. During 2024 we launched our OneRAC inclusivity initiative which aims to connect colleagues and drive diversity forward across the Group, with a particular focus on topics affecting gender diversity. In addition, we have reviewed the policies aimed at supporting gender diversity and complemented our hybrid and flexible working policies by introducing enhanced family leave policies.	• Code of Conduct • Regulatory Code of Conduct • Health & Safety Policy • Equality Diversity & Inclusion Policy • Gender Pay Gap Reporting	Sustainability, Corporate & Social Responsibility Report	104–123
		raccorporate.co.uk/corporate-responsibility/corporate-social-responsibility	
Human rights			
At the RAC, we recognise that our responsibilities extend beyond our own commercial interests. The RAC Group is committed to helping combat slavery and human trafficking and we are committed to taking reasonable steps to ensure that modern slavery and human trafficking do not feature in our business or supply chain.	• Modern Slavery Statement • Modern Slavery Policy	rac.co.uk/about-us/modern-slavery-statement	

Our approach	Relevant policies, documents and reports	Where to find them	
Communities and social matters			
The RAC and our colleagues are committed to supporting local charities within our local communities. Each year the RAC offices partner with a local charity and with support of the Hive, our colleague engagement champions, we support various charitable causes across the UK. In addition, our public affairs team leads and participates in causes that are important to motorists. They publish an annual report on motoring each year, highlighting the interests of motorists and in 2024 the campaign that we have participated in for many years to get permission for flashing red lamps to be authorised for use by the recovery industry finally achieved its goal. This will result in the roads being much safer for those in and around the recovery industry.	• Sustainability, Corporate & Social Responsibility	Sustainability, Corporate & Social Responsibility Report	104–123
		raccorporate.co.uk/corporate-responsibility/corporate-social-responsibility	
Anti-bribery and corruption			
The RAC is committed to acting with integrity and fairness in all our business dealings and stakeholder relationships. This includes assessing risks and implementing systems of effective controls to counter fraud, bribery and corruption. In line with best practice in 2024 we conducted a routine review of our financial crime risks and controls. The review confirmed that the Group is not exposed to significant risks of financial crime and the current controls were operating effectively. We took the opportunity to enhance the documentation of the checks and balances we have in place in respect of potential conflicts of interests that may affect our colleagues.	• Financial Crime Policy • Gifts & Hospitality Policy • Whistleblowing Policy • Anti-Bribery and Corruption Policy • Conflicts of Interest Policy	Governance report – principles and explanations	99–103
Principal risks			
The RAC is committed to managing an effective and efficient risk management process to proactively identify new and emerging risks and manage risks which may have a significant impact on the operations and the RAC Group as a whole. In 2024 we have commenced a programme of reviewing the material controls across the business to confirm that our control framework is operating effectively.	• Risk Management and Internal Control Policy • Compliance and Regulatory Risk Policy • Conduct Risk Policy	Risk management	38–42
		Principal risks and uncertainties	43–49
		Climate-related Financial Disclosure	50–73
Strategy			
The RAC strategy is supported by three pillars which drive continued growth in our core businesses, support our expansion into the Service, Maintenance and Repair market and accelerate our growth by leveraging our unique data assets and digital member platform, myRAC.		Our strategy	36–37
Non-financial KPIs			
The RAC's Non-Financial KPIs are fundamental to the business and focus on drivers of value that will enable management to achieve the business plans, strategic aims and objectives.		Financial Review	20–29
		Climate-related financial disclosures	50–73

Section 172 (1) Statement

In accordance with the provisions of The Companies (Miscellaneous Reporting) Regulations 2018, RAC Group (Holdings) Limited (the "Company") is required to include a statement in its Strategic Report describing how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duties for the 2024 financial year. This section, together with those pages incorporated by reference, acts as the Company's section 172(1) statement.

The primary responsibility of the Board is to promote the long-term success of the Company, creating and delivering sustainable shareholder value as well as contributing to society. In ensuring the long-term success of the business the Board has to have regard to a number of matters, including the views of the shareholders and stakeholders to ensure it fully understands the potential impacts of its decisions on its stakeholders, the environment, and the communities in which it operates.

Daniel,
patrol since 2022,
North East

The long-term success of the business is at the heart of the Company's five-year strategy and the Board plays an active role in the development and approval of the strategy and takes account of external factors and the impact to our stakeholders including the wider societal impact when approving the strategy. The strategy is underpinned by the three strategic pillars to deliver long-term sustainable growth for our shareholders and high quality service for our members taking account of the members' changing needs, fostering key partnerships with our suppliers and delivering opportunities for colleagues across our diverse workforce.

The Company operates a risk management framework, ensuring that the key risks to the delivery and implementation of the strategy are identified, monitored, and managed and the directors discharge their responsibility in this respect through the Board Risk and Audit Committee. Further details on the Company's strategy and risk management framework are set out on pages 28–47 of the Strategic Report section of this report.

The Board promotes and supports a high standard of conduct across the Group supported by the Group's codes of conduct, which are built around placing our members at the heart of everything we do and set out the high standards of ethical behaviour that we expect all colleagues to apply. The Group also has a whistleblowing policy in place which offers an anonymous service for colleagues, members, third-party suppliers and contractors, as well as the general public, to report concerns about illegal or unethical practices.

The Board is also mindful of the impact of its strategic decisions on customer outcomes and seeks to proactively identify and mitigate any key risks to its ability to deliver good outcomes.

During 2024, the Board approved a number of refinancing transactions. This included the repurchase of a proportion of the Group's Class A Notes, and the utilisation of a new 2024 Senior Term Facility. The Board also approved two new facilities, a £50 million US Private Placement and a £40 million Senior Term Facility, both of which were executed in 2025. The Board's view in making these decisions was that the refinancing would benefit the Group's key stakeholders and the business in the longer term with continued financial sustainability and managing the risk of the Group's debt profile. In making its decision the board considered the needs of its key stakeholders including its shareholders, debt holders, colleagues and members and the benefits the refinancing activities provide for them particularly in respect of the Group's financial resilience in the longer term.

Reward and recognition play a key role at the RAC and decisions on reward are aligned to our culture, our purpose and our values. The Directors recognise the important contribution of our colleagues in delivering our business plans and that rewarding our colleagues fairly means that the RAC can attract and retain talent to help deliver and create a sustainable business for the future, ensuring longer-term strategic aims are met. In March 2024, the Board approved a special recognition award payment to recognize the successes and growth in 2023 whilst operating in a challenging global, UK, and industry backdrop.

The Board takes account of the impact strategic decisions may have on the Group's stakeholders and, whilst their interests may not always be aligned, the Board considers the conflicts of interest as part of its decision making and acts in a way they consider in good faith and to promote the success of the Company. The table below provides examples of how the Board and the wider business have engaged with our stakeholders during the year and considered their interests when making decisions.

Approved by the Board or Directors on 24th April 2025 and signed on its behalf by

J Baker, Director
24th April 2025

Stakeholder engagement S.172

The table below outlines the interests of the Group's stakeholders and how the business and Board has engaged with them throughout 2024.

Colleagues

Their interests	How the business engages	How the board engages
• Health & safety • Talent development, training & retention • Diversity & inclusion • Flexible working • Pay, terms & conditions • Job satisfaction	• Health, safety, and wellbeing initiatives • RAC Orange Hero awards to recognise outstanding performance • Dedicated training and competency schemes in place in all divisions • Learning Management System with a range of tools and resources to encourage colleague development • Employee recognition through RAC Success • One RAC (colleague inclusivity network) • Townhall meetings • RAC Workplace (an RAC social networking site) • Introduction of Blue Light benefits platform • Patrol conferences • Engagement Survey and targeted action plans	• Group communications from the CEO • Weekly CEO 'Big Convo' calls for all colleagues • Board meeting on site at RAC locations with colleague engagement activities • Chairman's onsite visits and engagement with colleagues for firsthand insights • Regular onsite strategy updates delivered by executive team at each location to ensure alignment

Shareholders

Their interests	How the business engages	How the board engages
• Performance of the business • Return on investment • Five-year strategy	• Executive management meetings, workshops, and engagement sessions • Regular shareholder update meetings	• Investor directors form part of Group and subsidiary boards and engage regularly with the Executive • Annual report and accounts • Formal strategy and budget sign off and regular deep dives

Members (B2C and B2B2C customers)

Their interests	How the business engages	How the board engages
• Fair value and pricing of products • Reliability of service • Quality of service • Complaints resolution • Member engagement • Confidentiality of data	• Member communications via post, email, myRAC and SMS • Orange patrols, SMR, inspections, and recalls services • Monitor customers' views through satisfaction surveys, focus groups and Trustpilot • Vulnerable customers workshop to understand lived experiences and shape the design of our future services	• Annual Reports & Financial Statements • Regular board updates on Net Promoter Score (NPS) and ongoing feedback on Consumer Duty metrics, via updates from the Regulated Entities Board • Customer outcomes and insights shared from customer committees for Regulated Entities Board review

B2B corporate partners

Their interests	How the business engages	How the board engages
• Reliability of service • Relationship management • Improved efficiency • Sustainability (CO2) • Vehicle downtime improvements	• Key partner quarterly business review meetings • Dedicated partner services (OEMs) • Business Roadside CEO monthly engagement with key strategic partner senior contacts • CEO/CFO and appropriate Executive Committee members in continual dialogue with partners • Stakeholder engagement plans by customer	• Oversight and approval of key contracts • Engagement with partner executive management • Annual Business Roadside deep dive sessions at board meetings

Supply chain

Their interests	How the business engages	How the board engages
• Fair trading • Payment practices • Terms & conditions • Human rights and modern slavery	• Regular calls with material outsourcing suppliers • Regular account review meetings • Review of KPIs and performance • Due diligence onboarding process and risk-based reviews	• Board oversight and approval of key contracts • Modern slavery statement • Annual audits of material outsourcers

Senior debt holders

Their interests	How the business engages	How the board engages
• Return on investment • Current and future performance of the business • Sustainability strategy • Group strategy • Risk management	• Investor calls for the annual results • Corporate website • Stock exchange announcements • Investor relations mailbox • Regular and frequent engagement with Relationship Banks	• Annual Report and Financial Statements • Interim Report and Financial Statements • Bondholder calls (ad-hoc) • Stock Exchange announcements

Regulatory bodies

Their interests	How the business engages	How the board engages
Consumer Duty Compliance Data privacy Risk management Health & safety Operational and financial resilience Sustainability	Regulatory returns Engagement in risk framework including divisional risk registers, group key risks, overseen by Executive Risk & Audit Committee (covering data, risk, regulatory capital, operational and financial resilience and health & safety) Consumer Duty framework including Executive Compliance Committees, Divisional Customer Committees and Conduct & Culture Committee Operational Resilience Steering Committee attended by senior representatives from each of the key business areas as well as governance functions (Risk, Information Security, Business Continuity)	Oversight of key regulatory projects by the Regulated Entities Boards Oversight of compliance matters at each meeting of the Regulated Entities Boards and overview of activities of the Consumer Duty Framework Risk management framework assessment led by the Risk and Audit Committee Ultimate parent board receives updates from its Regulated Entities Boards on regulatory matters Review of key submissions/correspondence with FCA/PRA by Regulated Entities Boards and/or Risk & Audit Committee Specific review of PRA requirements for RACIL at the Regulated Entities Boards and Risk & Audit Committee Regulated Entities Boards approval of annual consumer duty report outlining the approach to delivering good outcomes for RAC customers Regular updates to all Boards on activities of the Risk & Audit Committee and the Sustainability Committee

Community and the local environment

Compliance with applicable legislation Community programmes Environmental impact and decarbonisation Advocate for Road safety	Charitable partnerships through HIVE RAC Academy & Apprenticeship Scheme Industry enforcing authority forums e.g. PROTECT, PROSE, and relevant highways agencies RAC Drive Newsletter Annual Report on Motoring	Annual Report & Financial Statements Corporate website Tax strategy Gender pay gap reporting Modern slavery statement Sustainability strategy

Governance report

For the year ending 31 December 2024

Corporate governance

The RAC is committed to complying with the highest standards of good corporate governance practice. The Group recognises that good governance, and a customer focussed culture, are key elements underpinning the responsible, sustainable, long-term growth of the business. The Directors consider that the Annual Report and Financial Statements comply with all aspects of the Walker Guidelines for Disclosure and Transparency in Private Equity.

A comprehensive corporate governance framework is in place which documents the following:

- Terms of Reference for the Board and the committees which sit under it.
- Processes for financial governance (including delegations of authority, transaction limits and treasury procedures).
- Comprehensive Group policies, practices, procedures.
- Registers of interests and guidance for directors on their duties and for senior managers and Certification Functions (in the context of PRA and FCA authorisation).

Ownership structure

As at 31 December 2024 the Group's equity is owned by: an investment vehicle managed by Silver Lake Partners; a nominated investment vehicle of GIC Special Investments Pte Ltd (GIC); investment vehicles managed by CVC Capital Partners (CVC Funds); investment vehicles controlled by Universities Superannuation Scheme Limited (acting as corporate trustee of Universities Superannuation Scheme); an investment vehicle controlled by Public Sector Pension Investment Board (PSP Investments); an investment vehicle managed by HarbourVest Partners, LLC; RAC Management; and RAC's Employee Benefit Trust.

Silver Lake, founded in 1999, is a global private equity firm specialising in technology and technology enabled investments. The firm manages approximately $103 billion in combined assets under management and committed capital and a team of professionals based in North America, Europe and Asia. Silver Lake's investment strategies include large scale technology investments, long-term capital, structured equity and debt investments, and growth capital for later stage companies. Silver Lake acquired a stake in the Group in 2022 and have two board seats.

GIC Special Investments Pte Ltd is a subsidiary of GIC Private Limited, Singapore's sovereign wealth fund. It focuses on private equity investments, targeting high-quality businesses with strong competitive advantages and attractive growth prospects. Operating in more than 40 countries worldwide, GIC invests across various asset classes including public equities, fixed income, private equity, real estate, and infrastructure. GIC invested in the Group in 2014 and have two board seats.

CVC Capital Partners is a leading global private markets manager focusing on private equity, secondaries, credit and infrastructure investments. Established in 1981, CVC has built a comprehensive network of 30 offices worldwide and manages approximately €191 billion in assets. CVC has seven complementary strategies across private equity, secondaries, credit and infrastructure. The firm invests on behalf of pension funds and other leading institutions, aiming to create sustainable long-term value. CVC invested in the Group in 2016 and have two board seats.

Damien,
patrol since 2021,
Scotland

The Board

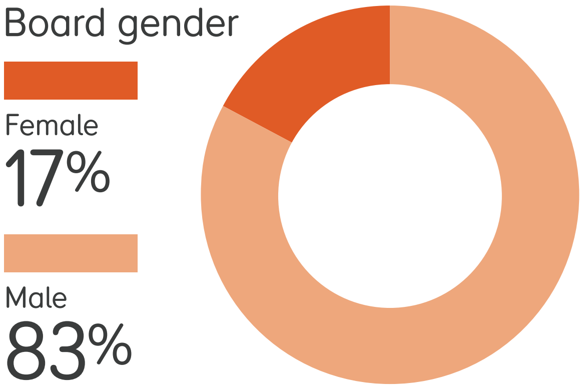
As at 31 December 2024 the Board comprises the Chairman, two executive directors being the Chief Executive Officer and Chief Financial Officer, and nine Non-Executive Directors (NEDs) comprising two CVC appointed NEDs, two GIC appointed NEDs, two Silver Lake appointed NEDs, two Independent NEDs and one other NED. Biographies can be found on pages 88-91 of this report.

The Board provides leadership to the Group, setting the tone for a culture across the business committed to achieving the right outcomes for customers and delivering long-term value for the RAC, its members and stakeholders. During 2024 the Board held six scheduled meetings, with a programme of work which allows for review and oversight of the Group's strategy, monitors operational performance, and ensures appropriate internal controls are in place.

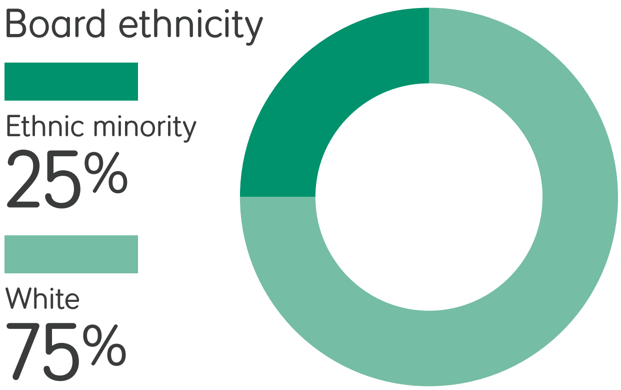
Additional Board meetings and calls were held to consider refinancing transactions. Through the ongoing review of suitably detailed management information the Board ensures that risks are appropriately monitored and managed through its Board Risk and Audit and Sustainability Committees.

As is usual in large Groups, day to day management is delegated to the Chief Executive Officer, and the Executive. The Executive comprises of 10 members, being the Chief Executive Officer, who is also the Chair, Chief Financial Officer, Chief Operations Officer, CEO Consumer Roadside, Chief People, Customer & Marketing Officer, CEO Business Roadside, Chief Product & Technology Officer, CEO Service, Maintenance & Repair, CEO Insurance and Chief Risk & Legal Officer.

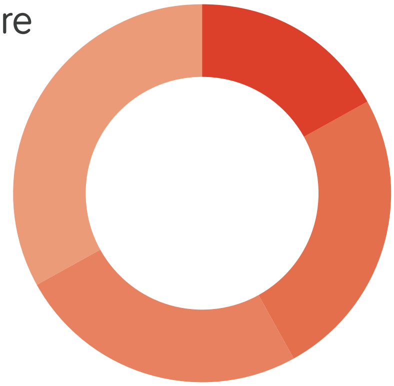
Board gender



Board ethnicity



Board tenure



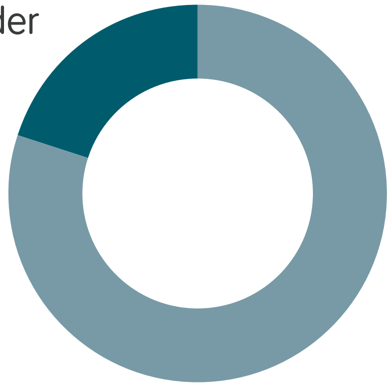
0 – 3 years
33%

4 – 6 years
25%

7 – 8 years
25%

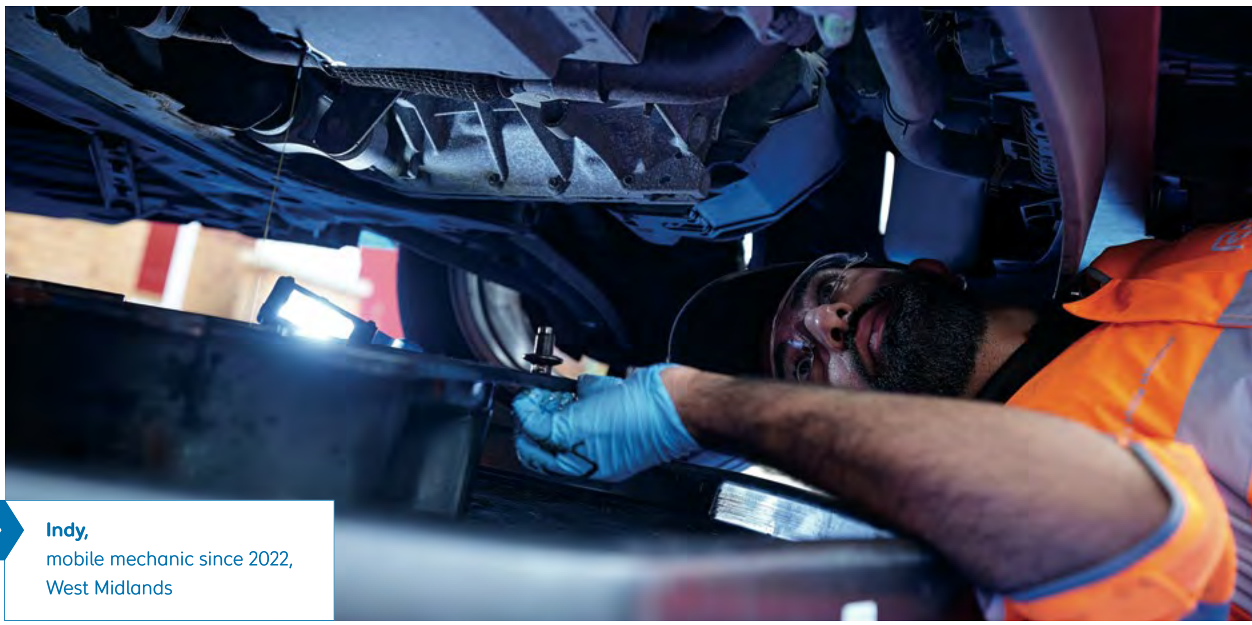
9 – 10 years
17%

Executive gender



Female
20%

Male
80%



Indy,
mobile mechanic since 2022,
West Midlands

Board of Directors

RT

Rob Templeman
Chairman

Rob is Chairman of the RAC Group (Holdings) Board of Directors. His previous roles include Chairman of Gala Coral and of the British Retail Consortium. Rob was also a NED of Ladbrokes Coral plc and was the CEO or Chairman of a number of consumer facing companies before joining the RAC in September 2011. Rob also acts as an advisor to some investment funds or some of their portfolio companies.

