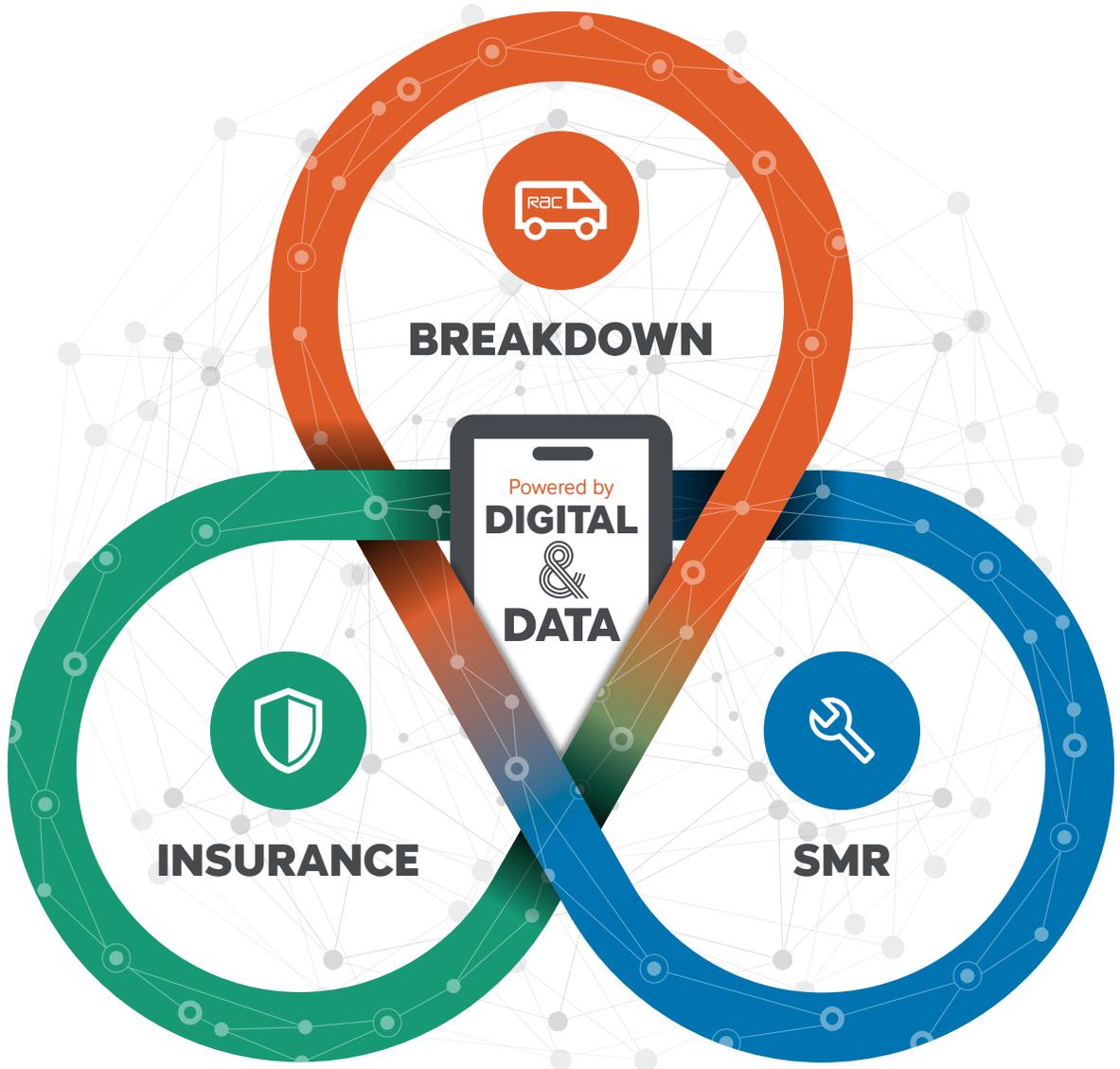




Annual Report & Financial Statements 2025



## Company Information

### Directors:

J Baker, 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. 09229824

### Other information:

The RAC Group (the Group or "RAC")  
comprises RAC Bidco Limited  
("the Company") and its subsidiaries,  
as set out on page 164.

These Consolidated Financial Statements  
are presented for the year ended  
31 December 2025. Comparatives are  
presented for the year ending  
31 December 2024.

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.

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2025 marked our **14<sup>th</sup> consecutive year of EBITDA growth.**

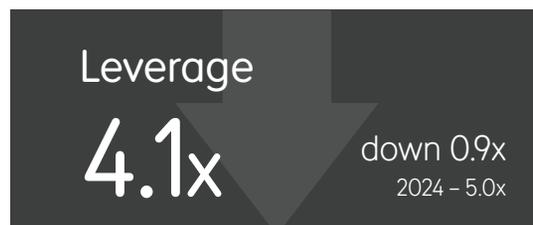
Our “holy trinity” of Breakdown, Insurance, and Service, Maintenance & Repair (“SMR”) now support nearly half of UK drivers. We are well positioned to capture further growth across the Driving Services market, with continued investment, innovation and differentiation, underpinned by our trusted brand and complete peace of mind<sup>®</sup> equity.”

*Dave Hobday*

Dave Hobday, Chief Executive Officer



# At a glance



See note 34 for APM definitions. EBITDA and EBIT are defined as being before exceptional items and share-based payment charges.



WORDSWORTH STREET

RAC

Ford

PI RAC

RAC



# Strategic Report

For the year ended 31 December 2025

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- 

**Daniel,**  
patrol since 2022,  
North East

# CEO review

Dave Hobday



**14 YEARS**  
of uninterrupted  
**EBITDA growth**



**I am delighted to present the RAC's results for 2025, marking another year of strong performance as we continue to deliver against our vision to be the UK's number one for Driving Services.**

Our memberships grew to 15.5m (2024: 14.5m), reinforcing our position as a market leader and supporting a 7% increase in revenue to £840m (2024: £783m). EBITDA grew 12% to £329m (2024: £295m), marking 14 years of uninterrupted growth.

Our EBITDA margin improved by 150bps to 39.2% (2024: 37.7%) reflecting the benefits of our digital investments and improved operational leverage. Net cash flows from operating activities increased to £305m (2024: £276m), whilst cash conversion remained strong at 99% (2024: 93%), supporting ongoing investment and deleveraging.

Beyond the financial results, what differentiates the RAC is our commitment to the complete peace of mind® that our members receive through our three complementary offerings (our "holy trinity") of Breakdown, Insurance and SMR, as evident from our "Excellent" Trustpilot ratings.

We operate in large, attractive markets and as the motoring ecosystem becomes increasingly complex, our role in supporting drivers has never been more important. Our vision remains unchanged: to be the UK's number one for Driving Services, delivering complete peace of mind® for all our members' driving needs, achieved through our three strategic pillars.

**Indy,**  
mobile mechanic since 2022,  
West Midlands

## 1. DRIVE continued growth in core businesses

Our core businesses of Breakdown and Insurance continued to deliver strong growth in 2025, supported by positive market trends and underpinned by consistent innovation, investment and differentiation alongside our track record of executional delivery.

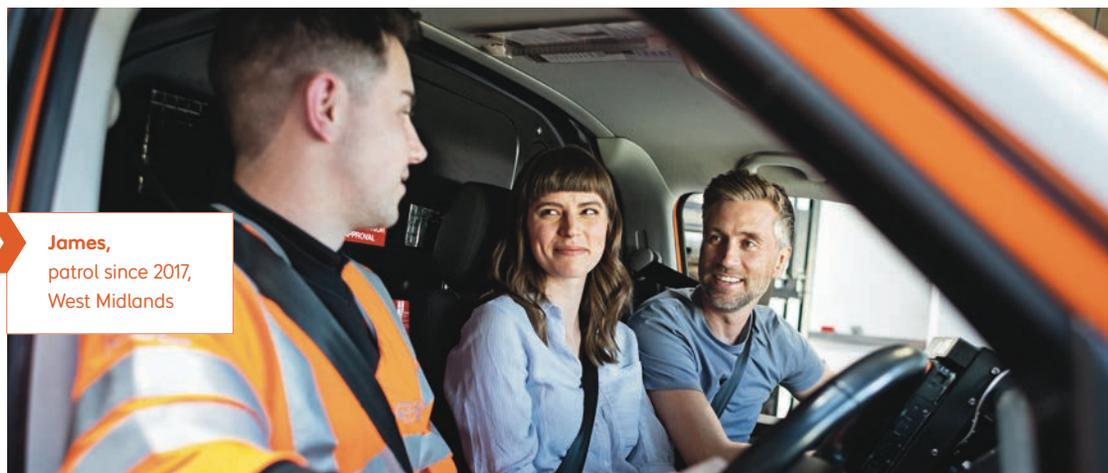
In Consumer Breakdown we delivered positive net adds taking the total memberships to 2.8m (2024: 2.7m) with improvements in both acquisition and retention. We further strengthened our market-leading product range with a new premium breakdown package, resulting in more members choosing higher-tier options, alongside introducing more sophisticated risk-based pricing. Cross-sell acquisition attachment rates for our expanding range of Breakdown Extras rose to 0.39 (2024: 0.23). Our churn rate improved to 15.7% (2024: 16.0%), supported by enhanced data-led pricing, with increasingly sophisticated models, broader data sources and deeper personalisation.

In Business Breakdown, memberships increased to 12.0m (2024: 11.1m). Following the announcement earlier in the year that we had successfully renewed our relationship with Motability, our largest corporate partner and the UK's largest EV fleet, for a ten-year term, we successfully launched our full incident management solution in the second half of the year, including SMR and intelligent triage. During the year, we successfully renewed our long-standing relationship with Markerstudy Group, reflecting the strength of our partnerships. The renewal covers our continued provision of Breakdown and Legal Expenses Insurance services, as well as extending the broader operational support that Markerstudy

provides to our Insurance division through their policy administration capabilities. This two-way relationship represents a genuine example of reciprocal value creation. In addition, we welcomed new partners including Octopus Energy, MAN, Urban Jungle and Northern Gas.