DH

Dave Hobday
Chief Executive Officer

Dave joined the RAC in February 2017 from the payments company Worldpay UK where he was Managing Director for five years. He has previously worked at BT, Telewest, HBOS and Procter & Gamble in areas covering operations, customer service, marketing, sales and technology.

JB

Jo Baker
Chief Financial Officer

Jo joined the RAC in May 2018. She has an extensive background in financial services companies, starting her career as an investment banker in the sector before moving on to work at Barclays, Worldpay and Wonga in areas covering finance, strategy, sales, customer analytics and risk management.

Non-Executive Directors

TM

Tesula Mohindra

Independent Non-Executive Director and Chair of the Board Risk and Audit Committee

Tesula joined the RAC in September 2022 as an Independent Non-Executive Director (iNED). Tesula qualified as a chartered accountant with PricewaterhouseCoopers and held managing director roles at JP Morgan and UBS specialising in corporate finance for financial institutions and pension fund risk management. She was also a founding member of the management team at Paternoster, the specialist bulk annuity insurer. Tesula's current iNED portfolio includes Close Brothers Group plc and NHBC (National House-Building Council). She is also a trustee of Variety the Children's Charity.

MW

Mark Wood

Non-Executive Director

Mark joined the RAC in September 2011. His prior roles include Managing Director for Financial Services at the AA, Chief Executive Officer of AXA UK, Chief Executive Officer of Prudential UK and Europe and Chief Executive Officer of Paternoster Pension Investment Company. Mark also previously served as Chairman of the Trustees of the National Society for the Prevention of Cruelty to Children and is currently chairing the multiple Sclerosis Society's £100m STOPMS Research Appeal. Mark was Chair of the Risk and Audit Committee until March 2023.

MW

Patrick Gale

Independent Non-Executive Director and Chair of the Regulated Entities Board

Patrick was appointed to Board in December 2020. He has also been a member of the RAC Regulated Entities Board since 2015 and was appointed its chair in 2021. After a successful executive career with Misys PLC, including seven years as CEO of Sesame Group, he embarked on an Independent Non Executive (iNED) career in 2007. He has been on the Board of Clerical Medical, Aegon Insurance and Chairman of Defaqto. Patrick is currently Chairman of Lantern, Solomon Capital Holding and Enhesa Group and a Trustee of BeSpace, a small Oxfordshire based charity..

Non-Executive Directors – GIC

AL Alexandre Levy

Alex re-joined the RAC as a Non-Executive Director in July 2022. He is Senior Vice President in GIC's Direct Investments Group. Previously, Alex served on the board of directors for Galderma and Unither Pharmaceuticals SAS. Prior to joining GIC in 2010, he worked at JP Morgan.

AL Simon Fox

Simon has been a Non-Executive Director since November 2019. He was Chief Executive of Reach plc from 2012 to 2019 and is now Chief Executive of Frieze Group. He began his career as a graduate trainee at Bank of America before joining Boston Consulting Group. He has worked for a number of retail companies including Kingfisher plc and between 2006 and 2012 was the Chief Executive of HMV Group plc.

Non-Executive Directors – Silver Lake

SP Simon Patterson

Simon Patterson joined Silver Lake in 2005 and is a Managing Director and co-head of the firm's activities in Europe, the Middle East, and Africa. He has managed Silver Lake investments across a variety of sectors including software, healthcare technology, internet and sports. Prior to joining Silver Lake, he was a member of the founding management team of the logistics software company GF-X (acquired by Descartes) and worked in various management roles at the Financial Times. Simon holds an M.A. from King's College, Cambridge University and an M.B.A. from the Stanford University Graduate School of Business, where he was an Arjay Miller Scholar and received the Alexander Robichek Award for Finance.

AK Ahmed Khairat

Ahmed has been a Non-Executive Director since February 2024. Ahmed is a Director at Silver Lake. Previously, he was an Associate in the Financial Institutions Group at Morgan Stanley & Co. He holds an M.Sc. as the Lord Dahrendorf Scholar in Finance and Economics from the London School of Economics and holds a B.A. summa cum laude in Economics from the American University in Cairo.

Non-Executive Directors – CVC

TG

Tim Gallico

Tim has been a Non-Executive Director since April 2016. Tim is a Partner at CVC Capital Partners. He currently sits on the boards of Asplundh Tree Expert LLC, Pension Insurance Corporation Group and RiverStone International and Dale Holdings. Tim joined CVC in 2005 and was previously a consultant at Bain & Company. He also serves as a Trustee of the United World Schools.

PH

Pev Hooper

Pev has been a Non-Executive Director since April 2016. Pev is a Managing Partner at CVC Capital Partners, and currently sits on the boards of Domestic & General, Lipton Teas, and Six Nations Rugby/Premiership Rugby. He joined CVC in 2003 after working in mergers and acquisitions at Citigroup and Schroders.

Division of responsibilities

There is a clear division of responsibility between the Non-Executive Chairman, the Chief Executive Officer and Chief Financial Officer, and the Non-Executive Directors . The roles of the Board, the Chairman, the Chief Executive Officer, and the Directors are laid out in the Board's Terms of Reference.

The Chairman is responsible for:

- The leadership of the Board, ensuring its effectiveness and setting its agenda and that the Directors receive appropriate documents in a timely manner.
- Facilitation of the induction, training and effective contribution of Non-Executive Directors and ensuring constructive relations between them and the Executive Directors.
- Leading the development of the firm's culture by the Board as a whole.
- Overseeing the development of, and implementation of the firm's remuneration policies and practices.

The Chief Executive Officer, who is the senior executive officer of the RAC Group, is responsible for:

- Overseeing the day to day management of the Group, through the Executive and the senior leadership team.
- Ensuring the successful execution of the strategic objectives as agreed by the Board and the development, and implementation, of the business mode.
- Overseeing the RAC's culture.
- Ensuring compliance by the Group with legal, regulatory, corporate governance, social, ethical and environmental principles.
- Effective communication with all stakeholders including shareholders, colleagues, customers and members.

The Chief Financial Officer is responsible for:

- Preparing and ensuring the integrity of the Group's financial statements and its regulatory reporting.
- Managing the allocation and maintenance of the Group's capital and liquidity.
- Performing RAC Insurance Limited's Own Risk and Solvency Assessment.
- Managing the Group's policies and procedures for countering the risk that the firm might be used to further financial crime.
- Overseeing, managing, and setting the Group's Environmental, Social and Governance ('Sustainability') strategy and agenda.

The Non-Executive Directors are responsible for:

- Using their wide and varied experience to offer expert advice, scrutiny, and objectivity.
- Monitoring and offering objective challenge to executive management decisions where appropriate.
- Bringing specific expertise to the Group, for example, extensive financial services experience from serving in senior positions of several major financial institutions.

The Company Secretary ensures that the RAC Group (Holdings) Limited Board (and the Boards of other companies within the Group) follows best corporate governance practice, that all discussions and decisions are properly recorded, and that management information is supplied at an appropriate level to support constructive debate in Board meetings.

Board committees

The Group operates three standing committees, the Board Risk and Audit Committee, the Board Sustainability Committee and the Remuneration Committee, all of which have defined Terms of Reference which set out clearly the responsibilities, membership, and workings of the Board Committees.

Board Risk and Audit Committee

This Committee is chaired by Tesula Mohindra, an independent non-executive director and its other members are two non-executive directors one of whom is independent. It is attended by the Chief Executive Officer, Chief Financial Officer, the Chief Risk & Legal Officer, non-executive directors, the external auditors, the Company Secretary and members of the RAC senior management team as required. The Committee meets a minimum of three times per year.

The Committee assists the Group's Boards in discharging their responsibilities by reviewing and monitoring the integrity of the Group's financial statements, internal controls, and risk management systems. It ensures compliance with legal and regulatory requirements, oversees the performance of internal and external auditors, and facilitates communication between the board, auditors and management.

Following the transition in 2023, the detailed oversight of compliance matters now resides with the Regulated Entities Board (see page 95). This includes receiving management information flowing from the Consumer Duty Framework. The Committee continues to retain a high-level monitoring role, ensuring that compliance risks are reviewed consistently with other key enterprise risks and that effective communication is maintained across governance structures.

Key areas for which the committee is responsible include:

- Reviewing the Group's financial statements prior to board approval, ensuring their integrity and reviewing the external auditor's reports thereon.
- Establishing procedures to ensure that the Group monitors and evaluates risks appropriately.
- Promoting a culture within the RAC that prioritises delivering good customer outcomes, with consistent processes to identify and address risks to those outcomes across the business.
- Assessing the effectiveness of internal controls and approving the internal audit plan to ensure the effectiveness of those controls.
- Evaluating the consistency of accounting policies across the Group and addressing significant or unusual transactions requiring judgement.
- Assessing the independence and objectivity of the external auditor.

Remuneration Committee

This Committee is chaired by the Chairman of the Board, and is attended by the Chief Executive Officer, at least one non-executive director and an independent director from CVC, GIC and Silver Lake, and members of the senior management team as required. It is responsible for the following key areas:

- Determining the participation of directors and employees in any equity holding or other long-term incentive schemes operated by the Group.
- Agreeing the framework for the remuneration of the executive directors and other senior executives, and determining their total individual remuneration packages including pension arrangements (the Chief Executive Officer is not present when his remuneration package is determined.
- Determining specific incentives for the executive directors and senior management in order to encourage enhanced performance and to ensure fair reward for individual contributions to the success of the Group.
- Ensuring contractual terms are adhered to on termination and that any payments made are fair to both the individual concerned and the Group, and that failure is not rewarded.
- Evaluating the performance of the executive directors against challenging objectives, including non-financial objectives.
- Ensuring that the remuneration practices across the Group operate in line with PRA and FCA requirements and specifically that they do not drive inappropriate behaviours.

Board Sustainability Committee

In 2021 the Sustainability Committee was established pg. 48 to provide oversight of the Group's Sustainability strategy. Throughout 2024 the Committee has continued to develop the Group's decarbonisation and people strategies and consider governance and other social matters. The Board Sustainability Committee is chaired by the Chief Financial Officer and is attended by the Chief Executive Officer, at least one non-executive from CVC, GIC, and Silver Lake, the chair of the Regulated Entities Board and members of the senior management team as required. It is responsible for the following key areas:

- Approving, monitoring, and reviewing the effectiveness of the Group's sustainability strategy and governance framework to ensure successful delivery of sustainability objectives.
- Overseeing the continued effectiveness of Group sustainability policies, principles, projects, and standards to ensure compliance with legislative, regulatory, and legal requirements, while embedding sustainability considerations across the Group's governance and operations.
- Setting sustainability related KPI targets and monitoring the Group's progress against these across all components of the sustainability strategy.
- Overseeing the Group's decarbonisation plans to ensure alignment with sustainability objectives.
- Ensuring that best practice and thinking from across the market is considered as part of the Group's sustainability strategy.
- Recommending sustainability-related funding to the Board and overseeing the deployment and management of any such funds.
- Collaborating with the Board Risk and Audit Committee to oversee sustainability related risk identification, mitigation, and the identification of related opportunities.

The Regulated Entities Boards

The Regulated Entities Boards ensure robust governance and oversight of the Group's FCA and PRA regulated subsidiaries, namely RAC Motoring Services, RAC Financial Services Limited and RAC Insurance Limited. Through proactive engagement and oversight, the Boards uphold regulatory compliance and promote customer centric outcomes in line with regulatory expectations.

The Regulated Entities Boards are chaired by an independent non-executive director, and members are: the Group Non-Executive Chairman, two non-executive directors and two executive directors being the Chief Executive Officer and the Chief Financial Officer. The Chief People, Customer & Marketing Officer is also a member of the RAC Financial Services Board, and the Group Finance Director is a member of the RAC Motoring Services Board.

Key areas for which the Regulated Entities Boards are responsible include:

- Reviewing and approving the Group strategy to ensure alignment with the regulatory obligations and objectives of each of the Regulated Entities. The Board actively monitors performance against strategic objectives, ensuring adherence to regulatory standards and delivery of good customer outcomes.
- Ensuring the establishment and maintenance of effective controls and a positive culture, supporting fair outcomes for customers in accordance with both the Group's policies and regulatory requirements.
- Reviewing detailed information on key matters including conduct risk, complaints and quality assurance while monitoring trends to address risks and support continuous improvement.
- Overseeing the regulatory landscape in respect of conduct matters and regulatory developments. The Board ensures that actions taken in response to such developments, including the continued embedding of Consumer Duty principles, reflect ongoing improvements and are integrated into the Group's governance and operational frameworks.
- Overseeing investigations into material regulatory breaches and ensuring timely and effective remediation actions are implemented, with a focus on preventing recurrence and protecting customer interests.
- Specifically, in respect of RAC Insurance Limited, ensuring compliance with PRA requirements including Solvency II requirements and the Own Risk and Solvency Assessment process to maintain financial stability and meet regulatory obligations.

The Regulated Entities Boards meet at least six times per year with a pre-set programme of deep dives and reviews which aligns to their regulatory responsibilities and the Group's strategy.

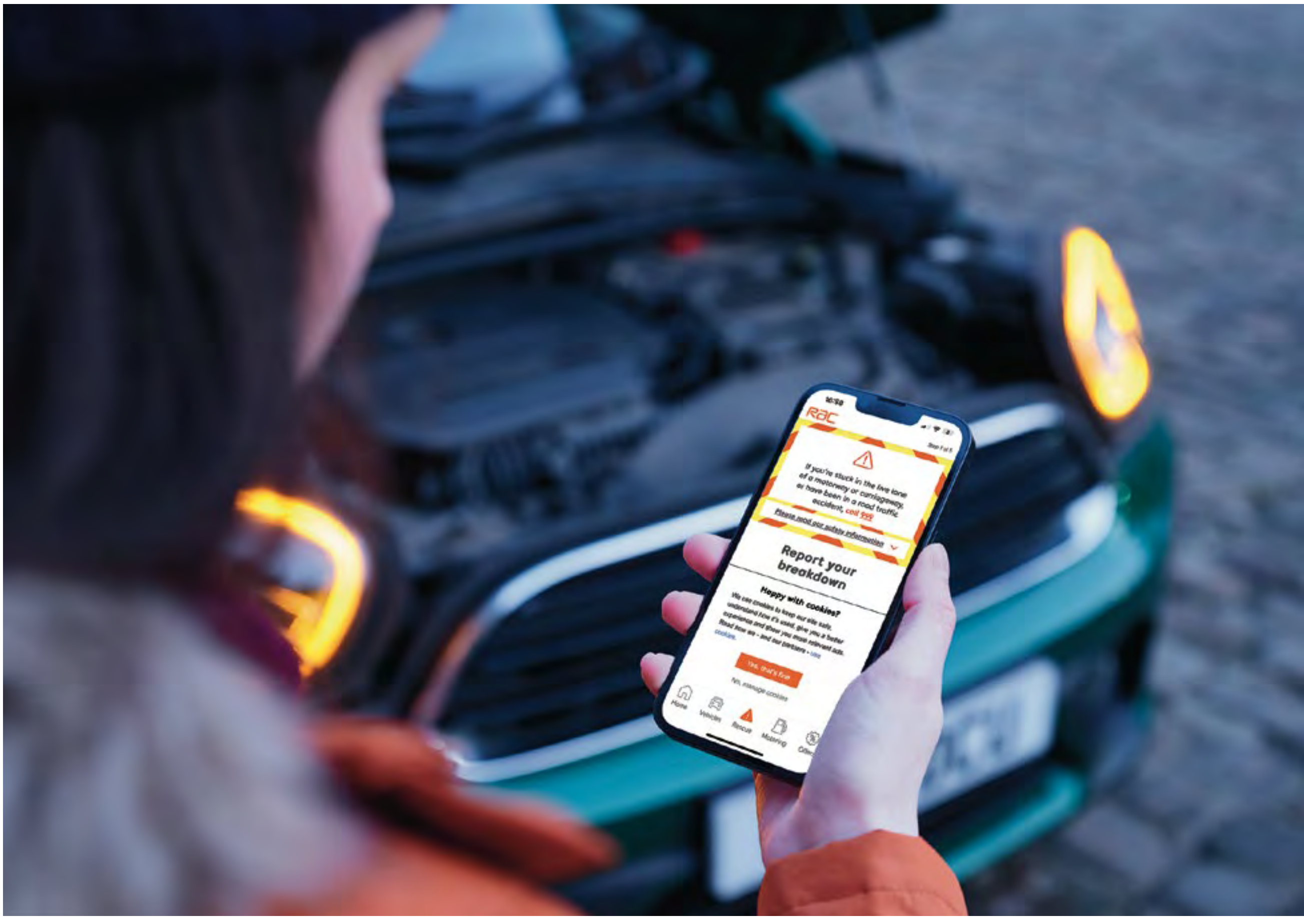
Other committees and working groups

In 2024, the Group continued to maintain a strong and effective governance framework through a combination of executive committees and working groups. These include the Executive Compliance Committee, Product Customer Committee, Operational Resilience Steering Group, and Conduct and Culture Committee.

Outputs from these committees and working groups inform executive discussions and, where appropriate, contribute to the Board's strategic and governance decisions. This integrated approach ensures that the Group remains aligned with regulatory expectations, delivers on its strategic objectives, and addresses emerging risks and opportunities effectively.

Corporate governance arrangements

In accordance with the provisions of The Companies (Miscellaneous Reporting) Regulations 2018, the Company has chosen to apply the Wates Corporate Governance Principles (the "Principles") for Large Private Companies for reporting in relation to the 2024 financial year. The Principles, and an explanation of how each Principle has been addressed by the Company, are set out adjacent.