We responded to 2.4m breakdown claims in the year (2024: 2.3m) and remained fully focused on delivering "Brilliant Basics" throughout the breakdown journey. Enabled by our digital and data capabilities, we improved operating leverage to deliver an inflation-beating cost performance whilst maintaining strong service. Among the highlights across the year, we launched an AI voice bot, enabling a more prompt, accurate and consistent capture of data when members call in to report a breakdown. Our triage processes were further enhanced, improving entitlement validation and enabling us to fix more vehicles remotely, ensuring prioritisation of members in greatest need.

In Insurance, our Motor membership grew as we utilised proprietary internal and external data to improve our conversion and our mix of business. We strengthened our position in the higher value market segments, supported by the launch of our new Premier product, which includes Breakdown and Legal Expenses Insurance, increasing our income per policy. Renewal rates improved to nearly 70% (2024: 65%), driven by enhanced digital initiatives (including the rollout of myRAC to Insurance members) and cross-product renewal incentives (such as providing SMR offers to renewing Insurance members).



**James,**  
patrol since 2017,  
West Midlands

## 2. EXPAND the addressable market into SMR

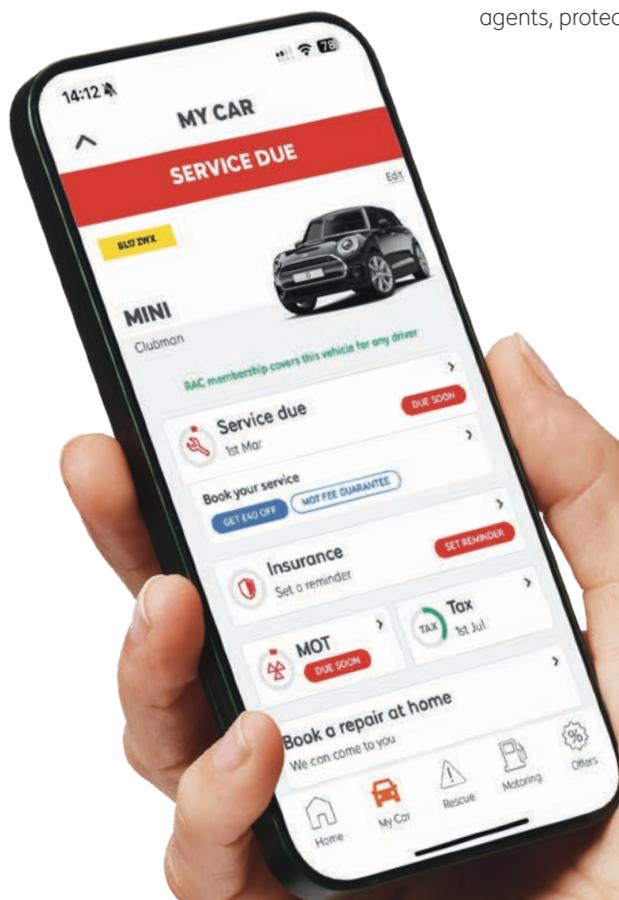
Our digitally enabled "to you" SMR offering experienced further strong growth in 2025, with revenue and margins both increasing significantly, supported by improvements from pricing, parts ordering and other operational initiatives. We now have c.300 Mobile Mechanics (2024: 209) who completed 181k jobs (2024: 97k). Within our captive membership base, we saw strong growth across three go-to market channels: Breakdown referrals, Digital (myRAC and rac.co.uk), and Business Breakdown Fleet Partners.

I am proud of the progress we have made in a relatively short period. From a standing start just a few years ago, we have built and scaled a highly trusted and extremely convenient offering in a market which motorists often find challenging to navigate, further demonstrated by our 5-star "Excellent" Trustpilot score.

## 3. ACCELERATE growth through unique data assets and myRAC digital platform

myRAC remains a powerful driver of loyalty and engagement, supporting revenue growth and cost reduction, with 4.0m users (2024: 2.6m) and a 4.7 Apple App store rating. New features launched in 2025, such as: enhanced notifications, car images, used car valuations, an improved fuel finder, and Apple Wallet integration – supported the increased adoption with 1.0m (2024: 0.8m) monthly active users. As a result, 54% of breakdowns (2024: 49%) and 73% of Consumer Breakdown membership administration actions (2024: 70%) are now recorded via myRAC.

We are trialling and deploying increasingly innovative AI technologies in targeted areas across the Group, where they add the greatest value and enhance our members' experience. In addition to our Breakdown AI voice bot, we have introduced AI tools to: help handle member concerns; coach our contact centre agents, protect our IT estate and power our pricing.



## Passionate employees – our Orange Heroes

I would like to thank all colleagues for their hard work, passion and dedication this year. Our achievements in 2025 reflect the commitment of 4,500 RAC colleagues who live our Orange Hero values every day. Engagement continues to strengthen across the organisation, evidenced by our Glassdoor score increasing to 4.5 out of 5 (2024: 4.2), underscoring the pride and purpose shared across the RAC.



## Outlook

The RAC remains well positioned to be the UK's number one for Driving Services, providing complete peace of mind® for our members and partners. Our "holy trinity" of Breakdown, Insurance and SMR now supports nearly half of UK drivers. Our focus for 2026 and beyond is on sustaining growth, digital innovation, and maintaining high levels of service. Our recurring membership model, strong financial position and committed colleagues underpin our confidence in delivering sustained value for stakeholders.



# Financial review

The Group continued its operational and financial progress in 2025

- Revenue **up 7% to £840m** with growth across Breakdown, Insurance and SMR
- Total annual recurring revenue **grew 5% to £715m**
- EBITDA **up 12% to £329m** marking the **14th consecutive year of uninterrupted growth**
- EBITDA margin improved **150bps to 39.2%**
- EBIT increased **13% to £248m** and EBIT margin improved **140bps to 29.5%**
- Net cash flows from operating activities of **£305m** with cash conversion of **99%**
- Refinanced two facilities, decreasing gross debt by **£165m** and reducing leverage to **4.1x**
- Delivered significant progress across the Group's three strategic pillars, with continued innovation, investment and differentiation supporting future growth

The Consolidated Financial Statements of the Group are set out from page 118 onwards.



Jo Baker, Chief Financial Officer

## Key Performance Indicators (“KPIs”)

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

	2025	2024
Revenue (£m)	840	783
Total annual recurring revenue (£m)	715	679
EBITDA (£m)	329	295
EBIT (£m)	248	220
Operating profit (£m)	229	220
Net cash flows from operating activities (£m)	305	276
Cash conversion (%)	99	93
Leverage	4.1x	5.0x
Number of breakdown claims (m)	2.4	2.3
Consumer breakdown churn rate	15.7%	16.0%
Total memberships (m)	15.5	14.5
– Consumer (m)	2.8	2.7
– Business (m)	12.0	11.1
– Insurance (m)	0.7	0.7
Mobile Mechanic jobs (k)	181	97
myRAC accounts (m)	4.0	2.6

The Group also uses a range of other financial and non-financial performance indicators to monitor performance. See note 34 for APM definitions. EBITDA and EBIT are defined as being before exceptional items and share-based payment charges.

During 2025 we refined our reported KPIs to ensure they reflect the way the Group is managed and continue to provide stakeholders with a clear view of underlying performance.

### Total annual recurring revenue

We are introducing total annual recurring revenue as a new KPI for the Group. This represents the value of sales of Breakdown and Insurance products that are linked to ongoing membership contracts or policies, expressed on a 12-month basis, before the impact of any deferral required under IFRS. Total annual recurring revenue is considered a useful measure of the growth and resilience of our recurring revenue streams, reflecting both the volume and value of our subscription-based products and contracts across the Group.

### EBIT

From 2025, we are introducing Earnings Before Interest and Tax (EBIT) as a new KPI. While the Group operates a low capital intensity model, we have continued to invest proactively in recent years, particularly in our digital platforms and technology capabilities. As these investments now flow through depreciation and amortisation, EBIT provides a measure of operating performance after these charges.

## Cash conversion

We have refined the definition of cash conversion to ensure greater alignment with the way the Group manages and monitors cash generation internally. The revised definition provides a clearer reflection of the conversion of operating profit into cash, taking into account capital expenditure and lease payments, improving the consistency and comparability with peers. Both the old and new metrics are reported in the commentary of the 2025 CFO report.

## Leverage

From 2025, we are also formally introducing Leverage as a reported KPI. Whilst leverage has also been consistently reported in our investor materials, as the Group continues to generate strong cash returns, and pay down debt, leverage provides a transparent measure of the Group's net debt in relation to its earnings.

## Consumer breakdown churn rate

In 2025, Consumer Breakdown churn improved from 16.0% to 15.7%. Going forward, in order to provide what we believe is a better underlying indicator of the overall recurrence of the Group's revenues, rather than a single measure of membership volume within one division, we propose to focus our KPI reporting on total annual recurring revenue. We believe that this metric, in conjunction with net adds (the net movement in membership), will provide a more comprehensive view of our recurring revenue across the Group.

All other KPIs listed in the table on page 15 remain unchanged, and commentary on their performance is provided within the CEO and Financial reviews in this Annual Report. Definitions of Alternative Performance Measures (APMs) can be found in note 34.



**Hugh,**  
mobile mechanic since 2019,  
South West

## Consolidated Income Statement

	2025 £m	2024 £m
Revenue	840	783
EBITDA	329	295
Depreciation	(27)	(26)
Amortisation	(54)	(49)
EBIT	248	220
Share-based payments charge	(9)	-
Exceptional items	(10)	-
Operating profit	229	220
Net finance expenses	(93)	(90)
Profit before tax	136	130
Tax charge	(33)	(26)
<b>Profit after tax</b>	<b>103</b>	<b>104</b>

Following the introduction of risk-based pricing for first year breakdown policies the Group is no longer applying the Fixed Fee exemption under IFRS 17 Insurance Contracts for contracts written from 1 January 2025. In line with IFRS 17, this change has been applied prospectively on a contract by contract basis; therefore, prior period figures, including those for the twelve months ended 31 December 2024, have not been restated. The impact of this change is solely presentational. It results in a reclassification between non insurance and insurance revenue and expenses, with equal and opposite effects. In addition, certain insurance related working capital balances are now recognised within insurance contract liabilities, reducing the separately disclosed working capital amounts on the Statement of Financial Position. The change has no impact on earnings or net assets.

Revenue of £840m (2024: £783m) increased by £57m or 7%, with Breakdown revenue increasing by £32m to £723m (2024: £691m), Insurance revenue increasing by £6m to £76m (2024: £70m) and SMR revenue increasing by £19m to £41m (2024: £22m).

EBITDA of £329m (2024: £295m) was £34m/12% higher, and EBIT of £248m (2024: £220m) was £28m/13% higher. This was a result of strong revenue growth and improving operating leverage.

Depreciation and amortisation of the Group's assets totalled £81m (2024: £75m) with the increase primarily due to a ramp up in investment in digital and technology development in previous years flowing through as higher amortisation.

Operating profit increased by 4% to £229m (2024: £220m), below the EBITDA growth of 12% largely as a result of the exceptional items recognised in the year, primarily in respect of the sale of certain policy books within the non-motor insurance business, and the inclusion of a non-cash charge of £9m (2024: £nil) relating to share-based payments.

Net finance expenses were £93m (2024: £90m), predominantly impacted by slightly higher interest rates on debt and interest rate hedges taken out in recent years, partially offset by a reduction in the total amount of borrowings.

Profit before tax in 2025 was £136m (2024: £130m), up 5%. As a result of this, the tax charge increased to £33m (2024: £26m).

## Consolidated Statement of Financial Position

	2025 £m	2024 £m
Goodwill and intangible assets	1,683	1,679
Contract costs	50	48
Property, plant and equipment	26	30
Right of Use assets	65	74
Trade and other receivables	90	82
Trade and other payables	(210)	(240)
Insurance contract liabilities	(106)	(71)
Net current liabilities	(54)	(185)
Borrowings	(1,382)	(1,548)
Net assets	157	49

At 31 December 2025, goodwill and intangible assets amounted to £1,683m (2024: £1,679m) primarily representing the goodwill and brand recognised on the acquisition of the RAC Group of Companies in 2014. The increase of £4m reflects £23m of intangible capital expenditure offset by £19m of amortisation.

Contract costs of £50m (2024: £48m) 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.

Property, plant and equipment of £26m (2024: £30m) relates to fixtures and fittings and computer hardware. During the year, the balance has reduced due to £7m of capital expenditure, being offset by £9m of depreciation and £2m of disposals (resulting from the disposal of the non-motor insurance business).

Right of use assets of £65m (2024: £74m) relate to IFRS 16 Leases and comprise vehicles and properties. The £9m decrease is primarily driven by the timing of the rolling replacement of our fleet vehicles.

Trade and other receivables of £90m (2024: £82m) includes trade receivables of £16m (2024: £29m) which reflects amounts owed for non-insurance related revenue. This has reduced in the period due to the presentational change described above. The remaining balance is comprised of prepayments

and accrued income of £34m (2024: £25m) and amounts due from related parties of £39m (2023: £28m). See note 30.

Trade and other payables of £210m (2024: £240m) includes trade payables and accruals of £66m (2024: £66m). Also included are other payables of £144m (2024: £154m) with the decrease primarily as a result of a reduction in the lease liabilities recognised under IFRS 16 Leases.

Other payables also include amounts due to related parties of £23m (2024: £15m). Deferred income reduced to £nil (2024: £20m) as all insurance related revenue is now accounted for under IFRS 17 'insurance contracts' and therefore included within insurance contract liabilities as described above.

Insurance contract liabilities of £106m (2024: £71m), is a net balance comprised of an insurance acquisition cash flows asset, a liability for remaining coverage and a 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 as described above.

The Group has net current liabilities of £54m (2024: £185m) with the movement largely due to the 2021 Senior Term Facility of £170m which was repaid in June 2025 being disclosed as a current liability in 2024.

The capital structure of the Group consists of third-party borrowings and interest net of capitalised finance costs amounting to bank debt of £387m (2024: £467m) and bonds issued of £995m (2024: £1,081m).

The Group remains highly cash generative and repaid £165m of debt in the year, reducing leverage to 4.1x (2024: 5.0x).

- The £170m 2021 Senior Term Facility A was repaid using £80m of own cash funds, a new £50m US Private Placement and a new £40m 2025 Senior Term Facility.
- We successfully issued £400m of Class A4 Notes, and the proceeds were used, along with £85m of own cash funds, to redeem the remaining £485m of Class A2 Notes.

The third-party borrowings are subject to covenants as follows:

- The Senior Term Facilities, Class A3 Notes and Class A4 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 2025 the Group had comfortable levels of headroom against both financial covenants and has complied with these financial covenants throughout the periods since issue.

	Rate	Maturity	2025	2024
Class A2 Notes	4.87%	May-26	-	485
Class A3 Notes	8.25%	Nov-28	250	250
Class A4 Notes	5.75%	Nov-29	400	-
Class B2 Notes	5.25%	Nov-27	345	345
2025 USPP	6.49%	Jun-30	50	-
Senior Term Facility 2021 (A)	SONIA+1.80%	Jun-25	-	170
Senior Term Facility 2021 (B)	SONIA+2.50%	Jun-28	95	95
Senior Term Facility 2024	SONIA+3.00%	Jan-29	205	205
Senior Term Facility 2025	SONIA+3.00%	Jan-29	40	-
<b>Drawn Debt</b>			<b>1,385</b>	<b>1,550</b>
Working Capital Facility	SONIA+3.00%	Jan-29	50	50
Liquidity Facility	SONIA+2.25%	Annual Renewal	100	100
<b>Undrawn Debt</b>			<b>150</b>	<b>150</b>

## Consolidated Statement of Cash Flows

	2025 £m	2024 £m
Cash and cash equivalents	103	152
Working Capital movements	15	13
Tax paid	(37)	(32)
Net cash flows from operating activities	305	276
Net cash flows used in investing activities	(73)	(79)
Interest paid	(95)	(91)
Net cash flows used in financing activities	(281)	(161)
Net (decrease)/increase in cash and cash equivalents	(49)	36

The Group generated a net cash inflow from operating activities of £305m (2024: £276m). Cash conversion was 99% (2024: 93%). During the year, the Group revised its definition of cash conversion to provide a more meaningful and transparent indicator of underlying operating cash performance, which now reflects the cash impact of capital expenditure and repayment of obligations under leases and is more in-line with peer reporting. The old and new definitions are included in note 34. Cash conversion calculated based on the old definition was 94% in both 2025 and 2024.

Capital expenditure totalled £78m (2024: £84m), of which:

- £45m (2024: £45m) of capitalised acquisition intangibles spend is in respect of insurance acquisition cash flows in accordance with IFRS 17 and contract costs, as a result of new business sales.
- £8m (2024: £9m) of spend relates to Property, Plant and Equipment which includes investment in improvements to the equipment used at the roadside and by our increasing number of Mobile Mechanics, as well as investment in our premises.
- The remaining £25m (2024: £30m) relates to investment and maintenance projects as we continue to invest in the systems underpinning our business and our enhanced digital capabilities.

Tax paid of £37m (2024: £32m) with the increase largely due to an interest payment to HMRC following the historic dispute settled in 2024.

Interest paid was £95m (2024: £91m).



**Mike,**  
patrol since 2023,  
Midlands

14:21  
BBC Radio 4  
...ation to King Harold and the Danish Empire p...  
BBC DAB - DAB

# Strategy



# Business model

## Purpose and proposition

The RAC's purpose is to deliver "complete peace of mind<sup>®</sup>" to its members and partners across a range of driving services. The Group focuses on addressing the most essential and recurring needs of drivers – breakdown assistance, insurance and routine vehicle servicing, maintenance and repair (SMR). The RAC's unique value proposition is built on simplicity, convenience, quality and value for money. This is underpinned by the RAC's position as the UK's foremost motoring authority, a highly trusted and iconic UK brand with over 128 years of heritage and expertise, and a nationally scaled operational footprint. The Group benefits from a well invested data and digital platform; collecting billions of member and vehicle data points and leveraging these to deliver highly relevant and personalised customer experiences and drive benefit through operational efficiencies and revenue creation.

## Membership led, subscription-based model

At the core of the Group's business model is a membership led, subscription based approach, which provides a resilient, predictable and recurring revenue base. The RAC serves approximately 14.8m breakdown memberships across Consumer and Business Breakdown, with long average tenure (c.9 years in Consumer Breakdown and c.12 years in Business Breakdown) and 0.7m Insurance members – both with strong retention and consumer loyalty characteristics.