Principle	Explanation
1. Purpose and leadership	The Group has a clear purpose, to provide complete peace of mind to our members for all their driving needs, with a focus on differentiation and innovation to set it apart from the competition. This is aligned to the Group strategy and our three key strategic pillars of driving continued growth in our core businesses, expanding our addressable market into SMR, and accelerating growth by leveraging or unique data assets and myRAC digital member platform, and data. Each of the strategic pillars is a key priority of the board, who regularly review progress though board deep dives and engagement with the Executive. Each of these priorities has key performance indicators and defined targets which help business divisions to deliver the strategy and 5-year plan objectives. The Board understands that the delivery of the strategy is only possible through the RAC's people and their success individually and collectively. The Group's core 'Hero Values' of Handle it together, Exceptional Service, Raise the Bar and Own it, ensure we keep the best interests of our colleagues and members at the heart of everything we do. Together with the passion, commitment and integrity of colleagues, the values are well embedded in the RAC culture. The Hero Values are also incorporated into colleague's reward and recognition as they form the central pillar of the performance review and management regime and any colleague can nominate other colleagues at any time for Orange Hero recognition against the Hero Values – the CEO sends weekly emails of recognition to those nominated and business divisions choose a monthly Orange Hero. To further promote alignment with the Group's purpose and leadership principles, the CEO hosts a weekly initiative, "Dave's Big Convo". Open to all colleagues across the Group's divisional business areas, this one-hour Teams session provides an inclusive forum for colleagues to engage directly with the CEO, Executive, and senior leaders. It encourages open dialogue, enabling colleagues to ask questions, share feedback, and discuss broader business topics, fostering transparency and collaboration. In 2024 the RAC held its annual Orange Hero Awards ceremony to recognise and celebrate colleagues who exemplified the Hero Values. By honouring individuals who embody these values, the awards reinforce the Group's purpose of delivering exceptional service and its commitment to fostering a culture of purpose-driven leadership. These awards highlight the vital role colleagues play in delivering the Group's strategy and demonstrate leadership's dedication to inspiring and empowering colleagues to align with the Group's purpose and values. A message from our CEO: pages 10 to 17 Strategy: pages 28 to 35 Sustainability Report: pages 103 to 121

Principle	Explanation
2. Board composition	The Board is led by the Non-Executive Chairman, who provides direction and leadership. The Board maintains an appropriate balance of executive and non-executive directors with the skills, knowledge, and experience to meet the strategic needs and challenges of the RAC. This ensures effective decision making that is consummate with the size and complexity of the Company. The Directors bring experience across a number of sectors including financial services, insurance, finance and audit, retail, investment, technology, and other regulated industries. Good progress was made in 2024 against the recommendations from the external board evaluation conducted in 2023. Notably, significant progress was achieved in the areas of board diversity, succession planning, and sustainability initiatives. This included the appointment of a new Director to the Board, which enhanced its diversity, expertise, and perspective. As part of these efforts, the Board's Diversity Policy was reviewed and approved during the year. Further details on sustainability-related progress, aligned with recommendations from the evaluation, are available in the sustainability section of this report. A biography for each director can be found on pages 88 to 91 and on the Group's website, raccorporate.co.uk. Governance Report: pages 83 to 101 Directors' Report: pages 123 to 131 Sustainability Report: pages 103 to 121

Iain,
patrol since 2016,
North West

Principle	Explanation
3. Director responsibilities	In 2024 the Board had a programme of six principal board meetings with additional days for strategy planning and review. The Board receives regular and timely information of the performance of the Group including key operational matters and initiatives, financial matters and customer service, all supported by key performance indicators (KPIs). The Directors actively participate in the development of the Group's strategy and approve the budget on an annual basis which supports its longer-term 5-year plan. The Directors review the progress through a set programme of deep dives at scheduled Board meetings. The Board has also approved the following during the year: 2023 Annual Report and Financial Statements, Group's Modern Slavery Statement, and the Group's Tax Strategy Annual Statement. During the year the Board also considered and approved a number of refinancing transactions including the repurchase of a proportion of the Group's Class A2 Notes, the utilisation of a new 2024 Senior Term Facility and the Group entering two new facilities, a £50m US Private Placement and a £40m Senior Term Facility, both of which were executed in 2025. As part of their commitment to robust governance, the Directors refined the Group's governance framework in 2023 to enhance oversight and ensure the effective delivery of Consumer Duty requirements. The revised governance framework has had a positive impact, with regular reviews of key topic areas, supported by divisional committees monitoring outcomes and escalating key issues to the Board. These efforts culminated in the approval of the annual Consumer Duty Board Report, reflecting the Directors' continued focus on the outcomes to its members receive, governance, cultural alignment, and regulatory compliance. Details of divisional sub-committees and working groups can be found on pages 93 to 96.

Principle	Explanation
4. Opportunity and risk	The Board remains fully engaged in identifying opportunities to enhance the RAC's offerings while effectively managing risks to support the Group's strategy and five-year plan. Throughout 2024, the Board supported further development of the Group's Service Maintenance and Repair offering, building on key member initiatives such as the myRAC app. These efforts align with the Group's five-year plan to deliver sustainable growth and provide value to members. The Group's risk management framework is overseen by the Board Risk and Audit Committee, which ensures principal risks are reviewed regularly at each Board meeting in the context of the Group's strategic priorities. The Chief Executive Officer is accountable to the Board for the management of risks on a day-to-day basis, with individual Executive members accountable for divisional risks. The Executive collectively considers risk through its Executive Risk and Audit Committee which meets quarterly, conducting regular reviews of divisional risks to monitor their relevance and impact. The Group's principal risks can be found in the strategic report. Building on the Consumer Duty framework implemented in 2023, the Regulated Entities Board provided oversight of the updated governance structures introduced to strengthen oversight of regulatory risks and ensure ongoing compliance with FCA requirements and expectations. Divisional committees continue to monitor member outcomes and escalate key risks to the parent Board, reinforcing transparency and accountability in decision making processes. During 2024 the Regulated Entities Board continued its focus on member outcomes with consideration at each meeting of key outcomes, focussed MI and qualitative updates with deep dive sessions on areas of importance to our members. The Regulated Entities Board also reviewed, challenged and approved RACs first Consumer Duty Annual Board report. The Board remains proactive in addressing economic uncertainty while maintaining a focus on operational resilience and delivering strategic priorities. These efforts ensure the Group continues to deliver sustainable value to its stakeholders. Further details on the Group's principal risks and management strategies can be found in the Strategic Report. A message from our CEO: pages 10 to 17 Strategy: pages 28 to 35 Principal Risks: pages 41 to 47

Principle	Explanation
5. Remuneration	Remuneration is ultimately overseen by the Board Remuneration Committee, which is responsible for agreeing the individual remuneration packages (including pension rights, compensation payments and other benefits) for each of the CEO, the Chairman, each executive director, and other senior executives of the Group. The Remuneration Committee is also responsible for incentive and bonus arrangements and awards, including setting the relevant targets for performance related schemes. During 2024 our remuneration practices were reviewed and enhanced across the Group introduce additional controls and safeguards to ensure that the Group continues to operate in line with PRA and FCA requirements and, specifically that our incentive schemes actively support the delivery of good customer outcomes. In January 2024 the Committee approved colleague pay rises and in March 2024 approved a special recognition award to recognise the successes and growth in 2023 against the context of a challenging global, UK and industry backdrop. The Group continues to publish its gender and pay reporting externally details of the report can be found on the Group's corporate website raccorporate.co.uk/corporate-responsibility/gender-pay-reporting. Remuneration Committee: page 94
6. Stakeholder relationships and engagement	Effective and regular engagement with key stakeholders remained a key priority for the Board in 2024, reflecting the Group's ongoing commitment to transparency, accountability, and long-term sustainability. The Board recognises that good governance and open communication with stakeholders are essential to achieving the Group's strategic objectives and delivering meaningful outcomes for all stakeholder groups. The Directors have continued to give due regard to stakeholder interests when making decisions, balancing the needs of colleagues, members, and shareholders, as well as other key groups such as regulatory bodies, debt holders, and supply chain partners. In cases where stakeholder interests were not fully aligned, the Board and Executive worked collaboratively to address conflicts constructively, ensuring fairness and engagement throughout the decision making process. In 2024, the Board and the Board Sustainability Committee, conducted an annual review of stakeholder engagement activities, assessing how the Group interacts with key stakeholders across various channels. These included divisional showcase sessions, colleague surveys, targeted forums, and other initiatives that provide valuable insights into stakeholder priorities. This engagement has informed strategic decisions and supported governance practices and reinforced the Groups commitment to delivering positive outcomes for our members, colleagues, shareholders and our other stakeholder Groups. Further details of the Group's engagement with specific stakeholder groups, can be found in the Section 172 Statement on pages 76 to 81 and other key decisions taken by the Board during the year. Governance Report: pages 83 to 101 Sustainability Report: pages 103 to 121 Directors' Report: pages 123 to 131 Section 172 Statement: Pages 76 to 81

Glen,
patrol since 2018,
Wales

Sustainability Report

For the year ending 31 December 2024

Summary

In 2024, the RAC made significant progress in advancing its sustainability strategy, aligned with its commitment to responsible stewardship of the business and employee wellbeing

25%
reduction in office emissions

63%
of company car fleet are EV

200K kg
reduction in CO^2 emissions through EV adoption

39
ICE commercial fleet vehicles transitioned to EVs

50K kg
net reduction in CO^2 emissions through successful HVO trial

16
graduates from our RAC Academy

2024 sustainability headlines:

Decarbonisation

- 200,000kg reduction in CO_2 emissions by the end of the 2024 through EV adoption.
- 39 ICE commercial fleet vehicles transitioned to EVs, with 22 more planned in Q1 2025.
- 63% company car fleet EV adoption, up from 48% in 2023.
- Approximately 50,000kg net reduction in CO_2 emissions through successful Hydrotreated Vegetable Oil (HVO) trial.
- 25% reduction in office emissions.

People

- 16 graduates from our RAC Academy are now among the top 10% of performers.
- 86 apprenticeships in progress at the RAC Academy with plans to bring in 45 more during 2025.
- 16 meetings of our new 'OneRAC' network – promoting equality, diversity & inclusion across the Group.
- 340 managers received mental health training enabling them to recognise and better support colleagues with mental health issues.
- 12 "Wellbeing Wednesday" sessions run by our full time Wellbeing Manager to support colleagues' mental health & wellbeing.
- Business Awards UK , "2024 Health and Safety Team of the Year", award winners.

Governance

- 12 meetings of each of our 3 customer committees, focusing on monitoring and improving customer outcomes.
- 5 drivers of Conduct Culture showing measurable improvements via our Conduct Culture dashboard.
- 100% completion of "Live Handover" processes with Senior Management Function holders, increasing our ability to evidence accountability and responsibility amongst our senior leaders.

Gordon,
patrol since 2022,
Scotland

Decarbonisation

Over the past year, we have significantly progressed our decarbonisation strategy, building on the comprehensive understanding of our Greenhouse Gas (GHG) inventory and baseline established in 2023. We have continued to refine our carbon reduction trajectories and identify key actions, solidifying our commitment to driving down emissions.


pod POINT
PJ68 TDO

Our decarbonisation roadmap has been built on a comprehensive understanding of our Green House Gas ((GHG) inventory and baseline, the development of carbon reduction trajectories, and the identification and modelling of key actions. The roadmap incorporates initiatives such as the introduction of zero-emission vehicles, and various energy efficiency measures.

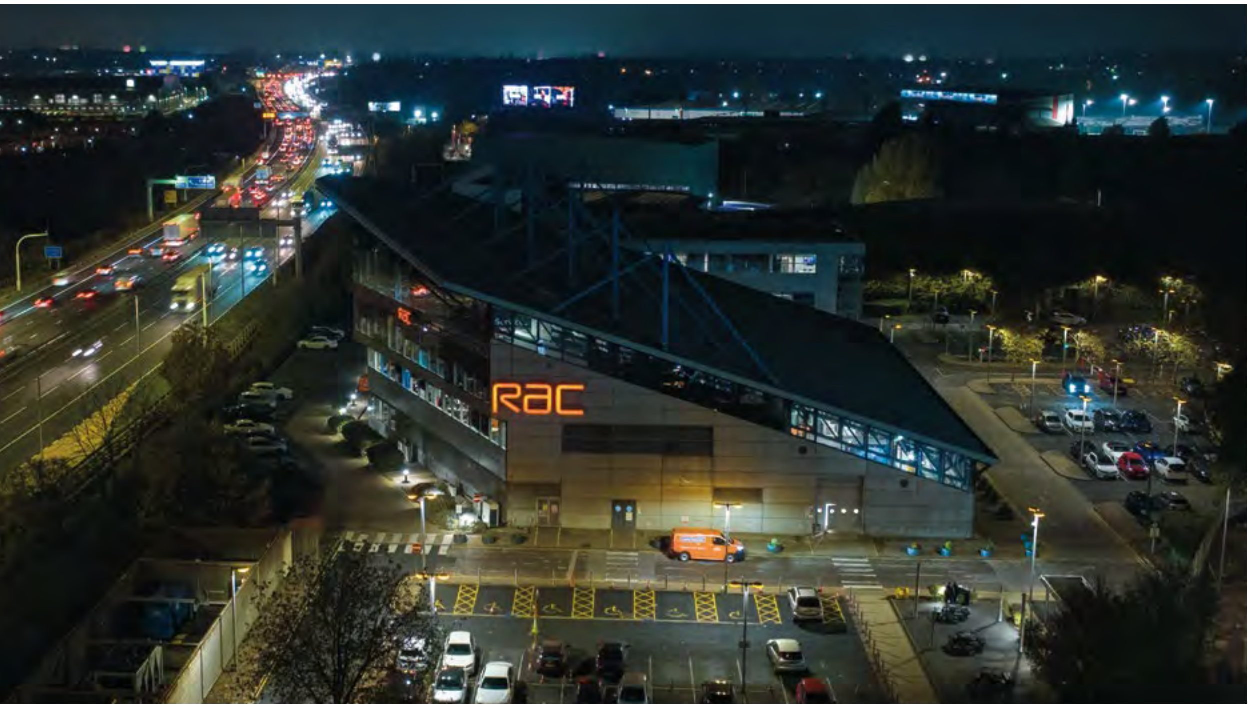
The Group's overarching climate-related target is to achieve net zero by 2050 at the latest, in line with the UK's broader commitment. We already have a line of sight to a 50% reduction in scope 1 and 2 emissions per job by 2035, which would represent a 30% reduction in total scope 1 and 2 emissions and have established that as our interim target.

We see potential to go further and to achieve net zero across scope 1 and 2 emissions by 2035 provided that the range of EV options available and the infrastructure to support those continue to develop in a direction that will meet our business needs and we will review the target annually.

As part of our ongoing activity, we will work with our partners and suppliers to reduce emissions across our supply chain, with the aim to develop a more detailed scope 3 reduction plan and associated targets as the quality of the data available begins to mature.

The 4 pillars in our decarbonisation plan are:

- Route optimisation and driving behaviours.
- EVs and alternative fuel.
- Office emissions.
- Sustainable procurement.



Spotlight

EVs and alternative fuel

2024 has seen the successful launch of a range of EV & alternative fuel initiatives:

EVs

- Two successful EV trials in our breakdown operations division provided valuable operational insights into vehicle performance, charging infrastructure and the overall impact of EV adoption on our patrol fleet. These insights will shape our long-term EV strategy to scale up the use of EVs while ensuring operational efficiency and performance.
- 63%

  of our company car fleet are now EVs, up from 48% in December 2023

- Our 37 Patrol Team Managers ("PTMs") made the permanent transition from diesel to EVs. We equipped our PTMs with home-charging solutions enabling them to readily embrace the shift while contributing to our decarbonisation targets.

The changes introduced reduced CO2 emissions by approximately 200,000kg by the end of the year.

- Effective January 2025, we have adopted an EV-only policy for new orders of company cars with exceptions only for essential users with particular operational requirements.

HVO trial

We launched a Hydrotreated Vegetable Oil (HVO) trial of LCVs and HGVs in our breakdown operations division, aimed at understanding how adoption of these fuels may affect our operations from a practical and financial perspective.

HVO is a cleaner alternative to diesel and has resulted in substantial CO^2 savings.

The trial to date has Saved 50,000kg of net CO^2

Spotlight

Office emissions and waste

In 2024, we implemented three integrated systems designed to optimise energy usage, reduce consumption and ensure that building performance meets the highest environmental standards. As a result, we have reduced our office emissions by 25%.

Energy metering

This enabled us to compare our office energy performance with similar buildings to assess our relative efficiency. We identified significant savings opportunities including reduced gas consumption from more efficient use of our chilled water system.

66%

reduction in energy consumed by lighting as a result of installation of LED lighting

Building Management Systems (BMS)

2024 BMS inspections revealed several opportunities:

- In our Walsall head office, we improved the efficiency of our air conditioning and heating units.
- In our Bristol office, we identified and fixed faults which were causing excessive energy consumption.

Enhanced monitoring

Zone-specific energy monitoring at our Walsall head office has enabled us to:

- Reduce the operating hours of our air conditioning in particular areas of the building.
- Address conflicts in our air treatment systems to reduce both electricity and gas consumption.
- Optimise our fresh air system to leverage emission-free cooling.

Office waste

We reduced our office waste significantly in 2024 largely due to the substantial clear out contracts that took place in 2023, e.g. moving offices. We also worked with our waste broker, Reconomy, to target focus on particular waste streams, enhancing recycling rates by 25%.


rac
rac

People

Our colleagues are the heart and soul of our business and their hard work and dedication is the reason we are able to deliver complete peace of mind to our members. Our Hero Values, which underpin everything we do, extend to defining how we treat our colleagues and how we develop and continually improve our colleague proposition.

In 2024 we have taken a number of strides forward in our social agenda. We have refreshed our People vision, strategy and roadmap aligning to the business goals and objectives. We now have 4 key pillars with agreed priorities to support each pillar and enhance our colleague experience.

Spotlight

RAC Academy: Building for the future

The RAC Academy offers budding mechanics a bright and "Orange" future, while helping to address the skills shortage in the UK automotive industry, forecast to be a shortfall of over 150,000 technicians by 2031.

The RAC partners with selected colleges to deliver the 27-month apprenticeship programme comprising on-the-job training, alongside college study. The RAC provides accommodation, dedicated mentors and managers to ensure they gain the skills and support they need to become fully fledged RAC patrols.

Currently, 20% of apprentices on the programme are female and, together with our college partners, we are striving to increase in support of the wider challenge to improve the gender balance in the automotive industry.

We are extremely proud of our 2024 RAC Academy graduates, all of whom achieved Level 2 Autocare Technician, the majority with distinction. One recent graduate said, "To anyone thinking of joining the RAC, my advice is it's a great place for learning".

Our People strategy continues to develop under our four pillars to Provide excellent customer service, Deliver proactive value, Shape a fantastic colleague experience and Create a learning environment. Culture, internal comms and engagement and governance & compliance underpin the strategy and are an integral to its success.

We took strides forward in both the volume of data that we hold in relation to our colleagues and the tools available to colleagues to regularly review and update their data. We will use this data to monitor the effectiveness of the various activities that make up our drive for greater inclusivity.

We have also launched an inclusivity initiative 'OneRAC' promoting equality and fairness across the Group by facilitating our colleagues establishing networks where they can share views, ideas, and agree action about how we can enable our colleagues to feel more comfortable, confident, and supported at work. We now have a well-established colleague-led network focused on neurodiversity and a Women's Network in its early stages of development.

We continue to support the Prince's Trust's 'Get Into' programme at our office in Salford Quays. Now, in its 9th year, this is a 3-week work experience programme which offers up to 10 young people an opportunity to gain essential experience in interview skills, CV writing, team development, communication skills and self-awareness, whilst also getting an insight into the role of a Customer Service Agent in our breakdown centre. In 2024, 6 young people took up an offer of employment with us at the end of their programme and have started what we hope will be a successful career with the RAC.

At the core of our operations, the safety and well-being of our colleagues and members are paramount, especially given the inherent risks involved in roadside work carried out by our patrols. In 2024, we were proud to receive external recognition for our efforts, receiving a merit at the British Safety and named 2024 Health and Safety Team of the Year by Business Awards UK. Additionally, we maintained our ISO45001 Health & Safety Management certification, further validating our commitment to high safety standards. To top this off, our long-standing contribution to the campaign to allow breakdown assistance drivers to use red flashing lights alongside the standard amber beacons was finally successful and started being rolled out to RAC patrols in December 2024. This measure will improve safety for both the public and roadside professionals, potentially saving lives.

Our colleague engagement group, The Hive, has continued to be active. The Hive's purpose is to help foster a positive, inclusive and engaging workplace across all three RAC office sites, by organising activities, events and initiatives that promote a sense of community, with the objective of raising money for a chosen charity, awareness of a relevant issue, or celebrating and recognising cultural awareness days. We encourage colleagues to nominate charities local to their locations, or charities that have personal connections to our people and sites, so we can make an impact on our communities and see exactly where and how our money is used.

Spotlight

Health and wellbeing

Building on the focus we have placed on mental health and wellbeing in previous years and responding to feedback from our colleague engagement survey we have further enhanced our wellbeing strategy to help our employees thrive both personally and professionally.

We have built our strategy around six interconnected pillars, each addressing a key aspect of employee wellbeing. These pillars guide our activities and initiatives and reflect our holistic approach to wellbeing at the RAC.

1. Social wellbeing

Building strong relationships and fostering a sense of community within the workplace is essential for creating a positive and supportive environment. Our social wellbeing initiatives focus on encouraging collaboration, mutual support, and a sense of belonging among colleagues.

- **Patrol Community Shed:** Launched in August, the Patrol Community Shed is a peer-to-peer platform designed to offer colleagues a safe space to share thoughts, seek advice, and be heard. This initiative provides a unique opportunity for employees to connect with one another in a meaningful way. The initiative is expected to grow through word of mouth and peer recommendations, and we have ensured that colleagues have access to downtime to attend and engage in these sessions.

2. Cultural wellbeing

Cultural wellbeing is about ensuring that every employee feels respected, included, and valued for who they are, regardless of their background or identity. Our cultural wellbeing initiatives aim to promote diversity, equity, and inclusion across all levels of the organisation.

- **Big Convo Takeover:** In July, we launched our wellbeing framework with an engaging discussion during our Big Convo Takeover. This session introduced our employees to the full range of wellbeing support available and encouraged them to take advantage of the resources offered. The session served as an important reminder that the RAC values the wellbeing of every individual.
- **Wellbeing Wednesdays:** Since June, our Wellbeing Manager has held regular one-to-one sessions, team sessions, training, and Town Hall briefings every Wednesday. These sessions focus on educating and supporting employees regarding a range of wellbeing tools, and resources, providing employees with the opportunity to learn and engage on a weekly basis.