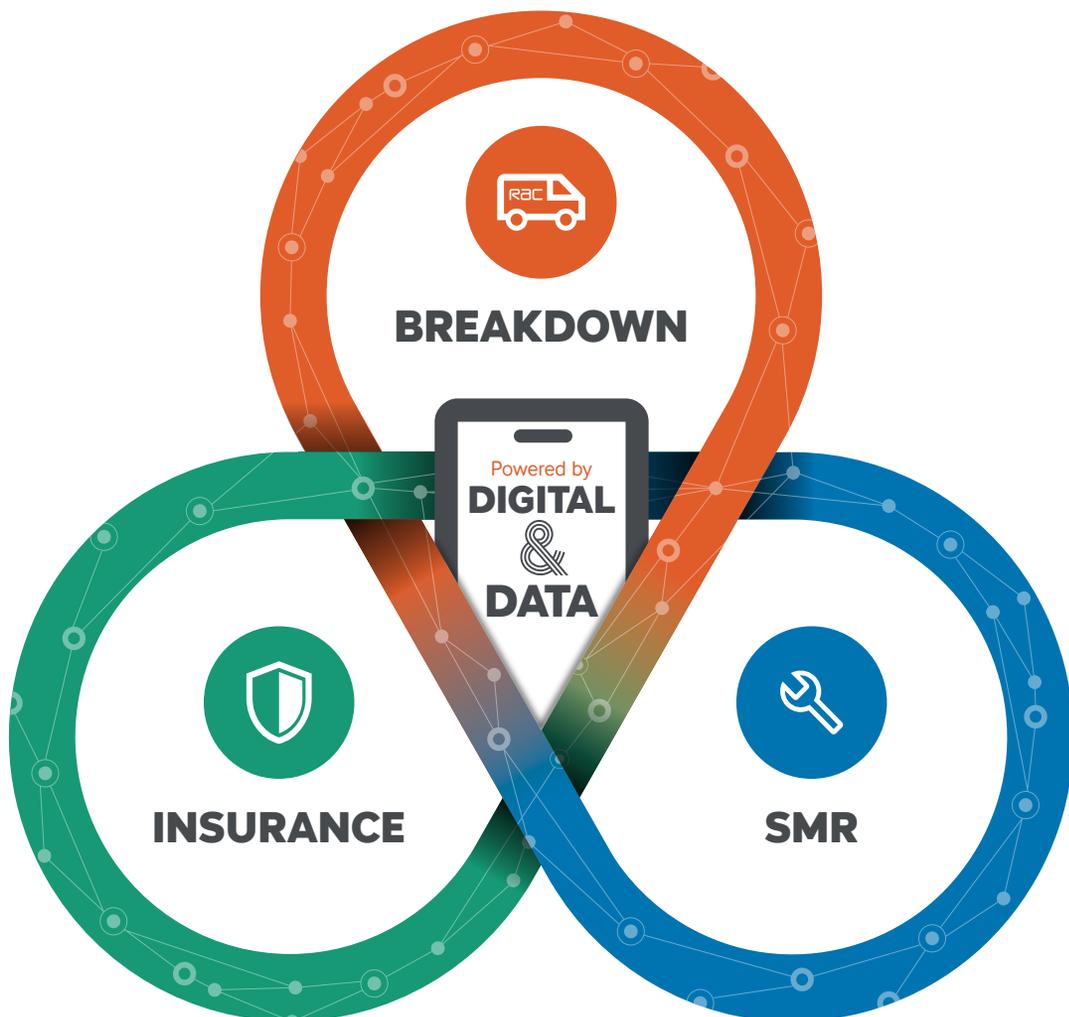
Value creation is driven by a proven compounding formula of "more members, staying longer, spending more, serviced efficiently". Subscription revenues are complemented by transactional income at point of need (for example battery sales, repairs and parts sales), as well as cross sold additional SMR services across the membership lifecycle, providing a more complete offering. This model delivers strong cash generation, retention and operating leverage, enabling sustained reinvestment in service quality, technical innovation, colleague development, and data and digital capability.

## A trusted brand with over 128 years of heritage



## Three complementary driving services

The RAC's three essential driving services – Breakdown, Insurance and SMR – allow the Group to support members and partners across their driving needs, increasing consumer engagement and share of wallet, partner retention, and performance resilience through economic cycles. The RAC's core established businesses of Breakdown and Insurance form the bedrock and build trusted, long-term member relationships, touchpoints and data. While SMR extends relevance into higher-frequency, naturally recurring driving needs, leveraging the large membership base and proprietary data to grow new and repeat sales, which compounds lifetime value. The three businesses create a "holy trinity", creating interconnecting tangible benefits enabled by digital, data and increasingly AI. This drives increased member and partner retention in breakdown, enables sophisticated and personalised pricing in insurance and provides low / near-zero cost per acquisition SMR cross-sell from the 15m+ captive membership opportunity.



## BREAKDOWN

A market leading roadside assistance proposition with c.40% market share across consumers and business partners. Serving 14.8m members and generating high quality, subscription-based recurring earnings supported by national scale, dense patrol coverage and strong customer satisfaction (Trustpilot 4.5★). The business benefits from quasi essential demand characteristics, high barriers to entry and a subscription model that compounds over time.

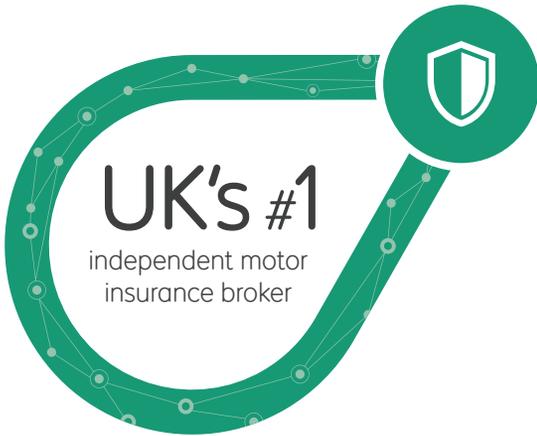
Consumer Breakdown products are offered as a subscription service, with a range of cover levels for vehicles, individual persons and families. Providing an increasingly “complete” offering, members often choose to upgrade with optional add-ons such as key, tyre and battery protection. Consumer breakdown products are sold through multiple channels, with the rac.co.uk website accounting for nearly two-thirds of all policy sales.

For Business Breakdown, we partner with motor manufacturers, fleets, banks, and insurers through long-term contracts, available on either a subscription or “pay on use” basis. These agreements often include additional services, ranging from branded contact centre support to fully managed solutions.

Our Breakdown services operate 24/7, 365 days a year, delivered by over 1,700 highly trained patrols attending more than 2.4m breakdowns annually, with around 80% fixed at the roadside. Breakdowns are reported digitally via the myRAC app, AI-enabled call handling, or dedicated contact centres.

Delivering this proposition requires us to provide a range of services, including patrol operations (employee and fleet costs), contact centres, third-party contractors to supplement capacity, and onward travel solutions such as taxis or hire cars when a roadside repair isn't possible, alongside parts and consumables.





## INSURANCE

The RAC is the UK's #1 independent motor insurance broker, serving c.0.7m members through a capital light, low risk model with no underwriting exposure. The RAC leverages brand trust, data driven pricing and digital distribution to deliver attractive economics and significant cross sell, engagement, and renewal opportunities via myRAC.

Most policies are sold via price comparison websites, where consumers consistently favour trusted providers like the RAC over lesser-known brands. RAC Insurance also offers a range of product options – including premium and online-only variants – as well as optional add-ons, such as breakdown cover and legal expenses insurance.

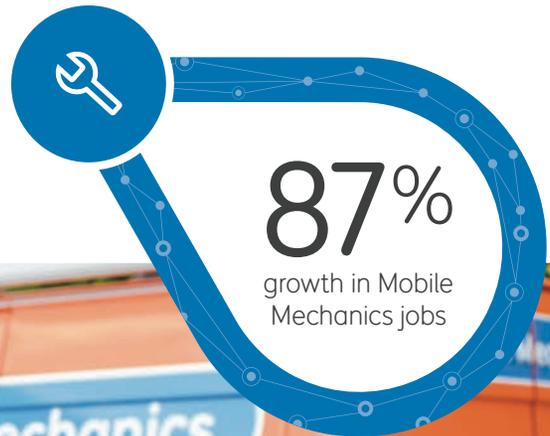


## SMR

Launched in 2022, the RAC's fast-growing mobile SMR offering delivers convenient, high-quality vehicle maintenance and repairs at home, work, or fleet depots. The Group offers a digitally enabled national mobile service, maintenance and repair proposition, operating in a highly fragmented market, which taps into increasing consumer and partner demand for convenient mobile 'to-you' services delivered at home or at work. The RAC has a fleet of c.300 Mobile Mechanics, extending the breakdown and insurance member and partner relationships into adjacent essential SMR services with increasing volumes of repeat purchase due to market-leading customer satisfaction and convenience (Trustpilot 4.8★).

SMR leverages the captive opportunity from the RAC's existing base of members and partners, including:

- **Breakdown referrals:** a proportion of breakdowns require a permanent repair. With long garage wait times, our mobile SMR service offers a trusted, convenient solution.
- **Digital:** Members and non-members can schedule servicing and repairs via our website [rac.co.uk](https://rac.co.uk) or our myRAC platform.
- **Fleet Partners:** SMR is increasingly integrated into our Business Breakdown proposition, helping corporate partners improve fleet efficiency, including out-of-hours and mobile work to minimise downtime.



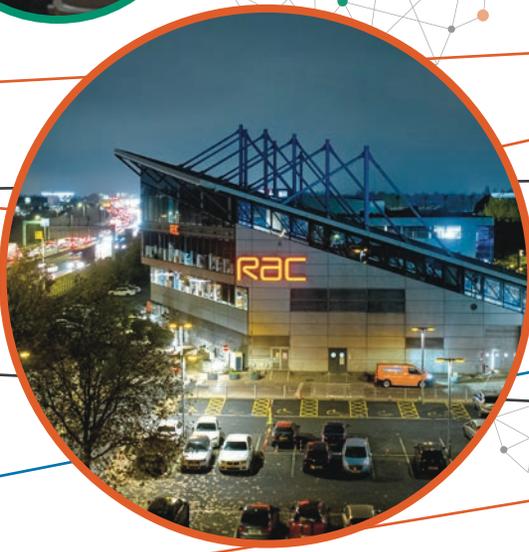
## Differentiated operating platform

Underpinning the RAC's business model is a set of hard to replicate capabilities that enable success and create competitive advantage:

- **National scale and density**, with a well invested patrol and logistics network operating 24/7 and a growing fleet of Mobile Mechanics.
- **Trusted brand and customer advocacy**, consistently driving high satisfaction, purchase consideration and member loyalty.
- **Well invested data and digital platforms**, including myRAC, supporting acquisition, personalisation, pricing and retention, underpinned by increasing use of advanced analytics, AI and automation to improve service outcomes and efficiency at scale.
- **Operational excellence**, focused on delivering "Brilliant Basics" at scale and exceeding member expectations while optimising cost to serve.
- **Highly committed colleagues**, across field-based, contact centres and head office roles. The RAC's 4,500 "Orange Heroes" sit at the heart of the organisation and deliver excellent service to our members.

These capabilities create high barriers to entry, support consistent execution and deliver high quality branded experiences across proven growth pillars.





## Markets

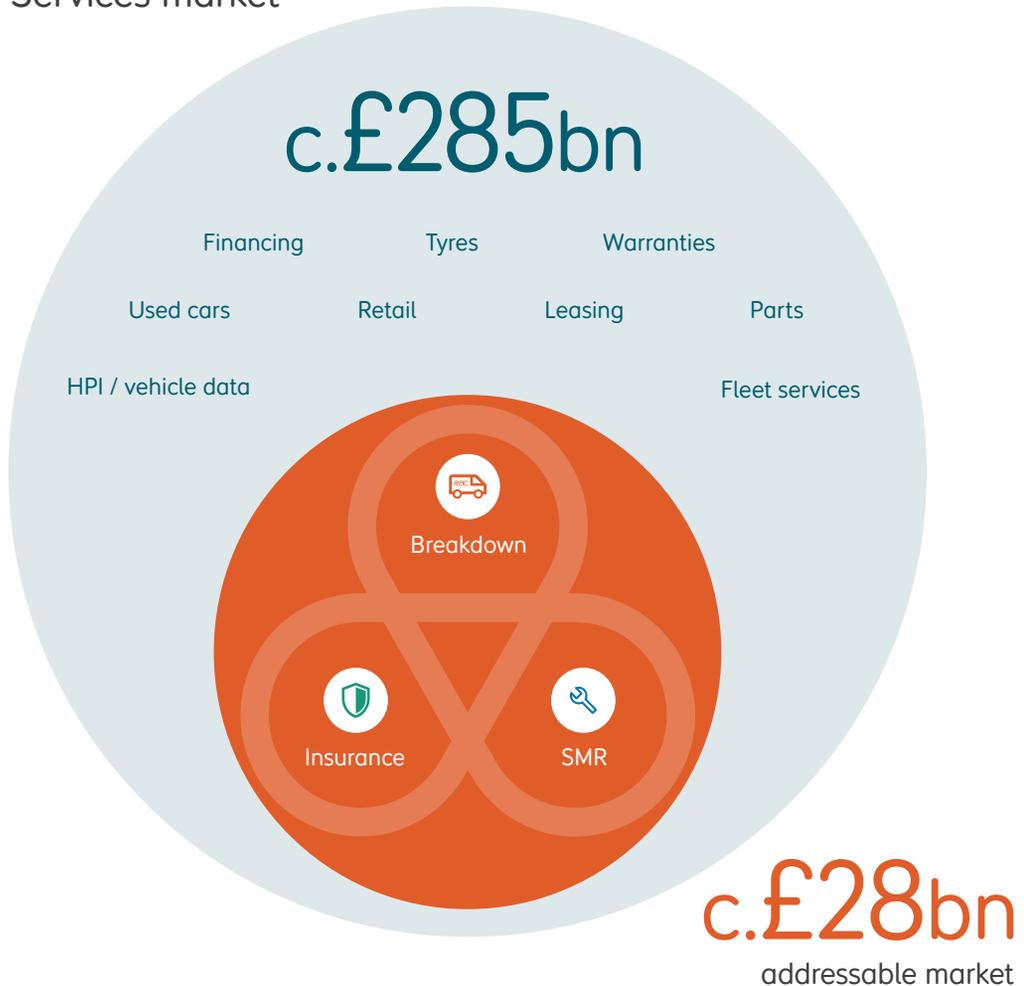
### Large, growing and structurally attractive Driving Services market

The RAC operates in the UK Driving Services market, estimated at approximately £285bn revenue, spanning Breakdown, Insurance, SMR and related mobility services. Within this, the RAC's current focus areas represent a combined addressable market of c.£28bn revenue, providing substantial headroom for growth without reliance on further market expansion.

The market is characterised by essential, non discretionary demand, with 9 in 10 UK drivers believing car ownership remains essential. Structural growth is underpinned by an increasing number of cars and vans on the road, which are on average getting older, with consumers and businesses dealing with rising complexity and cost of vehicle ownership in a complex driving ecosystem.



#### UK Driving Services market



## Structural drivers of long-term growth

Several durable trends underpin long term growth in the RAC's core markets:

- **Growing and ageing vehicle parc** – the UK car parc has increased by 3m to c.39m vehicles since 2016, while average vehicle age has risen by 2 years to c.10 years since 2016 – increasing breakdown incidence and ongoing maintenance requirements.
- **More miles being driven** – GB drivers are now travelling 315bn miles per year, up by 9bn since 2016, on worsening road conditions.
- **Increasing vehicle complexity** – c.57% of drivers believe vehicles are becoming more complex, with higher use of advanced electronics, sensors and software increasing failure rates and repair intensity.
- **EV transition** – battery electric and plug in hybrid vehicles now account for c.5% of the UK parc (c.2.2m vehicles). While vehicle technology is evolving, EVs and advanced driver assistance systems remain service and breakdown intensive, reinforcing the ongoing need for roadside assistance, diagnostics and repair.



Growing and ageing  
car parc

c.39m

UK car parc



More miles  
driven

c.315bn

miles per year



Increasing vehicle  
complexity

c.57%

of drivers believe cars are  
more complex



EV transition  
increasing

c.5%

of UK car parc is hybrid  
or electric

## A fragmented and poorly served driving ecosystem present opportunities to win

Despite the structural drivers of long-term growth, the Driving Services market remains highly fragmented and structurally challenged – particularly in SMR. Independent garages face labour shortages, rising costs and limited digital capability, resulting in long wait times (average >14 days for garage repairs) and inconsistent service quality. Over 42,000 vehicle maintenance and repair businesses operate in the UK, creating a complex landscape for consumers and partners with low levels of trust and poor customer experiences.

Customer expectations are rising, particularly for digital access, transparency and convenience. 73% of consumers prefer digital over in-person or telephone service interactions, while 79% value a single trusted brand able to provide convenience, quality and cost efficiency across multiple driving needs.



Long wait times for repairs at independent garages

**>14 days**  
average wait time



Digital preference

**73%**  
of consumers prefer digital service interactions



Customer perceptions

**79%**  
of customers value using a single trusted brand





**Gordon,**  
patrol since 2022,  
Scotland

## The RAC's right to win

The RAC's right to win is grounded in its focus on driving innovation, investment and differentiation. The Group leverages its large member and partner base, national scale, membership-led model, operational excellence, data and digital platforms, and continued investment to support the evolving needs of UK drivers. These capabilities are integrated across the operating model and are difficult to replicate, particularly at national scale.

As the Driving Services market becomes more complex and customer needs and expectations continue to rise – particularly around “to-you” mobile solutions – the RAC is uniquely positioned to deliver to meet and exceed these needs. The Group's trusted brand, business model and operating platform provide consistently high service outcomes and personalised mobile experiences while operating efficiently and delivering value for money.



### Nationwide scale and trusted brand

One of only two large-scale, nationwide providers of breakdown assistance, with deep heritage and consumer trust built over decades. The membership-led model underpins an estimated c.40% market share in breakdown and creates significant barriers to entry.



### Diversified B2C and B2B distribution

Strong presence across both consumer and corporate channels, including direct-to-consumer, affinity partnerships, price comparison websites and business-to-business relationships, supporting diversified growth and resilience.



### Extensive operational capability

A national network of over 1,700 patrols and c.300 Mobile Mechanics, supported by advanced diagnostic tools, industry-leading roadside fix rates and deep technical expertise.



## Digital-first member experience

Seamless member journeys through the myRAC app, enabling self-serve breakdown reporting and policy management as well as highly personalised engaging features to help with owning and running a car and targeted up-sell and cross-sell of relevant products and services.



## Data-driven growth, efficiency and service quality

Proprietary data assets and predictive analytics used to optimise acquisition and renewal pricing, up-sell and cross-sell, patrol deployment, improve fix rates, enhance pricing and increase member satisfaction.



## Innovation aligned to future mobility

Continued investment in EV-ready patrols, charging solutions and emerging vehicle technologies, ensuring the RAC remains relevant as the UK car parc evolves while leveraging existing scale and capability.

Together, these strengths enable the RAC to become the “one-stop-shop” for members and partners, simplifying a fragmented market, delivering reliable outcomes at scale and increasing lifetime value per member in line with the Group’s strategic priorities.

## Strategy

### Delivering sustainable growth from a position of strength

The RAC's strategy is shaped by the attractive market dynamics and differentiated business model set out in the preceding sections. Operating in a large, growing and resilient Driving Services market, and underpinned by a membership-led, subscription-based model with high barriers to entry, the Group is well positioned to translate its structural advantages into sustained growth, strong cash generation and increasing lifetime value per member over the long term.

The RAC strategic pillars are consistent and clear: to **DRIVE** continued growth in the Group's core businesses, to **EXPAND** its total addressable market into adjacent SMR services, and to **ACCELERATE** performance by leveraging digital and data. This strategy builds directly on the RAC's large and growing membership, trusted brand, deep operational capability, proprietary data and the myRAC digital platform, while remaining disciplined in scope to avoid dilution or execution risk. The strategy underpins the continuation of the RAC's 14 consecutive years of growth track record and positions it to deliver rapid future growth.



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



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



**3. ACCELERATE** growth through unique data assets and myRAC digital platform



**Iain,**  
patrol since 2016,  
North West

## Strategic pillars

The RAC's strategy is organised around three clear and mutually reinforcing priorities:

### 1.DRIVE continued growth in core businesses

Breakdown and Insurance remain the foundation of the RAC's value creation. The strategic priority is to continue compounding these core businesses by growing high-quality membership, strengthening retention and increasing value per member through increasingly personalised products and services.

In **Breakdown**, the focus is on delivering differentiated, value-adding propositions for both Consumer and Business members, underpinned by service excellence, national operational scale and a digital-first experience. Continued investment in technology, data and AI will enhance the member journey, improve efficiency, resilience and scalability, and reduce cost to serve – while integrating SMR services to unlock cross-sell at scale.

In **Insurance**, the RAC will continue to strengthen its position as the UK's leading independent motor insurance broker by leveraging its unique customer data (from Breakdown and SMR), brand trust and digital distribution. The strategy prioritises broadening reach across attractive customer segments, improving proposition relevance, increasing conversion and renewal, and selectively expanding into aligned niche markets, while maintaining a capital-light model with no underwriting exposure.