3. Mental wellbeing

We prioritise mental health by creating an environment where employees feel supported, safe, and encouraged to seek help when needed. Our mental wellbeing initiatives aim to reduce stigma around mental health and provide employees with the tools and resources to manage their mental and emotional health effectively.

- **Employee Assistance Programme (EAP):** The EAP is a vital resource for our employees, offering confidential counselling and support services. In 2024, 234 colleagues accessed counselling, resulting in 378 individual sessions. Additionally, the EAP portal received over 2,200 visits, providing employees with valuable advice and information. The program continues to be a critical resource in supporting our colleagues' mental health needs.
- **Manager Mental Health Training:** Recognising the crucial role managers play in supporting the mental health of their teams, we have trained 340 managers so far (85% of our leadership team) in mental health awareness. This training equips our leaders with the skills to recognise and address mental health concerns, as well as provide the necessary support. We are committed to training all managers by early 2025, ensuring that every team leader is equipped to support their colleagues.

4. Financial wellbeing

Financial wellbeing is integral to the overall wellbeing of our employees. We provide access to resources, advice, and benefits that empower employees to manage their finances with confidence and security.

- **Blue Light Card:** As part of our financial wellbeing initiatives, we have introduced the Blue Light Card scheme, which allows employees to access discounts on a wide range of products and services, from high street retailers to holidays and entertainment. This initiative provides a valuable opportunity for employees to save money and access exclusive offers.
- **Colleague Share Scheme:** On the first anniversary of the Colleague Share Scheme in October, we provided an update to all colleagues, highlighting the potential value of their shareholdings. This initiative enables employees to benefit from the company's growth and success.

5. Environmental wellbeing

A healthy and productive workplace environment is essential for employee wellbeing. We focus on creating spaces that allow individuals to perform at their best while promoting sustainability and respect for our physical surroundings.

- **Pride in Place:** The Pride in Place initiative is a long-term program aimed at raising awareness about upcoming investments and improvements to our head office. By encouraging employees to take pride in their workplace and maintain respect for the site and facilities, we are fostering a culture of environmental responsibility and stewardship. This initiative also supports our broader sustainability strategy, ensuring that our workspaces are both functional and sustainable.

6. Physical wellbeing

Physical health and safety are a fundamental part of our wellbeing framework. We are committed to promoting the physical health and safety of our employees by offering training, resources, and programs that encourage healthy living and safe working practices.

- **Manual Handling & Dynamic Risk Assessment Training:** We have launched updated training programs for all roadside colleagues to improve their manual handling skills and enhance their ability to assess and manage dynamic risks. This training will be rolled out over the next 12 months and will ensure that our colleagues are equipped with the knowledge and skills to work safely and effectively.
- **Conflict Resolution Training:** In partnership with external provider Petros, we are developing conflict resolution training, set to launch in Q1 2025. This training will equip employees with the tools to handle challenging situations in a calm and constructive manner, enhancing overall workplace safety and wellbeing.
- **Sunflower Scheme:** In our ongoing efforts to support inclusivity, we have invested in membership of the Sunflower Scheme. This initiative raises awareness of hidden disabilities and ensures that our employees feel recognized and supported and will provide opportunities to enhance the way we think about vulnerable customers.


Creative Studio: what we do

Governance

In line with our Hero Values and commitment to delivering complete peace of mind, transparency and ethical considerations are central to the way we operate. We have continued to enhance our corporate governance and regulatory compliance in line with regulatory expectations and we have a robust framework in place to support this.

We have continued to evolve our Consumer Duty Framework to build on the improvements we have already seen in customer outcomes and to increase our ability to analyse these outcomes through increased data capabilities. Our three customer committees, with oversight from our Executive Compliance Committee were able to show measurable improvements in customer outcomes and demonstrate that our products are fair to our members in our first Board Consumer Duty Self-Assessment against the requirements of Consumer Duty.

In addition, our Conduct & Culture Committee has overseen a programme of reviewing the various drivers of our Conduct Culture, covering Purpose & Strategy; Leadership & Management Strategies; Governance; Managing & Rewarding Colleagues and workplace inclusivity. This has allowed us to create our first Conduct Culture Index, measuring our Conduct Culture based on a range of objective metrics and which shows demonstrable improvements in respect of all cultural pillars in 2024.

We continue to foster a high degree of accountability and responsibility amongst our senior manager population by formally reviewing their statements of responsibility at least twice a year. We have also continued our proactive approach to the regulatory handover process, ensuring all Senior Management Functions have completed and updated documents of responsibilities, any delegations of responsibility and to demonstrate how senior managers have determined the fitness and propriety of those to whom they delegate.

Our approach to data governance has matured to reflect the changing external environment and we have introduced and embedded our policies in respect of data to deal with the increasing application of Artificial Intelligence to solutions that we use as a business. At the same time, we have increased our cyber security controls to ensure protection of our customer, colleague and commercial data. Alongside this we have delivered a range of face-to-face data protection workshops to front line colleagues which has resulted in increased understanding within our member-facing colleagues.

For more information on our corporate governance, please see our Governance Report on pages 83 to 101.

Anoop,
patrol since 2023,
Scotland

Hugh,
mobile mechanic since 2019,
South West

Directors' report

For the year ending 31 December 2024

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and Independent Auditors Report for the year ending 31 December 2024. Under the terms of the Companies Act 2006, the Directors' Report is required to contain certain statutory, regulatory and other information.

The Directors have incorporated the business review, employee participation and diversity by cross reference to the Corporate Social Responsibility report, as permitted by the Companies Act 2006.

The Company has applied the Wates Principles for Large Private Companies in the financial year. The Directors have reported how they have applied the Principles within the Governance section of the Strategic Report.

Directors

The names of the current Directors are set out on page 4. Those who have served in office during the year and until the date of signing of this report are as follows:

- J Baker
- S Fox
- P Gale
- T Gallico
- J Galore (resigned 27 February 2024)
- D Hobday
- P Hooper
- A Khairat (appointed 27 February 2024)
- A Levy
- T Mohindra
- S I Patterson
- R Templeman
- G M Wood

Directors' indemnities

The Company has granted an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. The indemnity was first granted in 2011 to the Directors of the then RAC Group holding company and novated to the Directors of this Company in December 2014. The provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of section 236 of the Companies Act 2006. These qualifying third-party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of the transitional provisions of the Companies Act 2006.

Results and dividends

The results of the Group for the year ending 31 December 2024 are set out on page 149 and discussed in the Strategic Report on pages 18 to 27.

No interim or final dividends were paid (2023: £nil).

There are no final dividends proposed.

Capital structure

As of 31 December 2024, CVC Funds, GIC and Silver Lake, in aggregate, had control of the Group by virtue of their majority shareholding in the ultimate parent company.

Political donations

The Group did not make any political donations during the year (2023: £nil).

Financial risk management

Details of the Group's use of financial instruments, together with information on risk objectives and policies and exposure to market, credit, liquidity, and interest rate risks, can be found in note 28 of the Consolidated Financial Statements.

Donny,
patrol since 1987,
Scotland

Streamlined energy and carbon reporting

Under the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, RAC Group (Holdings) Limited is mandated to disclose their UK energy use and associated greenhouse gas emissions. Specifically we are required to report, as a minimum, energy use and associated GHG emissions relating to natural gas, electricity and transport fuel, as well as an intensity ratio and a narrative on energy efficiency action taken over the year.

There is no prescribed reporting methodology under the legislation, although for effective emissions management and transparency it is important that robust and accepted methods are used. RAC Group (Holdings) Limited waste data is collated by the waste carriers and the records made available on a portal, split by category. Transport fuel data and other energy use data is collated monthly or as frequently as it becomes available and used for ongoing analysis. The RAC has assessed greenhouse gas emissions using the ‘GHG Reporting Protocol – A Corporate Accounting and Reporting Standard’ and in accordance with Defra’s ‘Environmental Reporting guidelines: including Streamlined Energy and Carbon Reporting requirements’.

The reporting scope in the table opposite includes the following in the organisational boundary, following an operational control approach:

- RAC Group (Holdings) Limited UK emissions.
- Wholly owned UK subsidiaries in the RAC Group.

The reporting scope includes the following energy sources (split between mandated figures with a total, and additional voluntary figures):

- Electricity used for RAC Group (Holdings) Limited and subsidiary operations at RAC occupied buildings (scope 2, see row 1 in table adjacent).
- Gas used to heat RAC Group (Holdings) Limited and subsidiary operations at RAC occupied buildings (scope 1, see row 2 in table adjacent).
- Transport fuel and mileage data used for RAC Group (Holdings) Limited and subsidiary operations under RAC operational control (scope 1, see row 3 in table adjacent), which includes purchased diesel for roadside fleet and fuel purchased on fuel cards. Fuel and distance data has been converted in kWh.
- Transport fuel and mileage used for RAC Group (Holdings) Limited and subsidiary operations under RAC operational control (scope 3, see row 4 in table adjacent), which includes business mileage in personal vehicles. Fuel and distance data has been converted in kWh.
- Transport fuel and mileage used for RAC Group (Holdings) Limited and subsidiary operations under RAC operational control (scope 3, see row 5 in table adjacent), which includes business mileage in contractor vehicles. Fuel and distance data has been converted in kWh.
- Water used for RAC Group (Holdings) Limited and subsidiary operations at RAC occupied buildings (scope 3, see row 6 in table adjacent).
- Wastewater (contaminated by human use) generated at RAC Group (Holdings) Limited and subsidiary occupied buildings (scope 3, see row 7 in table adjacent).
- Office waste generated at RAC Group (Holdings) Limited and subsidiary occupied buildings (scope 3, see row 8 in table adjacent).

For some data sources, assumptions have been used where energy and carbon use cannot be calculated exactly from primary data – for example where utility invoices are provided quarterly rather than monthly. These are recorded and any changes in source data and methodology in future years will be notified. All carbon emissions factors are taken from 'UK Government GHG Conversion Factors for Company Reporting' issued by Defra and BEIS, for the appropriate years.

The reporting scope covers energy used over the reporting period from 1st January 2024 – 31st December 2024, in line with the financial year. Energy and carbon use for the 2023 year are also shown below, in order to allow year on year comparisons.

GHG emissions and energy use data for period 1 January 2024 to 31 December 2024

	RAC Group (Holdings) Limited			
	2023		2024	
Mandatory information	**Energy (kWh)**	**Emissions (tCO_2e)**	**Energy (kWh)**	**Emissions (tCO_2e)**
Electricity[1]	3,565,298	738	2,847,203	524
Gas[2]	3,132,874	627	2,479,118	502
Transport fuel[3*] Purchased diesel for roadside fleet and fuel purchased on fuel cards	63,440,572	15,167	80,690,106	19,287
Transport fuel[4] Business mileage in personal vehicles	660,257	160	781,557	178
Total	**70,799,001**	**16,692**	**86,797,984**	**20,490**
Intensity ratio: kWh and tCO_2e / Total jobs	29.96	0.00707	36.58	0.00866

	2023		2024	
Voluntary information	**Units (as shown)**	**Emissions (tCO_2e)**	**Units (as shown)**	**Emissions (tCO_2e)**
Transport fuel[5] **Business mileage in contractor vehicles**	79,991,476 kWh	20,338	67,531,472 kWh	17,164
Water[6]	9,507m3	1.68	11,020 m3	1.69
Wastewater[7]	9,032 m3	1.81	10,469 m3	1.94
Office waste[8]	203t	4.32	99.996t	1.47
Total	–	**20,346**	–	**17,169**

GHG emissions and energy use data

We are compliant with the Government and Environment Agencies Energy Saving Opportunities Scheme (ESOS Phase 2) and Streamlined Energy & Carbon Reporting.

Transport

Our overall transport emissions increased in 2024 due in part to an increase in the size of our commercial fleet resulting from our successful expansion into the SMR market which added 116 new vehicles during the year, and also as a result of RAC patrols towing more vehicles than in prior years. This was partially offset by a reduction in the use of third party contractors.

We continue to explore means to reduce our scope 1 emissions including route optimisation and driving behaviours, as well as the use of EVs and alternative fuels in our fleets.

Our entire commercial fleet fully complies with the strict Euro 6 emissions standards, reflecting our commitment to maintaining high environmental standards. In addition, all our vans are equipped with telematics, CCTV cameras, and recording systems, enabling us to continuously monitor driving behaviours. This technology has provided valuable data to review driving patterns, identify areas for improvement, and target specific training initiatives aimed at improving driver behaviour. Our focus is on reducing road risk, minimising accident frequency, and lowering fuel consumption through targeted coaching.

We remain dedicated to promoting safety and sustainability through ongoing colleague engagement and training. Our internal campaigns, supported by Continual Behavioural Training (CBT) programs such as ‘Safe and Fuel-Efficient Driver Training’ and ‘Environmental Management at the Roadside,’ continue to raise awareness.

For further information on our emissions and energy use, including our use of EVs and alternative fuels, please see our Sustainability Report on pages 103 to 121.

Going concern

The Directors have assessed the financial position, the future prospects and funding requirements of RAC Group (Holdings) Limited Group and the Company, and compared them to the level of available committed borrowing facilities. The Company is integral to the Group's performance and therefore the group-wide assessment is relevant to the Company.

Details of cash and borrowing facilities are set out in notes 18 and 23 to the Consolidated Financial Statements. The RAC Group (Holdings) Limited Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are set out in note 28 to the Consolidated Financial Statements.

The Directors' assessment included a review of the Group's financial forecasts, financial borrowings and hedging arrangements for the 12-month period from the date of this report. The Directors considered a range of potential trading and market-related risks, including macro-economic trends, regulatory change, roadside demand, plus mitigating actions, and how these may impact on cash flow, facility headroom and the Group's ability to comply with the terms of its borrowings.

The RAC Group (Holdings) Limited Group's and Company's business activities, together with their strategy for future growth and assessment of the key risks are set out in the Strategic Report on pages 9 to 81 and the Risk Management section on pages 36 to 47.

The Directors also considered what mitigating actions RAC Group (Holdings) Limited Group could take to limit any adverse consequences.

The RAC Group (Holdings) Limited Group has net assets of £21 million and net current liabilities of £189 million. The Group's net asset position largely reflects the value of separately identifiable intangible assets, offset by the book value of issued bonds of £1,081 million and bank borrowings of £467 million.

The Group's third party borrowings have an average time to maturity of three years. The Company has net assets of £1,270 million and net current liabilities of £20 million. The Directors have considered the financial position and future prospects of the Company.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the RAC Group (Holdings) Limited Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2024 Company and Consolidated Financial Statements to be prepared on a going concern basis.

Auditor:

Deloitte LLP has expressed its willingness to continue in office as auditor of the Group and Company and their reappointment will be proposed at the July 2025 Board meeting.

Disclosure of information to the auditor:

Each person who was a director of the Company on the date that this report was approved confirms that, so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Alex,
mobile mechanic since 2023,
East Midlands

Statement of Directors' Responsibilities:

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom adopted international accounting standards. 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 Group and the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Group's and the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information including on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Approved by the Board on 24 April 2025.

Jo Baker

Jo Baker, Chief Financial Officer

Anoop,
patrol since 2023,
Scotland

Financial Statements

For the year ending 31 December 2024

1. Opinion

In our opinion:

- The financial statements of RAC Group (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's profit for the year then ended.
- The group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards.
- The parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The Consolidated Income Statement.
- The Consolidated Statement of Comprehensive Income.
- The Consolidated and Parent Company Statements of Financial Position.
- The Consolidated and Parent Company Statements of Changes in Equity.
- The Consolidation and Parent Company Statements of Cash Flow.
- The material accounting policy information.
- The related notes 1 to 32 to the Group financial statements and notes 1 to 9 to the parent company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was: • The carrying value of goodwill and other indefinite useful life intangible assets; Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the group financial statements was £8.8m which was determined on the basis of 3% of EBITDA.
Scoping	Our group scoping accounts for over 99% of the group's revenue, net assets and EBITDA. Audit work to respond to risks of material misstatement of the group financial statements was performed directly by the group audit engagement team.
Significant changes in our approach	We no longer identify a key audit matter relating to the initial adoption of IFRS 17. This was a key audit matter in 2023 due to the implementation of the new accounting standard. We no longer identify a key audit matter relating to revenue recognition.This was a key audit matter in 2023 due to a change in the accounting estimate made in the year for acquisition revenue.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging director's key assumptions underpinning the going concern basis of accounting, by assessing the reasonableness of significant movements in forecast cash flows, considering their consistency with other available information, historical performance of the group against previous forecasts and our understanding of the group businesses.
- Assessing management's stress and scenario testing including reverse stress testing.
- Evaluating whether the future forecasts and assumptions were used consistently between the group's going concern evaluation, goodwill impairment assessment and assessment of the recoverability of the intercompany debtors of the company. This included assessing the impacts of inflation and climate related risks, and the steps management will take in event that economic and other factors deteriorate.
- Assessing compliance with financial covenants on the listed debt and senior term facility.
- Evaluating the appropriateness of disclosures in the financial statements relating to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Carrying value of goodwill and other indefinite useful life intangible assets

Key audit matter description	The group holds goodwill of £760m (2023: £760m) and other indefinite life intangible assets of £837m (2023: £837m) in relation to the value of the RAC brand as at 31 December 2024. The RAC brand has an indefinite estimated useful life and therefore, like goodwill is subject to an annual impairment test. In the current year impairment of £Nil has been recognised (FY23: £Nil). The group's assessment of the carrying value of goodwill and other indefinite life intangible assets involves directors' estimation concerning the future cash flows of each cash generating unit ('CGU') in determining the value in use ('VIU'). The two CGUs are ~~capitalise~~ Membership Services and Insurance as shown in note 4 to the financial statements. The most sensitive judgements in the determination of the carrying value of goodwill and other indefinite life intangible assets are the future cash flow forecasts in the Insurance CGU and the rate applied in discounting the future cash flows. Inappropriate use of these assumptions either due to fraud or error could give rise to a material misstatement. Further details of the key judgements involved, and sources of estimation uncertainty are detailed in accounting policies note E and note V, which relate to note 10 to the financial statements for goodwill and intangible assets.

5.1. Carrying value of goodwill and other indefinite useful life intangible assets (continued)

How the scope of our audit responded to the key audit matter	We obtained an understanding of the directors' process and of the relevant controls identified around the carrying value of goodwill and other indefinite useful life intangible assets. We involved our valuation specialists in assessing the VIU methodology for compliance with IAS 36 and to determine an independent reasonable range for the discount rate and the long-term growth rate. We evaluated the historical accuracy of the directors' forecasts by comparing them to actual results and evaluated the reasonableness of the growth assumptions built into the five-year cashflow forecasts. We also performed a 'stand back test' and assessed whether the future forecasts and assumptions were used consistently across the preparation of the financial statements, including the evaluation of the going concern assumption for the RAC trading group. We assessed whether the disclosures in relation to the impairment of goodwill and indefinite useful life intangible assets were appropriate.
Key observations	We concluded that the directors' approach to determining the discount rate and cashflow forecasts was reasonable. Overall, we concluded that the carrying value of goodwill and other indefinite life intangible assets at the year end and the related disclosures in the financial statements are appropriate.

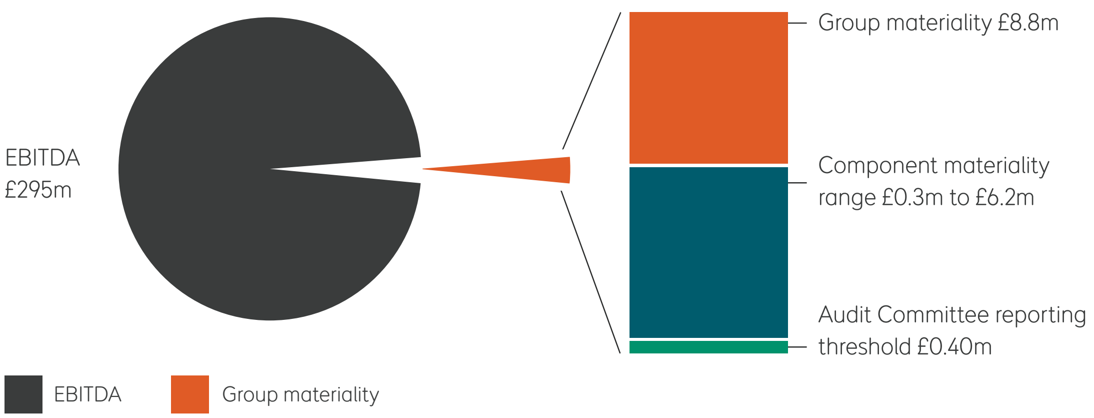
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group Financial Statements	Parent company Financial Statements
Materiality	£8.8m (2023: £8.1m)	£5.1m (2023: £5.3m)
Basis for determining materiality	3% of EBITDA (2023: 3% of EBITDA before exceptional items)	Our determined materiality equates to 0.5% (2023: 0.5%) of the carrying value of investments held by the parent company. When determining materiality, as the parent company is part of RAC Bidco Limited group, we also considered that this materiality is appropriate for the consolidation of this set of financial statements into that group's results.
Rationale for the benchmark applied	We determined materiality based on EBITDA as we considered this the most appropriate measure to assess the performance of the group, as it is a key measure used by stakeholders to assess and report performance of the business.	As the company is a holding company for the group, we determined the carrying value of investments to be the most appropriate benchmark in determining materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group Financial Statements	Parent company Financial Statements
Performance materiality	70% (2023: 70%) of group materiality	70% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors including our understanding of the group, the low extent of material misstatements applicable to the group and parent company in previous audits, the centralised finance function and the quality of the control environment.	