Across both businesses, growth will be driven by the proven compounding formula of "more members, staying longer, spending more and serviced efficiently", supported by optimised pricing, personalisation and enhanced engagement through myRAC.





## 2.EXPAND the addressable market into SMR

The RAC will continue to scale its **SMR** proposition, extending its addressable market by offering members and partners the convenience of high-quality servicing and repairs delivered at home or at work. This directly addresses well-evidenced pain points in a fragmented and poorly served market.

Growth will be driven by expanding mobile capacity, leveraging the existing membership base to generate low-cost, recurring demand through cross-sell, and embedding SMR more deeply with corporate partners to reduce vehicle downtime and improve fleet efficiency. Building on recent progress, SMR will be further integrated across the Group, reinforcing its role as a core component of the RAC's end-to-end Driving Services offering and increasing lifetime value per member.

## 3.ACCELERATE growth through unique data assets and myRAC digital platform

**Digital and Data** are core enablers of the RAC's strategy across all three businesses. The RAC will continue to invest in its proprietary data assets and digital platforms, including myRAC, to unlock incremental growth, deliver personalised experiences, improve service outcomes and optimise cost to serve.

The RAC collects and analyses billions of member and vehicle data points from multiple sources. Advanced analytics, data science, and increasingly AI, transform this data into actionable insight, supporting more effective marketing and pricing, improved product development, enhanced acquisition and retention, and more efficient service delivery.

myRAC acts as the digital hub for the Group's Driving Services, orchestrating member journeys across Breakdown, Insurance and SMR in a single, seamless and intuitive experience. Continued disciplined investment in digital and AI capability will deepen engagement, strengthen loyalty, drive incremental revenue and reinforce the RAC's ability to deliver complete peace of mind® at scale.



## Disciplined execution and value creation

The RAC's strategy is underpinned by a disciplined approach to execution and capital allocation. Investment is prioritised towards initiatives that strengthen the core, extend adjacency into new markets and reinforce long-term competitive advantage. Together, these strategic priorities position the RAC to continue delivering resilient growth, predictable earnings and strong cash generation, while remaining uniquely positioned as the UK's leading provider of Driving Services.



# UK'S NO.1

**for Driving Services**



**Steven,**  
patrol since 2016,  
Scotland

# 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.



**Lee,**  
mobile mechanic since 2024,  
Western

### 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 significantly impact the Group's financial performance, reputation, or strategic objectives.



**Alex,**  
mobile mechanic since 2023,  
East 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 focused 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.

The Executive Risk & Audit Committee is responsible for providing oversight and challenge in respect of key divisional and Group-wide risks. Management report details of the key risks within their business area to this Committee for review and discussion

a minimum of four times per year. The Committee also reviews reporting from key governance functions, such as Information Security, Data Protection and Health & Safety, as well as from the Group's Internal Audit function. The Executive Risk & Audit Committee also has responsibility for oversight of the overall assessment of climate-related risks and opportunities.

Key risks are reported from the Executive Risk & Audit Committee to 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 and facilitating the identification, assessment and treatment of risk across the Group, including climate-related risks. This involves ensuring that the risk management framework supports appropriate debate and decision-making by allowing effective challenge to both senior management and the business divisions.



# Principal risks

In 2025, 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. These risks are consistent with 2024.

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

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

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

**3. ACCELERATE** growth through unique data assets and myRAC digital platform

Risk change in year key:  Increased  
 Static  
 Decreased

## Strategy and business model

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> <b>1. 2. &amp; 3.</b></p> <p>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.</p>	<p><b>Impact:</b> A decline in breakdown or insurance market share and margin and associated adverse effects on the long-term sustainability of the Group.</p> <p><b>Mitigation:</b> 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 continues its expansion of the Service, Maintenance and Repair (SMR) business to meet the broader driving needs of members.</p> <p>As well as continuing the expansion of the Service, Maintenance and Repair business, the Group continues to drive member growth in our core businesses and maintain margins, enabling us to continue to deliver consistent and sustainable EBITDA growth.</p> <p>We monitor member behaviour and demands, market trends and competitor developments on an ongoing basis to ensure that we successfully fulfil our members' core driving needs.</p> <p>We also actively track corporate partner performance through defined KPIs. We maintain strong relationships with partners and regularly evaluate new opportunities to drive growth.</p>	<p></p> <p>The components of this risk have remained broadly stable during the year.</p>

## Debt leverage

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> <b>1. 2. &amp; 3.</b></p>	<p><b>Impact:</b> The business being unable to continue as a going concern.</p>	
<p>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.</p>	<p><b>Mitigation:</b> 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.</p> <p>During 2025, a refinancing of the Group's Class A2 notes was completed, reducing the Group's net position by £165m, improving the Group's debt maturity profile and liquidity position to support the Group's long-term sustainability and financial strength.</p> <p>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.</p>	<p>The profile of this risk has remained broadly stable during the year.</p>

## People

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> <b>1. 2. &amp; 3.</b></p>	<p><b>Impact:</b> A loss of opportunities, operational disruption for our members, and inability to fully execute the strategy for the business.</p>	
<p>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.</p>	<p><b>Mitigation:</b> The Group works with its internal recruitment function as well as external agencies to run recruitment campaigns 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 hot spots or where there will be pinch points throughout the year.</p> <p>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.</p> <p>In addition, the Group strives to create its own grass roots talent pool and encourage development from alternative background via apprenticeship schemes, most notably the RAC Academy which provides a point of entry to introduce new mechanic talent into the market to support the Group's ambitions in breakdown and SMR.</p>	<p>The profile of this risk has remained broadly stable during the year.</p>

## Information security and data protection / governance

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> <b>1. 2. &amp; 3.</b></p>	<p><b>Impact:</b> Brand damage, non-compliance with data protection laws, regulatory fines, class action lawsuits, contractual breaches and significant operational disruption.</p>	<p style="text-align: center;">—</p>
<p>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.</p>	<p><b>Mitigation:</b> 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, led by an experienced Chief Information Security Officer and is compliant with ISO27001. The Group undertakes regular penetration testing, vulnerability scanning and phishing simulations and regular training and briefings are provided to employees.</p> <p>The Group has undertaken stress-testing exercises across the year and has introduced new controls, including a focus on colleague behaviour and addressing threats from social engineering to respond to the learnings arising from various cyber incidents in the UK market during 2025. These enhance the ability to defend against cyber threats and ensure response processes and procedures are well-tested.</p> <p>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.</p>	<p>Further improvements have been made to support the Group's cyber strategy. However, these improvements are against a challenging and fast-moving external environment.</p> <p>As such the profile of this risk has remained broadly stable during the year.</p>



**Stuart,**  
patrol since 2007,  
South West

Breakdown service delivery

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> 1.</p>	<p><b>Impact:</b> 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.</p>	
<p>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.</p>	<p><b>Mitigation:</b> 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 Group has also invested in further enhancements to its digital capabilities to continue to improve the member experience.</p>	<p>The profile of this risk has remained broadly stable during the year.</p>

Operational resilience

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> 1. 2. &amp; 3.</p>	<p><b>Impact:</b> Poor outcomes for members and/or damage to commercial relationships, regulatory action, failure to acquire new and retain existing individual members and corporate partners.</p>	
<p>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.</p>	<p><b>Mitigation:</b> The Group has identified its important business services and the infrastructure, people and suppliers required to support those services. Our material outsourcers and key suppliers are subject to rigorous due diligence and ongoing oversight which is managed by the relationship owners.</p> <p>In addition, the Group has detailed business continuity plans, crisis and disaster recovery processes and incident management procedures which are regularly tested. The Group employs specialist teams who manage the operation and resilience of its IT systems.</p> <p>A number of improvements to the Group's IT infrastructure have been made during 2025 to support ongoing operational resilience, with a focus on improving recovery time from any material incidents.</p>	<p>The profile of this risk has been reassessed during the year and has increased. This follows several high-profile cyber incidents at other companies which have indicated lengthy recovery times.</p>

## Health & Safety

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> <b>1. &amp; 2.</b></p>	<p><b>Impact:</b> 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.</p>	
<p>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 &amp; Safety legislation across all the RAC's operations.</p>	<p><b>Mitigation:</b> Health &amp; Safety (H&amp;S) 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.</p> <p>As our Service, Maintenance and Repair (SMR) proposition continues to expand we have adapted our H&amp;S programmes and initiatives to address the specific risks arising in this area. The adaptations have been successfully implemented, and the H&amp;S culture is continuing to mature within the division.</p> <p>The Group has a specialist health and safety management system in place which is mandatory in all areas of the business.</p> <p>Training and awareness programmes at both induction and throughout the colleague lifecycle are continually reviewed and improved.</p> <p>In addition to this, the H&amp;S team work closely with the operational teams in Breakdown and SMR to run targeted campaigns based on findings from audits. During 2025 the Group has undertaken its largest ever H&amp;S campaign, 'Be Safe', focused on behavioural safety issues.</p> <p>The Group continues to maintain the ISO45001 Occupational Health &amp; Safety Standard accreditation which demonstrates its commitment to H&amp;S across the business and recognises the benefits of ongoing efforts to minimise risk to colleagues and third parties.</p>	<p>The profile of this risk has decreased in the year following the implementation of various successful initiatives.</p>

Conduct, regulatory and legal compliance

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> <b>1. 2. &amp; 3.</b></p>	<p><b>Impact:</b> Detriment to our members, regulatory enforcement including fines and/or significant brand or reputational damage to the Group.</p>	
<p>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.</p>	<p><b>Mitigation:</b> 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.</p> <p>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.</p> <p>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.</p> <p>The Group maintains focus on Consumer Duty with a governance structure of customer committees focused on the monitoring of the outcomes being delivered to members. The Group has an Executive Compliance Committee as well as a Conduct &amp; Culture Committee which oversees the Group’s culture, the outputs of which are reviewed by the executive monthly to ensure that the Group are proactively identifying trends in, and early warning indicators of, risks to member outcomes.</p> <p>The Group also undertakes an ongoing cycle of product reviews and fair value assessments to ensure that its products deliver good outcomes for members.</p>	<p>The profile of this risk has decreased in the year as a result of improved oversight across the Group and indications from the regulators of reduced regulatory change and mass interventions across the financial services market.</p>

## Climate change and related financial reporting requirements

Risk description	Potential impact and mitigation activities	Risk change in year
<p><b>Strategic alignment:</b> <b>1. &amp; 2.</b></p>	<p><b>Impact:</b> Short-term &amp; 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.</p>	<p style="text-align: center;">—</p>
<p>The Group defines this as the risk of an adverse impact linked to climate change in terms of the transition to net zero, the physical impact of extreme weather events on the RAC's strategy, financial targets, and/or operations or sites and failure to properly implement or failure to operate in line with regulatory requirements (PRA 'Financial risks from climate change', CFD).</p>	<p><b>Mitigation:</b> 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 compliance and ongoing compliance with FCA/PRA rules and guidance in relation to climate change.</p>	<p>The profile of this risk has remained broadly stable during the year.</p>



**Hugh,**  
mobile mechanic since 2019,  
South West

# Sustainability report



At the RAC, sustainability is embedded in our strategic vision. We take a holistic approach, ensuring compliance with all regulatory requirements while making continual improvements to secure a long-term, sustainable future for our business, our members, and the environment.

Our focus is on meaningful actions that deliver measurable impact today while supporting our long-term goals. By prioritising initiatives that make the biggest difference we aim to create lasting value for stakeholders and contribute to a more sustainable mobility ecosystem.

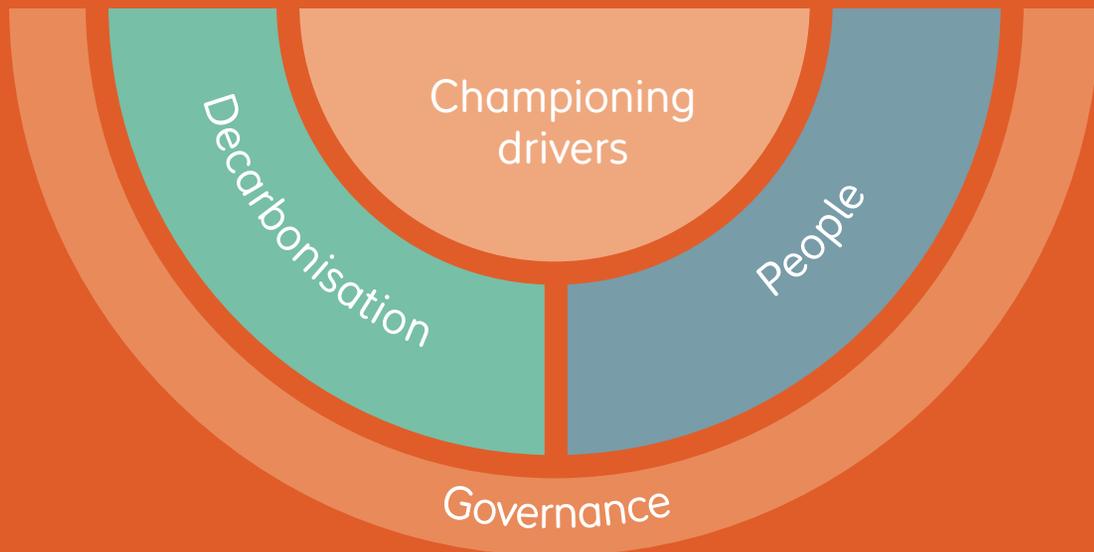
At the RAC we hold ourselves to the highest standards of quality, safety and security. The RAC is proud to hold internationally recognised certifications:

- ISO 9001 – Quality Management System
- ISO 14001 – Environmental Management System

- ISO 45001 – Occupational Health and Safety Management System
- ISO 27001 – Information Security Management System

These certifications demonstrate our commitment to sustainability, employee wellbeing, and data protection, ensuring robust governance across all areas of our business.

In December 2025, we were delighted to maintain our Silver EcoVadis Sustainability Rating, placing us in the top 15% of companies assessed, and the top 3% within the motor repair and maintenance sector.





**Glen,**  
patrol since 2018,  
Wales

## Decarbonisation

### Our net zero commitment

The Group's overarching climate target is clear: achieve net zero by 2050 at the latest. In 2023, we set an interim goal to reduce scope 1 and 2 emissions intensity by 50% per job by 2025, against a 2021 baseline, equating to a 30% absolute reduction in total emissions.

We review this target annually, and we remain on track to achieve our targets. Our key KPI is to reduce scope 1 and scope 2 emissions per job and in 2025, we reduced this by 9% versus 2024.

Full details of our decarbonisation pillars and progress made against our KPIs are set out opposite and our carbon footprint can be found in our Streamlined Energy and Carbon Report on page 112.

Beyond our direct operations, we are committed to tackling supply chain emissions. In 2025,

we implemented a new reporting platform to give visibility over scope 3 emissions, and in 2026 we will identify and take steps to address emissions hotspots across our supply chain.

We also recognise the risk of not having demonstrable green credentials and are delighted to have been awarded a Silver EcoVadis Rating in 2025.

Our approach combines ambition with accountability – delivering measurable progress toward a sustainable future.



# Decarbonisation pillars and progress

We continue to progress our decarbonisation strategy, refining our plans and identifying key actions, solidifying our commitment to driving down emissions. Our key risks relate to transition, notably in relation to our van fleet and costs. In line with our KPIs, in 2025 we have focused on four decarbonisation pillars, two of which are directed at reducing emissions from our ICE fleet and at the same time, helping us transition towards electric and alternative fuels. In 2025, progress against our four pillars included:

## Route optimisation and driving behaviours

- 7% less fuel per breakdown than 2024, through a mix of measures designed to both improve our member experience and reduce emissions. We fixed over 10% of breakdowns remotely (2024: 8%), and enhanced our patrol deployment systems.
- 94% of our patrols and Mobile Mechanics completed Safe and Fuel Efficient Driver training.
- Enhanced our telemetry platform to better identify the causal link between driving behaviours and emissions, to facilitate more targeted coaching for our Roadside patrols and Mobile Mechanics.

## EV/Alternative Fuels

- 84% of our company car fleet is EV, up from 63% in December 2024. From 1 January 2025, our policy has been that all new company cars must be EVs.
- 22 electric vans have been operating in our SMR business since the second quarter of 2025 saving emissions of 75 kgCO<sub>2</sub>e.
- Received delivery of four additional EVs and PHEVs, which will be trialled at Roadside in 2026 with new, lightweight prototype interiors, designed to enhance operational efficiency, reduce fuel consumption and offer greater second life potential.
- Our Hydrotreated Vegetable Oil (HVO) trial continued throughout 2025 in our Roadside division saving 350 kgCO<sub>2</sub>e (compared to 50 kgCO<sub>2</sub>e in 2024).

## Sustainable procurement

- Enhanced knowledge of over 50 of our top suppliers' sustainability journeys, and implemented new software to give greater visibility over our scope 3 emissions.
- Launched a new sustainability engagement program with our top 30 breakdown contractors, representing over 90% of contracted jobs, sharing best practice and experience, as both we and they progress our decarbonisation journeys.

## Office emissions and waste management

- Completed LED lighting installation across all of our office sites.
- Moved to biogas, as well as renewable electricity, across our main offices and training sites.
- None of our waste goes to landfill, and we further reduced the amount of office waste to incineration by 28% as compared to 2024, primarily by reducing the use of disposable packaging.

## Climate-related financial disclosures

This section of our Sustainability Report includes our environmental performance and climate-related financial disclosures in line with the Companies (Strategic Report) (Climate Related Financial Disclosure) Regulations 2022 and reflecting Task Force on Climate Related Financial Disclosures (TCFD) recommendations.

### Governance

#### The Board's oversight of climate-related risks and opportunities

The Board of RAC Group (Holdings) Limited ("the Board") has ultimate accountability for the sustained success of the Group and its climate-related strategy. Oversight of the implementation and effectiveness of our Sustainability strategy is delegated to the Board Sustainability Committee, chaired by the CFO, which meets three times per year.

The Board also approves the Group's risk appetite and risk management framework, including climate-related risks. Day-to-day oversight of risk management is delegated to the Board Risk & Audit Committee, chaired by an independent non-executive director, which meets at least three times annually.

The Board Risk & Audit Committee is supported by the Executive Risk & Audit Committee, chaired by the Group Chief Risk & Legal Officer, which meets at least four times per year.

The Regulated Entities Board meets six times per year and has responsibility for ensuring the Group's regulated subsidiaries meet the expectations of the FCA and PRA in relation to climate change.

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

Our Group CFO has overall responsibility for setting and overseeing the Sustainability strategy, including recommending decarbonisation targets. Operational management of climate-related matters rests with the Group Executive, supported by the Decarbonisation Steering Committee, which comprises functional leads from across the business. This committee, chaired by the CFO, meets monthly to monitor performance and drive action, and is responsible for the identification of climate-related risks and opportunities.

For more detail on the RAC's governance structure and the roles of the Board, management, and committees in overseeing climate-related risks and opportunities, please see pages 86–107.



## Our strategy for managing climate-related risk

To understand the actual and potential risks and opportunities that may impact the Group as we transition towards a low-carbon economy, these were assessed by key stakeholders including the Executive, guided by the TCFD framework to produce the Group Climate Risk Register.

Risks were considered in relation to the Group's operations, customers, suppliers and partners, and categorised as either transitional or physical. Each risk was qualitatively assessed in the short, medium and long term and against three transition scenarios being Early Action (EA), Late Action (LA) and No Additional Action (NAA) above existing government commitments.

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

Probability was assessed under each time horizon and transition scenario, and categorised as high, medium or low. Financial impact was 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. The potential financial impact is shown on an unmitigated basis, before any Group action to manage the risks and opportunities.

Our internal scenario analysis was initially performed in 2022 and has since been renewed and updated annually.



## Risk management

The Climate Risk Register is embedded in the Group’s existing risk management framework.