6.3. Error reporting threshold

We agreed with the Board Risk and Audit Committee that we would report to the Committee all audit differences in excess of £0.4m (2023: £0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Based on that assessment, our group audit scope identified and focused on the significant balances in the income statement and statement of financial position of the group.

We have performed an audit of the entire financial information on all entities within the group with the exception of Risk Telematics UK Limited, RAC Cars Limited, RACMS Ireland, RAC Employee Benefits Trust, RAC Group Limited, RAC Midco Limited, RAC Midco II Limited and RAC Motoring Services (Holdings) Limited which are exempt from statutory audit requirements and immaterial to the group. We performed analytical procedures at the group level for these entities.

All entities subject to an audit of the entire financial information were performed directly by the group audit team and executed at levels of performance materiality applicable to each individual entity that were lower than group performance materiality and ranged from [£0.3m to £6.2m] (2023: £0.3m to £6.8m). These account for over 99% (2023: 99%) of the group’s revenue, net assets and EBITDA. At the parent company level, we have also performed testing over the consolidation process of group entities.

7.2. Our consideration of the control environment

With the involvement of our IT specialist, we have obtained an understanding of the general IT controls in the period. Consistent with our approach in the prior year, due to issues identified by our IT specialists in respect of user access review, segregation of duties and privilege user access we planned our audit approach to be a fully substantive approach and we were not able to place reliance on IT controls.

Control observations identified in the current period have been communicated to the Board Risk and Audit Committee.

7.3. Our consideration of climate-related risks

As part of our audit, we have considered the impact of climate change on the group’s operations and its impact on their financial statements. The group continues to implement and embed regulatory requirements in relation to climate change risk management, namely the Taskforce for Climate Related Financial Disclosures (TCFD) and Climate Financial Disclosures (CFD) requirements as well as the PRA ‘Financial risks from climate change’ requirements. These are detailed on pages 48 to 71 of the strategic report with financial statement impact considered in the accounting policies.

Our audit work involved challenging the risks identified and considered in the group climate risk assessment. We have read the disclosures in relation to climate change made in the Strategic Report and ascertained whether the disclosures are materially consistent with the financial statements and our knowledge from our audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets.
- Results of our enquiries of management, internal audit, the directors and the Board Risk and Audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector.
- Any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance.
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
  - The internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, actuarial and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: carrying value of goodwill and other indefinite useful life intangible assets, In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework[s] that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Prudential Regulatory Authority (PRA) regulations, and the Financial Conduct Authority (FCA) regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the carrying value of goodwill and other indefinite useful life intangible assets as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements.
- Enquiring of management, the Board Risk and Audit committee and in-house legal counsel concerning actual and potential litigation and claims.
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the PRA and the FCA.
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches n ot visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

- Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Board Risk and Audit Committee, we were appointed by the Board on 31 May 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 2014 to 2024.

14.2. Consistency of the audit report with the additional report to the Board Risk and Audit Committee

Our audit opinion is consistent with the additional report to the Board Risk and Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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.

David Heaton, (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

24 April 2025

Steven,
patrol since 2016,
Scotland

Consolidated Income Statement

	Note	2024 £m	2023 £m
Revenue – non-insurance related		345	328
Revenue – insurance related		438	392
Revenue	1	**783**	**720**
Expenses – non-insurance related		(324)	(296)
Insurance services expenses		(239)	(227)
Operating profit	2	**220**	**197**
EBITDA before exceptional items		295	272
Amortisation	2	(49)	(39)
Depreciation	2	(26)	(29)
Exceptional items	3	–	(7)
Operating profit		**220**	**197**
Finance expenses	5	(104)	(90)
Finance income	5	5	4
Profit before tax		**121**	**111**
Tax charge	9	(26)	(25)
Profit for the year		**95**	**86**

All activities relate to continuing operations.
The accounting policies and notes on pages 154 to 195 are an integral part of these Financial Statements.

Consolidated Statement of Comprehensive Income

	Note	2024 £m	2023 £m
Profit for the year		95	86
Other comprehensive expense:			
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		(6)	(11)
Aggregate tax effect	9(c)	1	3
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods		**(5)**	**(8)**
Total comprehensive income for the year		**90**	**78**

The accounting policies and notes on pages 154 to 195 are an integral part of these Financial Statements.

Consolidated Statement of Financial Position

	Note	2024 £m	2023 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	10	1,679	1,658
Contract costs	11	48	47
Property, plant and equipment	12	30	30
Right of use assets	13	74	68
Deferred tax asset	19	12	12
Derivative financial instruments	15	9	15
		1,852	1,830
Current assets			
Inventories	16	3	3
Trade and other receivables	17	60	55
Cash and cash equivalents	18	155	119
		218	177
LIABILITIES			
Current liabilities			
Borrowings	23(a)	(180)	(12)
Provisions	20	(2)	(1)
Trade and other payables	21	(154)	(123)
Insurance contract liabilities	22	(71)	(69)
		(407)	(205)
Net current liabilities		(189)	(28)
Non-current liabilities			
Borrowings	23(a)	(1,368)	(1,589)
Employee benefit liability		(3)	(3)
Trade and other payables	21	(71)	(72)
Deferred tax liability	19	(200)	(207)
		(1,642)	(1,871)
Net assets/(liabilities)		**21**	**(69)**
Equity			
Ordinary share capital	24	367	367
Share premium		455	455
Hedging instruments reserve	26	5	10
Retained earnings		(806)	(901)
Total equity		**21**	**(69)**

The accounting policies and notes on pages 154 to 195 are an integral part of these Financial Statements.

Approved by the Board on 24th April 2025.

J Baker
Chief Financial Officer

Consolidated Statement of Changes in Equity

	Note	Ordinary share capital £m	Share premium £m	Hedging instruments reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023		367	455	18	(987)	(147)
Profit for the year		–	–	–	86	86
Other comprehensive expense		–	–	(8)	–	(8)
Total comprehensive income		–	–	(8)	86	78
Balance at 31 December 2023		**367**	**455**	**10**	**(901)**	**(69)**
Profit for the year		–	–	–	95	95
Other comprehensive expense		–	–	(5)	–	(5)
Total comprehensive income		–	–	(5)	95	90
Balance at 31 December 2024		**367**	**455**	**5**	**(806)**	**21**

The accounting policies and notes on pages 154 to 195 are an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

	Note	2024 £m	2023 £m
Operating activities			
Profit before tax		121	111
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation	2	26	29
Amortisation	2	49	39
Exceptional costs	3	–	7
Finance expenses	5	104	90
Finance income	5	(5)	(4)
Working capital adjustments			
Decrease in inventories	16	–	(1)
Increase in trade and other receivables		(22)	(22)
Decrease in trade and other payables		35	24
Payment to employment benefit schemes		–	(1)
Operating cash impact of exceptional items		–	(11)
Taxation paid		(32)	(23)
Net cash flows from operating activities		**276**	**238**
Investing activities			
Purchase of property, plant and equipment	12	(9)	(11)
Sale of property, plant and equipment		–	4
Interest received		5	4
Purchase of intangible assets		(75)	(71)
Net cash flows used in investing activities		**(79)**	**(74)**
Financing activities			
Repurchase of bonds	23	(115)	(300)
Repayment of bank debt	23	(141)	(20)
Proceeds from new bonds	23	–	250
Proceeds from new bank debt	23	205	–
Repayment of obligations under leases		(19)	(26)
Interest paid		(91)	(87)
Net cash flows used in financing activities		**(161)**	**(183)**
Net increase in cash and cash equivalents		**36**	**(19)**
Cash and cash equivalents brought forward	18	119	138
Cash and cash equivalents carried forward	18	**155**	**119**

The accounting policies and notes on pages 154 to 195 are an integral part of these Financial Statements.

Iain,
patrol since 2016,
North West

A. Corporate information

RAC Group (Holdings) Limited, a private limited liability company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales, together with its subsidiaries (collectively, the "RAC Group (Holdings) Limited Group"), provides services and benefits to members of the RAC and other motorists primarily in the UK. The registered office is located at RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW.

Information on RAC Group (Holdings) Limited Group's structure is provided in note 14. Information on related party relationships of the RAC Group (Holdings) Limited Group is provided in note 29.

The Consolidated and Parent Company Financial Statements of RAC Group (Holdings) Limited for the year ending 31 December 2024 were approved for issue by the Board on 24th April 2025.

B. Basis of preparation and basis of consolidation

Basis of preparation

The Consolidated Financial Statements presented have been prepared for the RAC Group (Holdings) Limited Group, which comprises RAC Group (Holdings) Limited and its subsidiaries. The Financial Statements of the RAC Group (Holdings) Limited Group and the Company have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies. Historical cost is generally based on the fair value of consideration given in exchange for assets. The Financial Statements of the RAC Group (Holdings) Limited Group and the Company have been prepared in accordance with United Kingdom ("UK") adopted international accounting standards.

The material accounting policies adopted in the preparation of these Financial Statements are set out below.

The Consolidated and Company Financial Statements are presented in pounds sterling, which is the presentational currency of the RAC Group (Holdings) Limited Group and the Company. Unless otherwise noted, the amounts shown in these Financial Statements are in millions of pounds sterling ("£m").

The separate Financial Statements of the Company are set out from page 196. On publishing the Company Financial Statements here together with the RAC Group (Holdings) Limited Group Financial Statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement. The Company's profit for the year ending 31 December 2024 was £26 million (2023: £26 million).

Application of new and revised International Financial Reporting Standards ("IFRSs")

The following new and amended IFRSs are effective and relevant for these Financial Statements. The adoption of these standards has not had any material impact on the disclosures or on the amounts reported in the Financial Statements.

- Amendments to IAS 1 and IFRS practice statement, IAS 8, IAS 12, and IAS 21.

At 31 December 2024, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the UK which are not expected to be material:

- Amendment to IAS 21[1].
- Introduction of IFRS 18 and IFRS 19[2].

[1]Effective for annual periods commencing on or after 1 January 2025
[2]Effective for annual periods commencing on or after 1 January 2027

IFRS 17 Insurance Contracts

Insurance Contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. The Group issues non-life insurance contracts to individuals and businesses including breakdown assistance insurance and legal expenses insurance. These products agree to compensate the policyholder if specified uncertain future events adversely affects the policyholder. The Group considers that these two areas are portfolios under the standard. The fixed fee exemption is applied to those breakdown subscription contracts where the Group does not reflect the risk associated with the individual customer within the contract price, which is primarily on acquisition.

Insurance Contracts accounting treatment

Level of aggregation

IFRS 17 requires a Group to determine the level of aggregation for applying its requirements. The level of aggregation is determined firstly by dividing the business into portfolios, which are groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous and the remainder. The Group assumes that no contracts in the portfolio are onerous or at significant risk of becoming onerous at initial recognition unless facts and circumstances indicate otherwise. The Group uses internal profitability models, which uses information including that relating to pricing and similar contracts, to assess and identify whether a group of contracts is at risk of becoming onerous.

Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- Beginning of the coverage period.
- Date when first payment is made by policyholder or when first payment is due (although this would be deferred to the Statement of Financial Position until the coverage period begins).
- For a group of onerous contracts; if facts and circumstances indicate that the group is onerous.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. For the Group, a substantive obligation to provide insurance contract services ends when the coverage period of the contract ends.

Measurement

All of the contracts identified as being within the scope of IFRS 17 have been assessed as being eligible for the Premium Allocation Approach ("PAA"). For the majority of contracts this is because the coverage period is for one year or less. For those contracts with a longer coverage period, these are considered eligible as the Group expects that the measurement of liability for remaining coverage is not materially different from measuring the contract under the General Measurement Model ("GMM"). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

Going concern

The Directors have assessed the financial position and the future prospects and funding requirements of the RAC Group (Holdings) Limited Group and the Company and compared them to the level of available committed borrowing facilities. The Company is integral to the Group's performance and therefore the Group wide assessment is relevant to the Company. Details of cash and borrowing facilities are set out in notes 18 and 23 to the Consolidated Financial Statements. The RAC Group (Holdings) Limited Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are set out in note 28 to the Consolidated Financial Statements.

The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 12-month period from the date of signing the Financial Statements. The Directors considered a range of potential trading and market-related risks, including regulatory change, roadside demand and usage change, plus mitigating actions and how these may impact on cash flow, facility headroom and the Group's ability to comply with the terms of its borrowings.

The RAC Group (Holdings) Limited Group's and Company's business activities, together with the factors likely to affect their future development, performance and position are set out in the Strategic Report on pages 9 to 81. The Directors also considered what mitigating actions the RAC Group (Holdings) Limited Group could take to limit any adverse consequences.

The RAC Group (Holdings) Limited Group has net assets of £21 million and net current liabilities of £189 million. The Group's net asset position largely reflects the value of separately identifiable intangible assets, offset by the book value of issued bonds of £1,081 million and bank borrowings of £467 million. The Group's third-party borrowings have an average time to maturity of three years.

The Company has net assets of £1,270 million and net current liabilities of £20 million. The Directors have considered the financial position and future prospects of the Company.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the RAC Group (Holdings) Limited Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2024 Company and Consolidated Financial Statements to be prepared on a going concern basis.

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2024.

Subsidiaries are those entities in which the RAC Group (Holdings) Limited Group, directly or indirectly, has power to exercise control. Control is achieved when the RAC Group (Holdings) Limited Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the RAC Group (Holdings) Limited Group controls an investee if and only if it has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

When the RAC Group (Holdings) Limited Group has less than a majority of the voting or similarrights of an investee, the RAC Group (Holdings) Limited Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the RAC Group (Holdings) Limited Group's voting rights and contractual voting rights.

The RAC Group (Holdings) Limited Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the RAC Group (Holdings) Limited Group obtains control over the subsidiary and ceases when it no longer has control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income from the date the RAC Group (Holdings) Limited Group gains control until the date that it ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income is attributed to the equity holders of the parent of the RAC Group (Holdings) Limited Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of the subsidiaries to bring their accounting policies in line with the RAC Group (Holdings) Limited Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the RAC Group (Holdings) Limited Group are eliminated in full on consolidation.

The acquisition method of accounting is used for business combinations. Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The excess of the consideration transferred over the fair value of the net assets and liabilities of the subsidiary acquired is recorded as goodwill. Acquisition related costs are expensed as incurred.

Investments in subsidiaries

A subsidiary is an entity over which the RAC Group (Holdings) Limited Group exercises control. Within the Parent Company Financial Statements, investments are accounted for at historical cost, less any provision for impairment.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the RAC Group (Holdings) Limited Group, liabilities incurred by the RAC Group (Holdings) Limited Group to the former owners of the acquiree and the equity interest issued by the RAC Group (Holdings) Limited Group in exchange for control of the acquiree. Acquisition related costs are recognised in the Income Statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in the Income Statement as a bargain purchase gain.

When the consideration transferred by the RAC Group (Holdings) Limited Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

Business combinations (continued)

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the Income Statement.

C. Revenue recognition

Revenue is measured in accordance with relevant accounting standards. For all contracts within the scope of IFRS 15, the Group determines whether enforceable rights and obligations have been created with the customer and recognises revenue based on the total transaction price as estimated at the contract inception, being the amount to which the Group expects to be entitled and has present enforceable rights under the contract. Revenue is allocated proportionally across the contract performance obligations and recognised either over time or at a point in time as appropriate.

Service revenue

Revenue represents sales of roadside assistance and related claims services and is either an insured or "pay on use" service.

Revenue – non insurance related

For "pay on use" contracts revenue is recognised in accordance with IFRS 15 at the point in time when the performance obligation is satisfied.

For insured services, where contracts have been excluded from being in the scope of IFRS 17, revenue is recognised over the life of the contract based on the usage profile.

Revenue – insurance related

For insured services, where contracts have been identified as being in the scope of IFRS 17, revenue reflects business incepted during the year, and excludes any sales-based taxes or duties or levies. Revenue is based on expected premium receipts and include an estimate of pipeline premiums less a provision for anticipated lapses. The Group recognises a liability for remaining coverage ("LRC") equal to the value of the premiums received at initial recognition. Premiums are then recognised in the Income Statement over the life of the contract.

Loss components

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If at any time before, or during the policy term, there is any indication that a group of contracts is onerous, any loss would be recognised in the Income Statement immediately through the establishment of a loss component within the liability for remaining coverage.

Products

Revenue relating to the sale of products, such as batteries and parts, is recognised according to the terms of the sale, at the point in time when the performance obligations are satisfied.

Commission and arrangement fees

Income is received from insurance brokerage services for the arrangement and administration of roadside assistance, motor, home and other insurance policies on behalf of the underwriter. With the exception of roadside assistance, revenue is recognised at a point in time at the effective commencement date or renewal date of each policy. For roadside assistance, revenue is recognised over the life of the contract in line with the underlying subscription revenue. The transaction price is variable.

Interest income

Interest income is recognised in accordance with IFRS 9 when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefit will flow to the Group and the amount can be reliably measured).

D. Exceptional items

Items which are considered by management to be material by size and/or nature and non-recurring are presented separately on the face of the Consolidated Income Statement. Management believe that the separate reporting of exceptional items helps provide an indication of the RAC Group (Holdings) Limited Group's underlying business performance. Events which may give rise to a classification of items as exceptional include costs associated with business acquisitions, significant corporate transactions, refinancing, gains or losses on the disposal of businesses, strategic developments and restructuring of businesses.

E. Goodwill and intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the RAC Group (Holdings) Limited Group's share of the net assets of the acquired subsidiary at the acquisition date. Goodwill is carried at cost, less any impairment subsequently incurred.

Brand

The RAC brand has been assessed as having an indefinite life due to the strength and durability of the brand that has existed since 1897.

Customer lists and other intangible assets

Customer lists and other intangible assets consist of IT projects and infrastructure, and contractual relationships such as access to distribution networks and acquired customer lists. The economic lives are determined by relevant factors which include usage of the asset, typical product life cycles, stability of the industry, competitive position and period of control over the assets. These intangibles are amortised over their useful lives, which range from two to ten years using the straight line method.

The amortisation charge for the period is included separately within the Consolidated Income Statement. A provision for impairment is charged where evidence of such an impairment is observed. Intangibles with indefinite lives are subject to regular impairment testing, as described below.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment testing

For impairment testing, goodwill has been allocated to the two cash generating units ("CGUs") that exist as these represent the lowest level within the Group which generates independent cash inflows. The carrying amount of goodwill and intangibles with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Goodwill and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying amount. Details of the testing performed and carrying values of goodwill and intangibles is shown within note 10.

F. Contract costs

Contract costs represent incremental costs to obtain contracts which are third party commissions and fees arising as a result of a direct sale of a non-insurance product. These costs are amortised on a straight-line method over the life of the policies, typically 2 to 6 years, which is driven by internal customer retention rate analysis.

G. Property, plant and equipment

All items classified as property, plant and equipment within the Consolidated Statement of Financial Position are carried at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives which range from two to ten years using the straight line method.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recorded in the Consolidated Income Statement.

H. Leases

All items classified as Right of Use assets within the Consolidated Statement of Financial Position are carried at the present value of the minimum lease payments less accumulated depreciation and any provision for impairment. Depreciation is calculated using the straight-line method over the life of the lease, typically either five or twenty five years for vehicles and properties respectively. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related Right of Use asset.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made in the period.

The nature of the leases included within the Right of Use assets are vehicles and properties.

Short-term and low-value leases are recognised as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less.

I. Other investments

Other investments are those investments where the Company does not have signficant influence over the entity. These investments are accounted for as financial assets under IFRS 9 Financial Instruments. At initial recognition the financial asset is measured at its fair value being the transaction price minus any directly attributable transaction costs. Subsequently the financial asset is measured at fair value through profit or loss.

J. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

K. Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

L. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is recognised on trade receivables if there is considered to be expected credit losses. The amount of expected credit losses is calculated using the simplified approach as allowable under IFRS 9 and is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the Consolidated Income Statement within operating profit.

M. Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and treasury bills that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values. For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities in the Consolidated Statement of Financial Position.

N. Income taxes

Income taxes include both current and deferred taxes. Income taxes are recognised in the Consolidated Income Statement except where they relate to items recognised directly in other comprehensive income or equity. In this instance, the income taxes are also recognised directly in other comprehensive income or equity respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided for the initial recognition of goodwill, nor the initial recognition of assets or liabilities that affect neither the accounting profit nor taxable profit or loss other than in a business combination.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and there is an intention to settle on a net basis.

O. Provisions and contingent liabilities

Provisions are recognised when the RAC Group (Holdings) Limited Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the RAC Group (Holdings) Limited Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, up to the amount of the provision, but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable yet still possible or the amount cannot be reliably estimated.

P. Insurance contract liabilities

Liability for incurred claims

At each reporting period, a liability for incurred claims is calculated comprising the future fulfilment cash flows related to past service at the reporting date. The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks related to those cash flows. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, the ultimate cost of which cannot be known with certainty at the statement of financial position date. Any estimate represents a determination within a range of possible outcomes.

- **Discount rates** – the Group's discount rate consists of a risk free rate, based upon UK Government yield curves of appropriate durations, with an illiquidity premium as determined by the Group.
- **Risk adjustment** – the risk adjustment for non-financial risk has been set using a 75% confidence interval technique. Under this approach the Group has determined a profitability distribution of the expected present value of future cash flows from the contracts at each reporting date. The risk adjustment has been calculated as the excess of the value at risk at the target confidence interval over the expected present value of future cash flows allowing for associated risks over all future years. The Group has elected not to disaggregate the changes in the risk adjustment for non-financial risk.

Liability for remaining coverage

At each reporting period, a liability for remaining coverage is calculated based on the proportion of the contract period which has not elapsed, using a straight-line method of revenue recognition. As the period of remaining coverage is in most circumstances, less than 12 months, no discounting is performed. The change in this liability is recognised in the Income Statement in order that revenue is recognised over the period of risk.

Q. Derivative financial instruments

The RAC Group (Holdings) Limited Group holds derivative financial instruments, in the form of interest rate swaps, to hedge its interest rate exposures. Derivatives are recognised initially and subsequently at fair value. Any gains or losses arising from changes in fair value of derivative financial instruments are taken directly to the Income Statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

Financial assets at fair value through the Consolidated Income Statement are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value presented as other losses (negative net changes in fair value) or other gains (positive net changes in fair value) in the Consolidated Income statement.

The RAC Group (Holdings) Limited Group also has forward contracts for fuel purchases for a period of up to twelve months in order to manage the variability of cash flows associated with the purchasing of fuel for use in the Group's operational fleet of patrols and recovery vehicles. These contracts are not accounted for as derivatives as they are for the RAC Group (Holdings) Limited Group's own use and are therefore outside the scope of IFRS 9 Financial Instruments.

R. Borrowings

Borrowings are recognised initially at their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest rate method.

Upon extinguishment of borrowings, any remaining related transaction costs are charged to finance expenses in the Consolidated Income Statement. If the terms of a debt instrument are modified the remaining fees are amortised over the life of the instrument. When the terms of a debt instrument are amended it is treated as an extinguishment rather than a modification if the revised terms are substantially different.

Borrowings are classified as current liabilities unless the RAC Group (Holdings) Limited Group has an unconditional right to defer settlement of the liability for at least 12 months after the Consolidated Statement of Financial Position date.

S. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement, and is included in the 'finance income' or 'finance expenses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement, in the same line of the Consolidated Income Statement as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the RAC Group (Holdings) Limited Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Income Statement.

T. Employee benefits

Pension obligations and other post-retirement benefit obligations

The RAC Group (Holdings) Limited Group operates two post-employment benefit plans, a funded plan (the assets of which are held in separate trustee-administered funds, funded by payments from employees and the RAC Group (Holdings) Limited Group), and an unfunded unapproved pension scheme.

In addition the RAC Group (Holdings) Limited Group also provides a disability benefits scheme on a discretionary basis for certain pensioners and their dependants in the UK, and certain employees may also become eligible for this benefit on retirement, and medical benefits on a discretionary basis for certain pensioners and their dependants in the UK. No assets are set aside in separate funds to provide for the future liability.

Termination benefits

The RAC Group (Holdings) Limited Group provides termination benefits. All termination costs are charged to the Consolidated Income Statement when constructive obligation to such costs arises.

U. Share capital and dividends

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accordingly, all financial instruments are treated as financial liabilities or assets unless:

i. there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

ii. the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

V. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements in conformity with UK adopted international accounting standards requires the RAC Group (Holdings) Limited Group to make estimates and judgements using assumptions that affect items reported in the Consolidated Statement of Financial Position and Consolidated Income Statement and the disclosure of contingent assets and liabilities at the reporting date. Estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Actual results may differ from those estimates, possibly significantly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Management have also considered any climate related risks and don't consider that there is likely to be a material impact of these risks on the financial statements. Set out below are items where management have taken a judgement or which management consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

i. Critical judgements in applying the RAC Group (Holdings) Limited Group's accounting policies

   The critical judgements as at the Consolidated Statement of Financial Position date are discussed below. The Group has applied the following critical judgements in relation to IFRS 17 methodology:

- **PAA eligibility** – the Group uses a PAA eligibility framework for contracts that are not automatically eligible for PAA. This framework assesses the significance of differences between the GMM and PAA. The Group's conclusion is that all contracts are eligible for PAA.
- **Deferred acquisition costs** – the Group defers insurance acquisition costs under the PAA. There is judgement in determining what costs are acquisition costs and judgement in determining the period over which these costs are amortised which has been estimated as 6 years.

ii. Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the Consolidated Statement of Financial Position date are discussed below.

Impairment of goodwill and indefinite lived intangible assets

Determining whether goodwill and brand are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and brand has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill and the brand as at 31 December 2024 and 31 December 2023 was £760 million and £837 million respectively.

The RAC Group (Holdings) Limited Group performs impairment testing annually in quarter 4 and whenever a loss event occurs. The impairment test compares the recoverable amount of the CGU to the carrying value of goodwill and intangibles allocated to the CGU. The recoverable amount of each unit is determined based on a value-in-use calculation using cash flow projections from the Group's budget and management's forecast up to 2029. The growth rate used to extrapolate future cash flows beyond the Group's forecasts for both CGUs is 2.5% (2023: 2.5%), based on the expected average long-term growth rate of the UK economy. The pre-tax discount rate of 13% (2023: 14%) applied to the cash flow projections is based on the Group's Competitors' Weighted Average Cost of Capital ("WACC") which has been risk adjusted to reflect current market factors not already captured within the cash flows. The discount rate is independent of the firm's capital structure as stipulated by IAS 36 Impairment of non-current assets.

This assessment was based on management's forecasts and cash flow assumptions. The headroom for the Membership Services CGU is £1,650m and for the Insurance CGU is £29m. The key assumptions in this assessment are the Group's expected short-term growth rate, future cash flows growth rate beyond 2029 and pre-tax discount rate. If the short-term growth rate were to reduce to 5.0%, the effect on the Group would be to decrease headroom by £1,140 million, and an impairment would be noted in the Insurance CGU of £49 million. If the future cash flows growth rate were to reduce from 2.5% to 1%, the effect on the Group for this reduction would be to decrease headroom by £302 million. If the pre-tax discount rate were to increase by 1%, the effect on the Group would be to decrease this headroom by £321 million. For the Insurance CGU, for the recoverable amount to equal to the carrying amount, the discount rate would need to increase by 4% or the terminal growth rate would need to be below 0% rather than 2.5%. For the Membership Services CGU, for the recoverable amount to equal the carrying amount, the discount rate would need to increase by 9.6% or the terminal growth rate would need to be below 0% rather than 2.5%.

Donny,
patrol since 1987,
Scotland

1. Revenue

	2024 £m	2023 £m
Sale of products – transferred at a point in time	35	35
Sale of services (see note 4 for categorisation of revenue)	748	685
Total revenue	**783**	**720**

Revenue is generated from the sale of products and services primarily in the UK.

2. Operating items

The following items have been charged to operating profit:

	2024 £m	2023 £m
Depreciation of owned tangible assets (note 12)	9	10
Depreciation of right of use assets (note 13)	17	19
Amortisation of insurance acquisition cash flows (note 22)	5	6
Amortisation of intangible assets (note 10)	9	12
Amortisation of contract costs (note 11)	35	21
Exceptional items (note 3)	–	7
Employee costs (note 7)	211	189

3. Exceptional items

	2024 £m	2023 £m
Colleague payments	–	7
	–	**7**

During 2023, the Group agreed to various one-off payments to colleagues, including those to compensate for the increased cost of living, incurring £7 million of cost.

4. Operating segments

The Group is primarily UK based and is a consumer services subscription business providing a differentiated range of driving and mobility related services. Management has determined the operating segments based on the management accounts reviewed by the Board of Directors, which are used to assess the performance of the business. The Board of Directors has been identified by management to reflect the chief operating decision maker in accordance with the requirements of IFRS 8 Operating Segments. The two operating and reportable segments of the Group are described below.

Membership services

Membership services is the largest operating segment of the business, offering breakdown cover and related products to individual members, SME and Corporate Partners. In addition, this segment includes the other products and services such as service, maintenance and repair, recall and inspections, accident management services, branded customer services, telematics devices, retail online, garage services, legal advisory services (including legal expenses insurance) and RAC Cars.

Insurance

The insurance segment predominantly acts as an insurance intermediary with no underwriting risk. A range of insurance products are offered and the majority of the revenue generated from this operating segment is driven by motor insurance products. The insurance segment is not to be confused with “Revenue – insurance related” as disclosed in the Consolidated Income Statement which relates to revenue within the scope of IFRS 17 – Insurance Contracts.

Assets and liabilities

For the purpose of monitoring segment performance, working capital analysis is presented to and monitored by the Board at a RAC Group (Holdings) Limited Group level, to enable a meaningful review of the economic environment of the business as a whole. As the financial information is reviewed by type, segmental analysis of assets and liabilities by function is not regularly provided to management and has not been presented within the financial information.

The following is an analysis of the RAC Group (Holdings) Limited Group's revenue and results by operating segment. There were no inter segment sales during the periods reported and no individual customer contributed 10% or more to the RAC Group (Holdings) Limited Group's revenue.

	2024 £m	2023 £m
Revenue of products		
Membership services – transferred at a point in time	35	35
Revenue of services		
Membership services – subscription services*	532	472
Membership services – other**	146	147
Insurance – transferred at a point in time	70	66
Group revenue	**783**	**720**
Segment EBITDA before head office costs		
Membership services	304	279
Insurance	45	43
Group EBITDA before head office costs	**349**	**322**
Head office costs***	(54)	(50)
Group EBITDA before exceptional items	**295**	**272**
Depreciation of owned tangible assets***	(9)	(10)
Depreciation of right of use assets***	(17)	(19)
Amortisation of insurance acquisition cash flows***	(5)	(6)
Amortisation of contract costs***	(35)	(21)
Amortisation of intangible assets***	(9)	(12)
Exceptional items***	–	(7)
Operating profit	**220**	**197**
Net finance expenses***	(90)	(86)
Profit before tax from continuing operations	**130**	**111**

*Included within Membership Services – subscription services revenue is £438 million (2023: £392 million) of revenue categorised as insurance related within the scope of IFRS 17 – Insurance Contracts.

**Membership Services other revenue includes revenue from Pay On Use customers, Service, Maintenance and Repair, Accident Management Services and other Membership Services.

***These costs are not internally analysed into separate operating segments.

During 2024, the Group has reclassified certain amounts of recoverable VAT on operational costs and other directly attributable costs between its Head Office and Membership services segments. Comparatives have been adjusted accordingly by decreasing EBITDA in Membership services and Insurance by £3 million and £1 million respectively with a corresponding decrease in Head Office costs.

5. Net finance expenses

	2024 £m	2023 £m
Interest payable – third parties	97	82
Interest payable – lease liabilities	4	4
Amortisation of capitalised finance costs	3	4
Interest receivable – third parties	(5)	(4)
	99	**86**

Interest payable to third parties relates to finance expenses in respect of third-party borrowings. All of the finance expenses relate to financial liabilities held at amortised cost.

6. Auditor remuneration

The total remuneration payable by the RAC Group (Holdings) Limited Group, excluding VAT, to its auditor, Deloitte LLP, is shown below.

	2024 £000	2023 £000
Non-audit services	–	185
Audit services		
Audit of financial statements	124	107
Audit of subsidiaries	626	542
Total remuneration payable to Deloitte LLP	**750**	**835**

7. Employee information

The Company has no employees. All employees of the RAC Group (Holdings) Limited Group are employed by and have their employment contracts with RAC Motoring Services, a wholly owned subsidiary.

The monthly average number of persons employed during the year was:

	2024 number	2023 number
Membership services	3,811	3,641
Insurance	30	23
Support functions	388	371
	4,229	**4,035**

During the year ending 31 December 2024, total staff costs of £211 million (2023: £189 million) were charged to the Consolidated Income Statement.

During the year, £10 million (2023: £10 million) was charged to the RAC Group (Holdings) Limited Consolidated Income Statement in respect of the employee defined contribution schemes and £126 thousand (2023: £167 thousand) in respect of employee defined benefit schemes.

8. Directors

Executive Directors are remunerated as employees by RAC Motoring Services, a wholly owned subsidiary. Details of the aggregate remuneration of the Directors of the Company for qualifying services in respect of the RAC Group (Holdings) Limited Group comprise:

	2024 £000	2023 £000
Fees and benefits	2,893	2,865
	2,893	**2,865**
Emoluments of the highest paid Director:		
Fees and benefits	1,380	1,270
	1,380	**1,270**

Fees and benefits include relevant Directors' bonuses. Retirement benefits are accruing to no Directors (2023: none) under a money purchase scheme. During the year no Directors (2023: none) were awarded shares under long-term incentive schemes.

9. Tax

(a) Tax charged to the Consolidated Income Statement

	2024 £m	2023 £m
The total tax charge comprises:		
Current tax:		
For the year	34	29
Adjustment in respect of prior periods	(2)	(5)
Total current tax	32	24
Deferred tax:		
Origination and reversal of temporary differences	(1)	(5)
Adjustment in respect of prior periods	(5)	6
Total deferred tax	(6)	1
Total tax charged to the Consolidated Income Statement	26	25

(b) Tax reconciliation

The tax on the RAC Group (Holdings) Limited Group's profit before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

	2024 £m	2023 £m
Profit before tax	121	111
Tax calculated at standard UK corporation tax rate of 25.0% (2023: 23.5%)	30	26
Disallowable expenses	3	(1)
Adjustment in respect of prior periods	(7)	1
Non taxable income	–	(1)
Total tax charged to the Consolidated Income Statement (note 9(a))	**26**	**25**

For the year ending 31 December 2024, the corporation tax rate that has been used is 25.0% (2023: 23.5%).

Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Therefore, deferred tax balances have been reflected at the 25% corporation tax rate they are expected to be realised or settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(c) Tax credited to other comprehensive income

Tax credited directly to other comprehensive income in the year amounted to £1 million (2023: £3 million) in respect of tax on movements in hedging instrument fair values.

10. Goodwill and intangible assets

	Goodwill £m	Brand £m	Other £m	Total £m
Cost:				
At 1 January 2023	878	864	97	1,839
Additions	–	–	28	28
At 31 December 2023	**878**	**864**	**125**	**1,867**
Additions	–	–	30	30
Disposals	–	–	(36)	(36)
At 31 December 2024	**878**	**864**	**119**	**1,861**
Amortisation:				
At 1 January 2023	118	27	52	197
Charge for the year	–	–	12	12
At 31 December 2023	**118**	**27**	**64**	**209**
Charge for the year	–	–	9	9
Disposals	–	–	(36)	(36)
At 31 December 2024	**118**	**27**	**37**	**182**
Net book value:				
At 31 December 2024	**760**	**837**	**82**	**1,679**
At 31 December 2023	760	837	61	1,658

Goodwill and brand are held at cost and tested at least annually for impairment. All other intangible assets are stated at cost less accumulated amortisation. Amortisation is included within operating profit in the Consolidated Income Statement. No impairment has been recognised during the year (2023: £nil). Other intangible assets comprise the value of customer relationships and IT development. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are shown in the Consolidated Income Statement.

10. Goodwill and intangible assets (continued)

Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to the two cash generating units ("CGU") further details of which are given in note 4. The carrying value of the goodwill and indefinite-lived intangible assets allocated across the two CGUs is £760 million and £837 million respectively.

	2024		2023	
	Goodwill £m	**Indefinite-lived intangibles £m**	**Goodwill £m**	**Indefinite-lived intangibles £m**
Membership services	760	749	760	749
Insurance	–	88	–	88
	760	**837**	**760**	**837**

The RAC Group (Holdings) Limited Group performs impairment testing annually in Q4 and whenever a loss event occurs. The impairment test compares the recoverable amount of the CGU to the carrying value of goodwill and intangibles allocated to the CGU. The recoverable amount of each unit is determined based on a value-in-use calculation using cash flow projections from the Group's budget and management's forecast up to 2029. The growth rate used to extrapolate future cash flows beyond the Group's forecasts for all CGUs is 2.5%, based on the expected average long-term growth rate of the UK economy. The pre-tax discount rate of 13% (2023: 14%) applied to the cash flow projections is based on the Group's Weighted Average Cost of Capital ("WACC") which has been risk adjusted to reflect current market factors not already captured within the cash flows. The discount rate has also been further risk adjusted to reflect an independent capital structure as stipulated by IAS 36 Impairment of non-current assets.

Key assumptions used in management forecasts include:

- Individual members and insurance customers having high customer loyalty and retention rates resulting in a stable and predictable revenue stream.
- Success rates for Corporate Partner contract renewals based on historical experience.
- Cost discipline and operational efficiencies.

The above assumptions are calculated based on recent performance, adjusted for expected future cash flows. The calculation of the value-in-use is most sensitive to the assumptions in the discount rate, the growth rate and the customer retention rate. Retention rates are derived from internal retention rate analysis and are considered by management to be a best estimate.

11. Contract costs

	Costs to obtain contracts £m	Total £m
Cost or valuation:		
At 1 January 2023	145	145
Additions	34	34
At 31 December 2023	**179**	**179**
Additions	36	36
Disposals	(105)	(105)
At 31 December 2024	**110**	**110**
Depreciation:		
At 1 January 2023	111	111
Charge for the year	21	21
At 31 December 2023	**132**	**132**
Charge for the year	35	35
Disposals	(105)	(105)
At 31 December 2024	**62**	**62**
Net book value:		
At 31 December 2024	**48**	**48**
At 31 December 2023	47	47

Costs to obtain contracts relate to third-party commissions and fees arising as a result of a direct non-insurance sale accounted for under IFRS 15. These costs are amortised on a straight-line method over the life of the policies, typically 2 to 6 years, which is driven by internal customer retention rate analysis which have been reassessed during the year.

12. Property, plant and equipment

	Owner occupied property £m	Fixtures, fittings and other equipment £m	Computer equipment £m	Total £m
Cost or valuation:				
At 1 January 2023	3	44	13	60
Additions	–	11	–	11
Disposals	(3)	(2)	(5)	(10)
At 31 December 2023	**–**	**53**	**8**	**61**
Additions	–	8	1	9
At 31 December 2024	**–**	**61**	**9**	**70**
Depreciation:				
At 1 January 2023	–	22	6	28
Charge for the year	–	8	2	10
Disposals	–	(2)	(5)	(7)
At 31 December 2023	**–**	**28**	**3**	**31**
Charge for the year	–	8	1	9
At 31 December 2024	**–**	**36**	**4**	**40**
Net book value:				
At 31 December 2024	**–**	**25**	**5**	**30**
At 31 December 2023	–	25	5	30

The carrying value of all property, plant and equipment shown in the table above is consistent with disclosure on a historical cost basis.

13. Right of use assets

	Property £m	Vehicles £m	Total £m
Cost or valuation:			
At 1 January 2023	**45**	**54**	**99**
Additions	1	24	25
Disposals	–	(18)	(18)
At 31 December 2023	**46**	**60**	**106**
Additions	–	23	23
Disposals	–	(14)	(14)
At 31 December 2024	**46**	**69**	**115**
Depreciation:			
At 1 January 2023	**10**	**27**	**37**
Charge for the year	2	17	19
Disposals	–	(18)	(18)
At 31 December 2023	**12**	**26**	**38**
Charge for the year	2	15	17
Disposals	–	(14)	(14)
At 31 December 2024	**14**	**27**	**41**
Net book value:			
At 31 December 2024	**32**	**42**	**74**
At 31 December 2023	34	34	68

14. Group information

(a) Information about subsidiaries

The Consolidated Financial Statements of the RAC Group (Holdings) Limited Group includes the following subsidiaries:

Company	Type of business	Class of share	Proportion held
Directly held:			
RAC Midco Limited	Holding company	Ordinary	100%
Indirectly held:			
RAC Midco II Limited	Holding company	Ordinary	100%
RAC Bidco Limited	Holding company	Ordinary	100%
RAC Limited	Holding company	Ordinary	100%
RAC Bond Co PLC	Funding vehicle	Ordinary	100%
RAC Group Limited	Holding company	Ordinary	100%
RAC Motoring Services (Holdings) Limited	Holding company	Ordinary	100%
RAC Motoring Services	Motor breakdown cover	Ordinary	100%
RACMS (Ireland) Limited (incorporated in Ireland)	Dormant	Ordinary	100%
RAC Financial Services Limited	Insurance intermediary	Ordinary	100%
RAC Insurance Limited	General Insurance business	Ordinary	100%
RAC Brand Enterprises LLP	Licensing and management of intangible assets	Members' capital	100%
RAC Cars Limited	Online motoring services	Ordinary	100%
Risk Telematics UK Limited	Software development	Ordinary	100%

All subsidiaries are registered in England and Wales and operate in the United Kingdom, except RACMS (Ireland) Limited which is registered in Ireland. All subsidiaries, except RACMS (Ireland) Limited, have the same registered office as the Company, which is disclosed on page 4. The registered office of RACMS (Ireland) Limited is C/O Cronin & Company, 1 Terenure Place, Terenure, Dublin, Ireland, C6W FN23.

The Consolidated Financial Statements of the RAC Group (Holdings) Limited Group also include the financial performance and position of the RAC Employee Benefit Trust ("EBT"). In accordance with IFRSs, the RAC Group (Holdings) Limited Group is deemed to control the EBT by virtue of RAC Limited, a direct subsidiary of the Company, having power over the EBT.

RAC Group Limited (Company No. 00229121), RAC Motoring Services (Holdings) Limited (Company No. 08168190), RAC Cars Limited (Company No. 08370931) and Risk Telematics UK Limited (Company No. 08580115) are exempt from audit by virtue of s479a of the Companies Act 2006 and have been provided with a statutory guarantee by RAC Bidco Limited, their immediate parent company as required by s479c of the Companies Act 2006.

RAC Midco Limited (Company No. 09229698) and RAC Midco II Limited (Company No. 09229775) are exempt from audit by virtue of s479a of the Companies Act 2006 and have both been provided with a statutory guarantee by RAC Group (Holdings) Limited as required by s479c of the Companies Act 2006.

As a consequence, RAC Midco Limited (Company No. 09229698), RAC Midco II Limited (Company No. 09229775), RAC Group Limited (Company No. 00229121), RAC Motoring Services (Holdings) Limited (Company No. 08168190), RAC Cars Limited and Risk Telematics UK Limited have all taken advantage of the available exemption for audit.

(b) The Parent Company

There is no single immediate controlling entity of the Group.

15. Derivative financial instruments

	2024 £m	2023 £m
Cash flow hedge assets	9	15

(a) Hedging

The Group uses financial instruments, including over-the-counter instruments, in line with the Group's overall risk management strategy (see note 28).

The RAC Group (Holdings) Limited Group has formally assessed and documented the effectiveness of its hedged derivatives in accordance with IFRS 9: Financial Instruments.

(b) Cash flow hedges

The RAC Group (Holdings) Limited Group has used interest rate swap agreements in order to hedge the cash flows associated with its variable rate borrowings. The notional value and fair value of these are as follows:

	2024 £m	2023 £m
Contract/ notional value	344	404
Total derivative financial instrument asset	**9**	**15**

The hedges were effective in the year ending 31 December 2024 (2023: effective) and therefore the full movement in the fair value of cash flow hedges has been recognised in other comprehensive income (2023: recognised in other comprehensive income).

The hedges are achieved through using interest rate swap contracts to pay fixed and receive SONIA. The interest rate swaps settle on a quarterly basis. As both the Senior Term Facilities ("STF") and the interest rate swap contracts against which the STF are hedged contain floating rates linked to SONIA, the Group expects the value of these items to systematically change in opposite directions in response to movements in underlying interest rates. As such, the Group's hedge ratio is expected to remain within Group Policy.

On 4 May 2023, the Group entered into a hedge, for an amount of £30 million, effective from 5 May 2023 with the fixed element of the hedge set to 4.5290% until 30 June 2024, when this hedge expired.

On 22 December 2023, the Group entered into a hedge for an amount of £100 million, effective from 29 December 2023 with the fixed element of the hedge set to 3.5175% until 31 March 2027.

On 11 April 2024, the Group entered into a hedge for an amount of £163 million, effective from 31 March 2027 with the fixed element of the hedge set to 3.6250% until 30 September 2027.

16. Inventories

	2024 £m	2023 £m
Finished goods	**3**	**3**

All inventories are classified as finished goods. The cost of inventories recognised as an expense and included within expenses in the year ending 31 December 2024 amounted to £12 million (2023: £15 million).

17. Trade and other receivables

	2024 £m	2023 £m
Trade receivables	28	14
Prepayments and accrued income	25	26
Other receivables	1	4
Amounts due from related parties	6	11
Total	**60**	**55**
Expected to be recoverable within one year	60	55

Receivables are measured at amortised cost net of any impairment losses which are based on a loss allowance for expected credit losses. No material impairment losses have been recognised in 2024 (2023: £nil).

18. Cash and cash equivalents

	2024 £m	2023 £m
Cash and cash equivalents comprise:		
Unrestricted cash at bank and in hand	146	61
Restricted cash at bank	9	58
Total	**155**	**119**

Restricted cash is the amount of cash one of RAC Group (Holdings) Limited's indirect subsidiaries is required to hold to meet regulatory Solvency UK requirements, plus, as at 31 December 2023, that held in escrow within RAC Bond Co PLC in anticipation of repayment of third party borrowings.

19. Tax assets and liabilities

	2024 £m	2023 £m
Deferred tax asset	12	12
Deferred tax liability	(200)	(207)
	(188)	**(195)**

Current tax payable includes amounts to be settled by group relief of £nil (2023: £nil).

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019 and clarifies the accounting for uncertainties in income taxes. IFRIC 23 has been considered in regard to all uncertain tax positions for the RAC group of companies. There are no uncertain tax positions identified that would require measurement under IFRIC 23.

Deferred tax	Property, plant & equipment £m	Intangible assets & contract costs £m	Retirement benefit obligations £m	Revaluation of financial assets £m	Other temporary difference £m	Total £m
At 1 January 2023	4	(207)	1	(6)	11	(197)
(Charge)/credit to Consolidated Income Statement	(3)	3	(1)	–	–	(1)
Credit to other comprehensive income	–	–	–	3	–	3
At 31 December 2023	**1**	**(204)**	**–**	**(3)**	**11**	**(195)**
(Charge)/credit to Consolidated Income Statement	(2)	7	–	–	1	6
Credit to other comprehensive income	–	–	–	1	–	1
At 31 December 2024	**(1)**	**(197)**	**–**	**(2)**	**12**	**(188)**

	2024 £m	2023 £m
The movement in the net deferred tax liability was as follows:		
Net deferred tax liability brought forward	(195)	(197)
Deferred tax credited/(charged) to the Consolidated Income Statement	6	(1)
Deferred tax credited to other comprehensive income	1	3
Net deferred tax liability carried forward	**(188)**	**(195)**

The RAC Group (Holdings) Limited Group has unrecognised capital losses of £146 million (2023: £145 million) to carry forward indefinitely against future capital gains. No asset has been recognised as there are no capital gains expected in the foreseeable future.

The RAC Group (Holdings) Limited Group has an unrecognised deferred tax asset of £6 million (2023: £2 million) in respect of interest disallowed under the corporate interest restriction rules.

20. Provisions

	Other £m	Total £m
At 1 January 2024	1	1
Provided during the year	1	1
At 31 December 2024	**2**	**2**

Other provisions

Other provisions include amounts payable at the end of vehicle leases to correct modifications made and are expected to be utilised at the end of each vehicle's lease term (usually five years) and amounts provided for restructuring costs.

21. Trade and other payables

	2024 £m	2023 £m
Trade payables and accruals	66	59
Deferred income	20	18
Other payables	139	118
Total	**225**	**195**
Expected to be payable within one year	154	123
Expected to be payable in more than one year	71	72
Total	**225**	**195**

All payables other than deferred income are financial liabilities and are carried at amortised cost which is considered to be a reasonable approximation of the relevant fair value.

Included within other payables is £85 million (2023: £77 million) in relation to lease liabilities recognised as a result of IFRS 16. The contractual maturity dates of lease liabilities are:

	2024 £m	2023 £m
Within 1 year	16	11
1 to 5 years	25	23
5 to 10 years	44	43
	85	**77**

Lease commitments:

As at 31 December 2024 the Group had committed to aggregated undiscounted future lease payments of £2 million payable over a period up to 5 years (2023: £3 million payable over a period up to 5 years).

Short-term and low-value leases expensed to the Income Statement in the year amounts to £nil (2023: £nil). Lease commitments for short-term and low-value leases at the balance sheet date amounted to £nil (2023: £nil).

22. Insurance contract liabilities

The Group principally issues non-life insurance contracts for breakdown assistance and legal expenses insurance. The most significant risks arise from pricing and inflation risk. The objective of the Group is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts and the ability to reprice at regular intervals. The Group is primarily UK based with a small number of contracts issued within Europe. The Group is not exposed to currency risk on its insurance contract liabilities as all reserves are in sterling.

The liability for incurred claims is not exposed to significant sensitivies due to the immediate nature or very soon after (within 60 days) nature of the settlement of claims for breakdown assistance and therefore there is no material outstanding claims at the statement of financial position date. For the legal expenses portfolio, while the settlement period will be greater, the liability is not considered material and there are no known risks which would have a significant impact on the valuation of the liability. The impact of a change in the discount rate is therefore not considered to be material.

For the reasons noted above, there are no material incurred claims outstanding in respect of either the breakdown assistance or legal expenses portfolios and therefore no claims development table has been presented.

	Liability for remaining coverage £m	Liability for incurred claims £m	Insurance acquisition cash flows £m	Total £m
As at 1 January 2023	**86**	**5**	**(18)**	**73**
Insurance service revenue	(392)	–	–	(392)
Insurance service expenses				
– incurred claims and other insurance service expenses	–	221	–	221
– amortisation of acquisition cash flows	–	–	6	6
Insurance service result	**(392)**	**221**	**6**	**(165)**
Premiums received	389	–	–	389
Claims costs paid	–	(219)	–	(219)
Insurance acquisition cash flows	–	–	(9)	(9)
Total cash flows	**389**	**(219)**	**(9)**	**161**
As at 31 December 2023	**83**	**7**	**(21)**	**69**
Insurance service revenue	(438)	–	–	(438)
Insurance service expenses				
– incurred claims and other insurance service expenses	–	234	–	234
– amortisation of acquisition cash flows	–	–	5	5
Insurance service result	**(438)**	**234**	**5**	**(199)**
Premiums received	446	–	–	446
Claims costs paid	–	(236)	–	(236)
Insurance acquisition cash flows	–	–	(9)	(9)
Total cash flows	**446**	**(236)**	**(9)**	**201**
As at 31 December 2024	**91**	**5**	**(25)**	**71**

Included within the liability for incurred claims is a risk adjustment of £151 thousand (2023: £266 thousand) which due to its immaterial nature has not been separately presented in the table above. The asset in respect of insurance acquisition cash flows is expected to be amortised to the income statement for a period of 6 years.

	2024 £m	2023 £m
Analysis of net liability		
Breakdown assistance	65	60
Legal expenses insurance	6	9
Total	**71**	**69**

23. Borrowings

(a) Analysis of borrowings

	Bonds			Bank Debt				
	Class A2 Notes	Class A3 Notes	Class B2 Notes	2020 Senior Term Facility	2021 Senior Term Facility	2021 Senior Term Facility	2024 Senior Term Facility	Total
Interest rate	4.870%	8.250%	5.250%	SONIA + 2.500%	SONIA + 1.800%	SONIA + 2.500%	SONIA + 3.000%	
At 31 December 2024								
Fair value (£m)	517	325	395	–	176	119	266	**1,798**
Amounts due within one year (£m)	4	3	3	–	170	–	–	**180**
Amounts due in more than one year (£m)	484	246	341	–	–	94	203	**1,368**
Book value (£m)	488	249	344	–	170	94	203	**1,548**
Principal outstanding (£m)	485	250	345	–	170	95	205	**1,550**
At 31 December 2023								
Fair value (£m)	667	346	412	145	189	127	–	**1,886**
Amounts due within one year (£m)	5	4	3	–	–	–	–	**12**
Amounts due in more than one year (£m)	598	247	340	141	169	94	–	**1,589**
Book value (£m)	603	251	343	141	169	94	–	**1,601**
Principal outstanding (£m)	600	250	345	141	170	95	–	**1,601**

(b) Bank debt

The 2020 Senior Term Facility was for an original amount of £300 million at a floating rate of 2.500% plus SONIA (prior to 31 January 2020: 2.750% plus LIBOR), incorporating a SONIA floor and matures on 31 January 2025. The Group repaid £20 million of the facility on 10 March 2023, with the remaining balance of £141 million repaid on 7 March 2024.

On 30 June 2021, the Group entered into a 2021 Senior Term Facility for an amount of £265 million. On 30 July 2021, the Group drew down upon this facility, of which £170 million has a floating rate of 1.800% plus SONIA and matures on 30 June 2025 and £95 million has a floating rate of 2.500% plus SONIA and matures on 30 July 2028.

On 19 September 2022, the Group, entered into a new short-term 2022 Senior Term Facility for an amount of £300 million. On 5 May 2023, the Group drew down £200 million of this facility and the remaining £100 million was cancelled. On 13 October 2023 the Group repaid the remaining £200 million and any associated accrued interest.

In January 2024, the Group entered into a new £205 million facility ("2024 Senior Term Facility"). This facility was drawn on 7 March 2024 with a rate of 3.000% plus SONIA and matures on 29 January 2029.

The Group has also entered into agreements for a Working Capital Facility of £50 million and a Liquidity Facility of £90 million. The Working Capital Facility is subject to interest of SONIA plus 3.000% (prior to 29 January 2024: SONIA plus 2.500%) this facility matures on 29 January 2029. The Liquidity Facility is subject to interest of SONIA plus 2.250%. The Facility was uplifted to £100 million on 26 April 2024 in-line with the terms of our Whole Business Securitisation agreement and is subject to annual renewal.

Interest rate risk arising under the drawn bank debt is hedged using an interest rate swap exchanging variable rate interest for fixed rate interest. This is detailed further in note 15 and an analysis of the contractual undiscounted cash flows for these borrowings is shown in note 28(a)(iii).

(c) Bonds

The bonds comprise three tranches: Class A2 Notes, Class A3 Notes (together "Class A Notes"), and Class B2 Notes. £600 million of Class A2 Notes were issued at a coupon of 4.870%, and have an initial period to 6 May 2026, after which interest will be charged at 5.370% per annum. On 21 March 2024, £115 million of Class A2 Notes were repurchased. £250 million of Class A3 Notes were issued in October 2023 with a coupon of 8.250% with an initial period to 6 November 2028 after which interest will be charged at 8.750% per annum. £345 million of Class B2 Notes were issued in November 2021 with a coupon of 5.250%, with an initial period to 4 November 2027 after which interest will be charged at 4.750% per annum. Interest is payable on the bonds semi-annually on 6 May and 6 November.

(d) Security, covenants and fees

The Class A Notes, Class B2 Notes and Senior Term Facilities are secured by way of first ranking security in respect of the undertakings and assets of RAC Bidco Limited and its subsidiaries, excluding RAC Insurance Limited and RACMS (Ireland) Limited.

Fees relating to the Class A Notes, Class B2 Notes and Senior Term Facilities have been capitalised and are being amortised over the lives of the borrowings to which they relate, in accordance with IFRS 9 Financial Instruments.

The Senior Term Facilities, Class A2 Notes and Class A3 Notes (together "Class A Debt") are subject to one financial covenant, being the ratio of free cash flow to Class A Debt service charges. The Class B2 Notes ("Class B Debt") are also subject to one financial covenant, being the ratio of free cash flow to the aggregate of Class A Debt service charges and Class B Debt service charges. The Group has complied with these financial covenants throughout the periods since issue of the Class A Debt and Class B Debt.

Damien,
patrol since 2021,
Scotland

24. Ordinary share capital

Details of the company's ordinary share capital are as follows:

	2024 £000	2023 £000
Allotted, called–up and fully paid:		
17,441,256 ordinary 'A' shares of £0.0000839114 each	1	1
164,710 ordinary 'B' shares of £0.0000839114 each	–	–
208,318 ordinary 'C1' shares of £0.0000839114 each	–	–
442,321 ordinary 'C2' shares of £0.0000839114 each	–	–
2,028,512 ordinary 'D' shares of £0.0000839114 each	–	–
4,376,756,952,876 deferred shares of £0.0000839114 each	367,176	367,176
2,008,227,010 preference shares of £0.0000839114 each	169	169
	367,346	**367,346**

As at 31 December 2024, the total number of 'B', 'C1', 'C2' ordinary shares, deferred shares and preference shares held by the Employee Benefit Trust was 79,237,522,523 (2023: 79,233,999,928) (see note 25).

The 'A', 'B', 'C1, 'C2' and 'D' ordinary shares have the same rights except that the 'A' ordinary shares are the only shares which carry a right to vote. The 'B', 'C1', 'C2' and 'D' ordinary shares held by management are subject to compulsory transfer in certain circumstances if they cease to be employed by the Group.

Share awards are granted to senior management and other key employees with each award being approved by the Board of Directors. The share awards vest upon the occurrence of certain corporate transactions such as an initial public offering ('IPO') which are uncertain as at 31 December 2024.

The preference shares are 9% irredeemable cumulative preference shares classified as equity. The shares do not carry voting rights.

The deferred shares do not carry voting rights nor do the holders of these shares hold any right to receive a dividend.

25. Own shares

	Own shares
Balance at 1 January 2024 and 31 December 2024	–

The own shares reserve represents the cost of shares in the Company held by the Employee Benefit Trust to satisfy awards under any future share award schemes. The total number of 'B', 'C1', 'C2' and 'D' ordinary shares held by the EBT at 31 December 2024 was 79,237,522,523 (2023: 79,233,999,928).

26. Hedging instruments reserve

The hedging instruments reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in Income Statement only when the hedged transactions impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item.

27. Reconciliation of financial liabilities

The table below details changed in the Group's liabilities arising from financing activities including both cash and non-cash changes:

	2024 £m	2023 £m
As at 1 January	**1,564**	**1,642**
Cash changes:		
Financing cash flows	(51)	(70)
Interest and debt issue costs paid	(86)	(83)
Non-cash changes:		
Other finance expense (note 5)	7	8
Third party net interest expense (note 5)	83	78
Movement in fair value of hedge assets (note 15)	(6)	(11)
At 31 December	**1,511**	**1,564**

28. Risk management

The Group operates an Enterprise Risk Management Framework to ensure that the risks to which the Group is exposed are identified, measured, managed, monitored and reported on a regular basis. The key instruments of the framework include the risk management policies, risk appetite statements, risk reports and the governance and oversight structure.

Financial risks are usually grouped by risk type: market, credit, liquidity, strategic, operational, capital and regulatory risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. They may also affect the performance of the products that the Group delivers to customers and the service to customers and distributors, which can be categorised as risks to brand and reputation. The key financial risks faced by the RAC Group (Holdings) Limited Group are set out in this note.

The RAC Group (Holdings) Limited Group's measurement of risk is used to support the monitoring and reporting of the risk profile and in the evaluation of alternative risk management actions. The RAC Group (Holdings) Limited Group carries out a range of stress and scenario tests to evaluate their impact on the business and the management actions available to respond to the potential conditions.

The Group has an established governance framework, which has the following key elements:

- A formal Investment Agreement which sets out the Board terms of reference and delegated authorities and which sets out certain limited matters which require the consent of major shareholders.
- Defined terms of reference for the regulated entity Boards and the associated executive management and other committees across the Group.
- A clear organisational structure with documented delegated authorities and responsibilities from the regulated entity Boards to executive management committees and senior management.
- Allocation of Senior Management Functions, Prescribed Responsibilities, Overall Responsibilities and Key Functions for each of our regulated subsidiaries under the Senior Managers and Certification Regime, documented in the Management Responsibilities Map.
- A risk management framework which sets out risk management and control standards.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

(a) Treasury

The Group Treasury department's main responsibilities are to:

- ensure adequate funding and liquidity for the Group
- manage the interest risk of the Group's debt
- ensure that the Group's banking and card transmissions operate effectively.

The Group's debt management policy is to provide an appropriate level of funding to finance the Group's medium-term plans at a competitive cost and ensure flexibility to meet the changing needs of the Group. Details of the RAC Group (Holdings) Limited Group's current borrowing facilities are disclosed in note 23.

(a) Treasury (continued)

(i) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates.

The RAC Group (Holdings) Limited Group is exposed to interest rate risk arising primarily on its borrowings. The Group benefits from fixed rates on a proportion of its debt, but where it is exposed, the risk is managed through the use of interest rate swap agreements to hedge the variability of cash flows associated with the changes in interest rates in relation to these borrowings. If the borrowings were to be left unhedged and market interest rates were to increase or decrease by 1%, the impact on the profit before tax would be a decrease/increase of £7 million (2023: £5 million). The impact on shareholders' equity would be a decrease/increase of £5 million (2023: £4 million). The Group's policy aims to manage its interest cost within the constraint of its business plan and its financial covenants.

The sensitivity analysis compares the rate of interest for each Senior Term Facility and increases this by 1%.

The RAC Group (Holdings) Limited Group is also exposed to risks from fluctuations in its supply chain. Most notably, in fuel prices which can lead to increased operating costs. This risk is managed through a central procurement team and by ensuring commercial and legal arrangements give an appropriate amount of certainty about future costs. For fuel, this risk is managed by the RAC Group (Holdings) Limited Group using forward purchases of fuel, typically for a period of up to twelve months to manage the variability of cash flows associated with the purchasing of fuel for use in the RAC Group (Holdings) Limited Group's operational fleet of patrols, mobile mechanics and recovery vehicles.

The RAC Group (Holdings) Limited Group has limited exposure to fluctuations in foreign exchange rates and there is an element of natural hedges in relation to exposure in Euros where sales and purchases will offset against one another to some extent. The Group continues to monitor its exposure and will take steps to mitigate its exposure should the value and volume of foreign currency transactions materially increase in the future.

28. Risk management (continued)

(ii) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations when they fall due.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below:

	2024 £m	2023 £m
Trade and other receivables	29	18
Cash and cash equivalents	152	116
Derivative financial instruments	9	15
	190	**149**

The management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring of exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's. The Group also undertakes credit checks on certain members, corporate partners and suppliers. The RAC's Material Outsourcing and Key Supplier Policy sets out ongoing requirements to monitor its most critical third parties.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure concerned.

The RAC Group (Holdings) Limited Group has not been generally exposed to significant concentrations of credit risk to third parties due to the nature of trading activity undertaken and the size of individual balances.

The RAC Group (Holdings) Limited Group is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits. Cash and cash equivalents throughout the reported periods were held with institutions who are A rated. The RAC Group (Holdings) Limited Group's largest cash and cash equivalent counterparty is JP Morgan VNAV (2023: HSBC Global Liquidity Funds). At 31 December 2024 the balance with that counterparty was £20 million (2023: £16 million).

(a) Treasury (continued)

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities when they fall due.

The Group manages this risk through ensuring that it has sufficient liquid funds generated from its operations to meet its expected obligations as they fall due. This is achieved through detailed short-term cash forecasting and management in addition to maintaining an agreed buffer of surplus cash. In order to further mitigate the risk, the Group maintains a significant undrawn borrowing facility from its banking syndicate. The RAC Group (Holdings) Limited Group also monitors covenants on a regular basis to ensure there are no breaches that would lead to an "Event of Default". There have been no breaches of covenants during the reported periods.

The following table shows the RAC Group (Holdings) Limited Group's contractual maturity of borrowings, including estimated interest, analysed by duration:

	2024 £m	2023 £m
Bonds		
Less than 1 month	5	6
1 to 3 months	10	11
3 months to 1 year	47	51
1 to 5 years	1,162	1,347
5 to 10 years	–	–
Total bonds	**1,224**	**1,415**
External bank debt		
Less than 1 month	2	1
1 to 3 months	4	5
3 months to 1 year	185	24
1 to 5 years	354	434
5 to 10 years	–	–
Total external bank debt	**545**	**464**
Total borrowings	**1,769**	**1,879**

Maturity dates of trade and other payables, including lease liabilities are disclosed within note 21.

28. Risk management (continued)

(b) Capital risk management

The RAC Group (Holdings) Limited Group maintains an efficient capital structure consisting of equity shareholders funds of £339 million (2023: £339 million) and third-party borrowings of £1,548 million (2023: £1,601 million). This is consistent with its overall risk profile and the regulatory and market requirements of the business. In managing its capital, the Group seeks to:

i. match the expected cash inflows from its assets with the expected cash outflows from its liabilities as they fall due

ii. maintain financial strength to support new business growth and satisfy the requirements of its members and regulators

iii. retain financial flexibility by maintaining strong liquidity

iv. allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The capital structure of the Group is managed on a net debt basis. Management consider net debt to comprise Class A Debt, Class B Debt, associated accrued interest and cash and cash equivalents. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) Regulatory risk

The RAC Group (Holdings) Limited Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on applicable FCA and PRA regulations. The RAC Group (Holdings) Limited Group's ability to transfer retained earnings to its shareholders is therefore restricted to the extent that these earnings form part of UK regulatory capital, as well as by restrictions and covenants under the Class A and Class B debt.

Relevant capital and solvency regulations ("Solvency I" and "Solvency UK") continue to be used to measure and report the financial strength of regulated companies within the RAC Group (Holdings) Limited Group. The regulatory capital tests verify that an adequate excess of solvency capital above the required minimum level calculated is maintained using a series of prudent assumptions about the type of business that is underwritten. The Group has been in compliance with the solvency requirements and debt covenants throughout the period and no restrictions on dividends have been applied.

The RAC Group (Holdings) Limited Group is also subject to regulatory requirements, as set out by the FCA, in relation to product design, marketing materials, sales processes and data protection. Failure to comply with these requirements could result in the RAC Group (Holdings) Limited Group having to suspend, either temporarily or permanently, certain activities. To mitigate these risks the RAC Group (Holdings) Limited Group employs regulatory and compliance specialists to ensure the regulatory and legislative requirements are fully understood and adhered to.

29. Related party transactions

(a) The RAC Group (Holdings) Limited Group had the following transactions with related parties in 2024 and 2023:

(i) Amounts due from related parties	2024 £m	2023 £m
Other related parties	6	5
	6	**5**

(ii) Transactions with related parties

- Audit fees of £561 thousand (2023: £486 thousand) were borne by RAC Motoring Services, a subsidiary of RAC Group (Holdings) Limited, on behalf of the RAC Group.

GIC, CVC, Silver Lake and senior management are all related parties of the RAC Group (Holdings) Limited Group by virtue of their shareholdings in the RAC Group. Orange Investment S.à.r.l (formerly CEP III Investment 17 S.à.r.l.) is a related party as it is controlled by GIC and CVC. Jewel Luxco S.a.r.l. is a related party as it is controlled by Silver Lake.

(b) Key management compensation

The total compensation to those employees classified as key management, being those senior managers having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors, in respect of the RAC Group (Holdings) Limited Group is as follows:

	2024 £000	2023 £000
Fees and benefits	6,140	4,798
Contributions to defined contribution pension scheme	44	44
	6,184	**4,842**

Fees and benefits include key management bonuses. During the year, payments of £nil (2023: £93 thousand) were made to key management for loss of office.

(c) Key management interests

A total of 11 key management personnel held preference shares, shareholder loan notes and equity stakes in the business at 31 December 2024 (2023: 10)

At no time during the reported periods did any Director hold a material interest in any contract of significance with any RAC Group (Holdings) Limited Group company other than an indemnity provision between each Director and a Group company and service contracts between each Director and a Group company.

(d) Immediate and Ultimate controlling party

There is no single immediate or ultimate controlling entity of the Group.

30. Fair value of financial assets and liabilities

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset/ liability	Fair value as at 31 December 2024 £m	Fair value movement in profit or loss £m	Fair value movement in other comprehensive £m	Fair value as at 31 December 2023 £m	Fair value hierarchy
Cash flow hedge asset (note 15)	9	–	(6)	15	Level 2

The interest rate swaps have been valued using market data of interest rate curves built using cash rates, swap rates and forward rates. Sensitivity analysis provided in note 28(a)(i).

31. Events after the reporting period

In January 2025, the Group successfully executed a £50 million US Private Placement ("USPP") which will be issued in June 2025. In February 2025, the Group successfully executed a £40 million Senior Term Facility which will be drawn in June 2025. These two new facilities will be used to partly refinance the £170 million 2021 Senior Term Facility. The balance of £80 million is expected to be repaid using the Group's own funds. This did not have an impact on the Company or RAC Group (Holdings) Limited Group's financial position as at 31 December 2024.

There have been no other events since the statement of financial position date which have a material impact on the Company's or RAC Group (Holdings) Limited Group's financial position as at 31 December 2024.

32. Alternative performance measures

Certain alternative performance measures (“APMs”) have been included within these results. These APMs are used by the management internally to monitor and manage the underlying business performance of the Group.

Alternative performance measures exclude certain items because, if included, these items could distort the understanding of performance for the year and the comparability between periods. The Directors commentary discusses these alternative performance measures to remove the effects of items of both income and expense that are considered different in nature from the underlying trading and normal quantum and where treatment as an adjusting item provides stakeholders with additional information to assess period-on-period trading.

The table below details the definition of each APM.

APM	Definition
EBITDA before exceptional items	EBITDA is statutory operating profit before interest, tax, depreciation, amortisation and exceptional items.
Exceptional items	Exceptional items are those with management consider to be material by size and/or nature. Events which give rise to a classification of items as exceptional include costs associated with corporate transactions and restructuring of businesses.
Adjusted net cash flows from operating activities	Net cash flows from operating activities as shown in the statement of cash flows adjusted for the cash impact of exceptional items included within cash generation from operating activities of £nil (2023: £11 million).
Adjusted operating cash conversion	Adjusted net cash flows from operating activities as a percentage of EBITDA.
Net debt	Gross value of debt, including interest and capitalised finance costs, plus IFRS 16 lease liabilities less cash.
Leverage	Net debt as a multiple of EBITDA before exceptional items.

The accounting policies on pages 154 to 165 also form an integral part of these Financial Statements.

Company Statement of Financial Position

	Note	2024 £m	2023 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	4	535	535
Other receivables		755	720
		1,290	1,255
Current assets			
Cash and cash equivalents		3	3
		3	3
LIABILITIES			
Current liabilities			
Current tax payable		(9)	(8)
Other payables	6	(14)	(6)
		(23)	(14)
Net current liabilities		(20)	(11)
Net assets		**1,270**	**1,244**
EQUITY			
Ordinary share capital	7	367	367
Share premium		480	480
Retained earnings		423	397
Total equity		**1,270**	**1,244**

The accounting policies on pages 154 to 165 and the notes on pages 200 to 205 are an integral part of these Financial Statements.

The Company's profit for the year was £26 million (2023: £26 million). The Directors have approved the Company's individual profit and loss account and the Company has availed itself of the exemption under Section 408 (3) to publish the Company's individual profit and loss account.

Approved by the Board on 24th April 2025

J Baker
Chief Financial Officer

Anoop,
patrol since 2023,
Scotland

Company Statement of Changes in Equity

	Ordinary share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023	**367**	**480**	**371**	**1,218**
Profit for the year	–	–	26	26
Total comprehensive income	–	–	26	26
Balance at 31 December 2023	**367**	**480**	**397**	**1,244**
Profit for the year	–	–	26	26
Total comprehensive income	–	–	26	26
Balance at 31 December 2024	**367**	**480**	**423**	**1,270**

The accounting policies on pages 154 to 165 and the notes on pages 200 to 205 are an integral part of these Financial Statements.

Company Statement of Cash Flows

	2024 £m	2023 £m
Operating activities		
Profit before tax	35	34
Working capital adjustments:		
Increase in other receivables	(35)	(34)
Increase in other payables	8	5
Taxation received	(8)	(5)
Net cash flows generated from operating activities	**–**	**–**
Net increase in cash and cash equivalents	**–**	**–**
Cash and cash equivalents brought forward	**3**	**3**
Cash and cash equivalents carried forward	**3**	**3**

The accounting policies on pages 154 to 165 and the notes on pages 200 to 205 are an integral part of these Financial Statements.

1. Auditor’s remuneration

Audit fees of £124 thousand (2023: £107 thousand) are borne and paid by RAC Motoring Services, a fellow Group company. Disclosures relating to auditor’s remuneration may be found in note 6 of the Consolidated Financial Statements.

2. Employee information

The Company has no employees. All employees are employed by and remunerated by RAC Motoring Services, a fellow Group company. Disclosures relating to employees may be found in note 7 of the Consolidated Financial Statements.

3. Directors

Executive Directors of the Company are remunerated as employees by RAC Motoring Services. It is not deemed practical to recharge this remuneration across the operating divisions of the Group.

Disclosures relating to Directors’ remuneration may be found in note 8 of the Consolidated Financial Statements.

4. Investments in subsidiaries

(a) Movements in the Company’s investments in subsidiaries:	2024 £m	2023 £m
Carrying value		
At 1 January and 31 December	**535**	**535**

(b) Information about subsidiaries

The Consolidated Financial Statements of the RAC Group (Holdings) Limited Group includes the following subsidiaries:

Company	Type of business	Class of share	Proportion held
Directly held:			
RAC Midco Limited	Holding company	Ordinary	100%
Indirectly held:			
RAC Midco II Limited	Holding company	Ordinary	100%
RAC Bidco Limited	Holding company	Ordinary	100%
RAC Limited	Holding company	Ordinary	100%
RAC Bond Co PLC	Funding vehicle	Ordinary	100%
RAC Group Limited	Holding company	Ordinary	100%
RAC Motoring Services (Holdings) Limited	Holding company	Ordinary	100%
RAC Motoring Services	Motor breakdown cover	Ordinary	100%
RACMS (Ireland) Limited (incorporated in Ireland)	Dormant	Ordinary	100%
RAC Financial Services Limited	Insurance intermediary	Ordinary	100%
RAC Insurance Limited	General Insurance business	Ordinary	100%
RAC Brand Enterprises LLP	Licensing and management of intangible assets	Members' capital	100%
RAC Cars Limited	Online motoring services	Ordinary	100%
Risk Telematics UK Limited	Software development	Ordinary	100%

All subsidiaries are registered in England and Wales and operate in the United Kingdom, except RACMS (Ireland) Limited which is registered in Ireland. All subsidiaries, except RACMS (Ireland) Limited, have the same registered office as the Company, which is disclosed on page 4. The registered office of RACMS (Ireland) Limited is C/O Cronin & Company, 1 Terenure Place, Terenure, Dublin, Ireland, C6W FN23.

The Consolidated Financial Statements of the RAC Group (Holdings) Limited Group also include the financial performance and position of the RAC Employee Benefit Trust ("EBT"). In accordance with IFRSs, the RAC Group (Holdings) Limited Group is deemed to control the EBT by virtue of RAC Limited, a direct subsidiary of the Company, having power over the EBT.

RAC Group Limited (Company No. 00229121), RAC Motoring Services (Holdings) Limited (Company No. 08168190), RAC Cars Limited (Company No. 08370931) and Risk Telematics UK Limited (Company No. 08580115) are exempt from audit by virtue of s479a of the Companies Act 2006 and have been provided with a statutory guarantee by RAC Bidco Limited, their immediate parent company as required by s479c of the Companies Act 2006.

RAC Midco Limited (Company No. 09229698) and RAC Midco II Limited (Company No. 09229775) are exempt from audit by virtue of s479a of the Companies Act 2006 and have both been provided with a statutory guarantee by RAC Group (Holdings) Limited as required by s479c of the Companies Act 2006.

As a consequence, RAC Midco Limited (Company No. 09229698), RAC Midco II Limited (Company No. 09229775), RAC Group Limited (Company No. 00229121), RAC Motoring Services (Holdings) Limited (Company No. 08168190), RAC Cars Limited and Risk Telematics UK Limited have all taken advantage of the available exemption for audit.

(b) The Parent Company

There is no single immediate controlling entity of the Group.

5. Tax assets and liabilities

For the year ending 31 December 2024, the corporation tax rate that has been used is 25.0% (2023: 23.5%).

6. Other payables

	2024 £m	2023 £m
Amounts due to related parties (note 8(a)(ii))	(14)	(6)
Total	**(14)**	**(6)**
Expected to be payable within one year	(14)	(6)
Total	**(14)**	**(6)**

All payables are financial liabilities and are carried at amortised cost which is considered to be a reasonable approximation of the relevant fair value basis.

7. Ordinary share capital

Details of the company's ordinary share capital are as follows:

	2024 £000	2023 £000
Allotted, called–up and fully paid:		
17,441,256 ordinary 'A' shares of £0.0000839114 each	1	1
164,710 ordinary 'B' shares of £0.0000839114 each	–	–
208,318 ordinary 'C1' shares of £0.0000839114 each	–	–
442,321 ordinary 'C2' shares of £0.0000839114 each	–	–
2,028,512 ordinary 'D' shares of £0.0000839114 each	–	–
4,376,756,952,876 deferred shares of £0.0000839114 each	367,176	367,176
2,008,227,010 preference shares of £0.0000839114 each	169	169
	367,346	**367,346**

As at 31 December 2024, the total number of 'B', 'C1', 'C2' ordinary shares, deferred shares and preference shares held by the Employee Benefit Trust was 79,237,522,523 (2023: 79,233,999,928) (see note 25).

The 'A', 'B', 'C1, 'C2' and 'D' ordinary shares have the same rights except that the 'A' ordinary shares are the only shares which carry a right to vote. The 'B', 'C1', 'C2' and 'D' ordinary shares held by management are subject to compulsory transfer in certain circumstances if they cease to be employed by the Group.

Share awards are granted to senior management and other key employees with each award being approved by the Board of Directors. The share awards vest upon the occurrence of certain corporate transactions such as an initial public offering ('IPO') which are uncertain as at 31 December 2024.

The preference shares are 9% irredeemable cumulative preference shares classified as equity. The shares do not carry voting rights.

The deferred shares do not carry voting rights nor do the holders of these shares hold any right to receive a dividend.

8. Related party transactions

(a) The Company had the following transactions with related parties in 2024 and 2023:

(i) Amounts due from related parties

	2024 £m	2023 £m
Amounts due from Group companies	755	720
	755	**720**

(ii) Amounts due to related parties

	2024 £m	2023 £m
Amounts due to Group companies	(14)	(6)
	(14)	**(6)**

(iii) Transactions with related parties

GIC, CVC, Silver Lake and senior management are all related parties of the RAC Group (Holdings) Limited Group by virtue of their shareholdings in the RAC Group. Orange Investment S.à.r.l (formerly CEP III Investment 17 S.à.r.l.) is a related party as it is controlled by GIC and CVC. Jewel Luxco S.a.r.l. is a related party as it is controlled by Silver Lake.

8. Related party transactions (continued)

(b) Key management compensation

The Directors and key management of the Company are considered to be the same as for the RAC Group (Holdings) Group. Information on key management compensation may be found in note 29 of the Consolidated Annual Report and Financial Statements.

(c) Key management interests

A total of 11 key management personnel held preference shares, shareholder loan notes and equity stakes in the business at 31 December 2024 (2023: 10).

At no time during the reported periods did any Director hold a material interest in any contract of significance with any Group company other than an indemnity provision between each Director and a Group company and service contracts between each Director and a Group company.

(d) Immediate and ultimate controlling party

There is no single immediate or controlling entity of the Company.

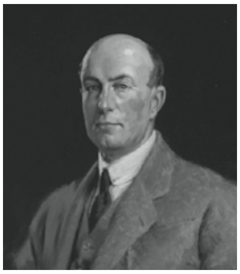
The lowest level at which Consolidated UK adopted accounting standards Financial Statements are prepared is RAC Group (Holdings) Limited.

9. Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements and key sources of estimation uncertainty for RAC Group (Holdings) Limited Company.


UK'S
NO.1
for driving services

Complete peace of mind since 1897










RAC House,
Brockhurst Crescent,
Walsall,
West Midlands, WS5 4AW
United Kingdom

rac.co.uk

Registered in England and Wales:
No. 09229561

GROUP.0425.CDRSD-1527