Climate-related risk has been designated as a material risk to the strategy, operations or financial performance of the Group and, accordingly, is captured on the Group Key Risk Register. Any material risks from climate change which could impact RAC Insurance Limited will be included in the annual Own Risk & Solvency Assessment (“ORSA”).

The Climate Risk Register is reviewed quarterly at Decarbonisation Steering Committee meetings and is submitted for annual review by the Executive Risk & Audit Committee. It is also submitted annually to the Board Sustainability Committee to sign off on the updated risk assessments.

### Transition and physical risks and opportunities

Physical risks arise from the impact of climate change on the physical environment. These include acute risks, e.g. increased frequency and severity of extreme weather events such as storms, floods, droughts, fires, and periods of extreme heat or cold. Also, chronic risks including gradual changes such as rising average temperatures and sea levels.

These risks could disrupt operations, increase costs, and create supply chain vulnerabilities, potentially leading to economic loss for the Group, our customers, and suppliers.

Transition risks result from global efforts by governments, institutions and businesses to accelerate the shift to a low-carbon economy. These may include policy and regulatory changes (e.g., emissions standards), market and technology shifts (e.g., EV adoption, alternative fuels) and changing consumer preferences toward sustainable solutions.

Transition risks are expected to materialise more rapidly than physical risks and could impact the Group’s financial performance and operating model, our partners, suppliers and members.

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 pace of global and UK transition in the period to 2050.

### Time horizons for assessment

Short-term represents the period to the end of 2026 which is aligned to existing budgeting processes. Medium-term represents 2027–2030 which is broadly aligned to average key asset lifecycles. Long-term represents 2031–2050 which is aligned to the period beyond the current key asset lifecycle and extends to the Paris Agreement target of 2050.



## Climate scenarios for risk assessment

We selected three independent climate scenarios relevant to our sector and to national UK government climate targets. These are 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.

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. 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).

The material transition and physical risks that may impact the business in the short, medium, and long-term are provided in Table 2.2. Material transition opportunities that may impact the business in the short, medium, and long-term are provided in Table 2.3.

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.



**Stuart,**  
patrol since 2007,  
South West

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 emissions	Reduced to net-zero by 2050
Global warming^	
– Year 0	1.1°C
– by 2030	1.4°C
– by 2050	1.8°C
– by 2100	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	Further changes limited
– UK sea level rise by 2050	0.16m
– UK average precipitation increase by 2050	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)	1.40%
– Year 11 – 15 (to 2035)	1.50%
– Year 26 – 30 (to 2050)	1.60%
Fossil fuels & GHG emissions	
– Phase out of fossil fuels	Fossil fuels are almost entirely replaced by renewables in the UK primary energy mix by 2050.
– 2050 energy needs – UK	90% renewables
– 2050 energy needs – global	70% renewables
Fossil fuels & GHG emissions	
– Carbon pricing per tonne of CO2 equivalent (exc. Inflation)	US\$900
– Carbon sequestration	Moderate Level Assumes only a moderate level can be achieved by private and public investment.

Late Action (LA)	No Additional Action (NAA)
<p>Late and disorderly</p> <p>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.</p>	<p>Only policies that were in place before 2021</p> <p>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.</p>
Reduced to net-zero by 2050	Net-zero not achieved
<p>1.1°C</p> <p>1.4°C</p> <p>1.8°C</p> <p>1.8°C</p>	<p>1.1°C</p> <p>2.5°C</p> <p>3.3°C</p> <p>4.1°C</p>
2031	n/a
Transition risks	Physical risks
High	Limited
Limited	High
Sudden contraction (recession)	Permanently lower growth and higher uncertainty
Further changes limited	<p>Increase average temperatures</p> <p>Increase precipitation in the winter months</p> <p>Reduce precipitation in the summer months</p> <p>Increased exposure to subsidence</p> <p>Increased exposure to heatwaves</p>
<p>0.16m</p> <p>0.30%</p>	<p>0.39m</p> <p>11.00%</p>
<p>There are substantial government policies to manage the transition to electric vehicles beginning in 2026 rather than 2021.</p>	<p>Paths for vehicle prices, sales and vehicles on the road mirror LA scenario to 2030. Thereafter transition stops – announced policies not subsequently introduced.</p>
<p>1.50%</p> <p>0.10%</p> <p>1.60%</p>	<p>1.40%</p> <p>1.40%</p> <p>1.20%</p>
<p>Fossil fuels are almost entirely replaced by renewables in the UK primary energy mix by 2050.</p> <p>90% renewables</p> <p>70% renewables</p>	<p>Not applicable</p> <p>40% renewables</p> <p>25% renewables</p>
<p>US\$1,000+</p> <p>Low Level</p> <p>Due to the absence of timely and sizeable investment in sequestration technologies.</p>	<p>US\$30</p> <p>Low Level</p> <p>Due to the absence of timely and sizeable investment in sequestration technologies.</p>

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 per the UK's Zero Emission Vehicle (ZEV) mandate.	Costs
	<p><b>Impact on members:</b> 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.</p> <p><b>Impact on the RAC fleet:</b> 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.</p>	Costs
	Electric & alternative fuel vehicles replace petrol and diesel vehicles.	Costs, assets, & capital expenditure
Market	Reduced demand for breakdown, insurance and SMR products and services.	Revenue
	Cost of transition to low carbon business model.	<p><b>Reduced private vehicle ownership:</b> A shift away from, or reduction in, private vehicle ownership which may reduce the number of breakdown members and/or car insurance policy holders.</p> <p><b>Higher input costs:</b> 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.</p>
Reputation	Increased stakeholder concern or negative stakeholder feedback.	Revenue & costs
Physical	Acute and chronic climate change.	Costs
	<p><b>Chronic climate change:</b> Long-term changes in precipitation patterns and mean temperatures may have a permanent impact on the demand profile for breakdowns.</p> <p><b>Acute climate change:</b> 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.</p>	



Unmitigated financial impact	Scenario	Unmitigated impact by term			Strategies to mitigate risk
		Short term 2026	Medium term 2030	Long term 2050	
Increased claims frequency/ costs as members are unable to replace their ICE vehicles and average vehicle age increases.	EA	●	●	●	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 reviewed every one to three years. The business uses these relatively short renewal cycles to adjust premiums in response to any emerging changes in claims rates and costs.
	LA	●	●	●	
	NAA	●	●	●	
Reduced patrol efficiency/ increased fleet costs as full electrification of the fleet is delayed.	EA	●	●	●	Patrol and Mobile Mechanics 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 largely already transitioned to EVs. Proactive long-term procurement planning ensures that the business secures access to new technology on competitive commercial terms.
	LA	●	●	●	
	NAA	●	●	●	
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	●	●	●	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	●	●	●	
	NAA	●	●	●	
Reduced breakdown, motor insurance and adjacency revenue.	EA	●	●	●	Market surveys still reflect a strong preference for private vehicle ownership. 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	●	●	●	
	NAA	●	●	●	
Increased supplier costs.	EA	●	●	●	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	●	●	●	
	NAA	●	●	●	
Reduction in existing and/or new business revenue. Increases in capital and funding costs if access to competitive rates is limited.	EA	●	●	●	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. This plan was reviewed in 2025 and, with most recent technological developments, we are even more confident in our ability to meet this target.
	LA	●	●	●	
	NAA	●	●	●	
Increased cost base due to changes in breakdown volumes and profile.	EA	●	●	●	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	●	●	●	
	NAA	●	●	●	

**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)

**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.	<p><b>EV products &amp; services:</b> 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.</p> <p><b>Partnerships to accelerate EV transition:</b> Supporting consumers in their decision making and transition to EV, including advisory services, financing, and post transition support services (Breakdown, Insurance, SMR).</p>
Resource efficiency	Use of more efficient modes of transport.	<p><b>Electrification of patrol fleet:</b> By 2035, all new cars and light commercial vans will need to be electric. There is an opportunity to gain a competitive advantage by early adopting new patrol and Mobile Mechanic 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.</p> <p><b>Reduced environmental impact:</b> Increasing the efficiency of RAC operations to reduce overall travel distances of recoveries, reducing environmental impact and also improving customer experience.</p>



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.	EA	●	●	●
		LA	●	●	●
		NAA	●	●	●
Revenue, costs & capital expenditure	Reduced fleet 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	●	●	●
		LA	●	●	●
		NAA	●	●	●
Costs	Reduced breakdown operating costs from shorter tow distances and improved overall efficiency rates.	EA	●	●	●
		LA	●	●	●
		NAA	●	●	●

**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)

## Impact of climate-related risks and opportunities on the Group's business, strategy and financial planning

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. 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.

Overall, management's view is that 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 and alternative fuel vehicles, renewable energy sources as well as improving operational productivity and maximising our energy efficiency.

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 2025. 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 in line with the strategies set out in Table 2.2.



# Spotlight

## Championing Drivers

At the RAC, we provide 'complete peace of mind<sup>®</sup>' for all driving needs, not only through our comprehensive range of complementary products, but also through our wider work with motorists. As a UK authority on all things motoring, we gather insights directly from members to understand drivers' key concerns and lobby the Government on their behalf.

In 2025, at a time when 80% of drivers say they would struggle without a car, it's particularly worrying that a third say their biggest concern is the cost of keeping their vehicle on the road, in particular servicing and repair costs.

As well as striving to offer great value to our members through our complementary breakdown, insurance and Mobile Mechanic services, we also offer a free **"Cheap Fuel Finder"** via the myRAC app and continue to lobby the Government on issues from fairer fuel prices to improving the roads for the long term.

Our research for the RAC Report on Motoring shows drivers are very concerned by the poor condition of the nation's roads and by the behaviour and law-breaking of other drivers.

We're pleased that the Government has responded positively to our call for preventative road maintenance which stops potholes forming in the first place. We continue to urge the Government to reintroduce formal road casualty reduction targets, to work with partners to crack down on excessive speeding, to map out clear actions to address headlight glare and to consider alcohol interlocks having to be fitted to the vehicles of convicted drink-drivers to stop them reoffending.

**For more information on our work for motorists please visit [rac.co.uk/report-on-motoring](https://rac.co.uk/report-on-motoring)**

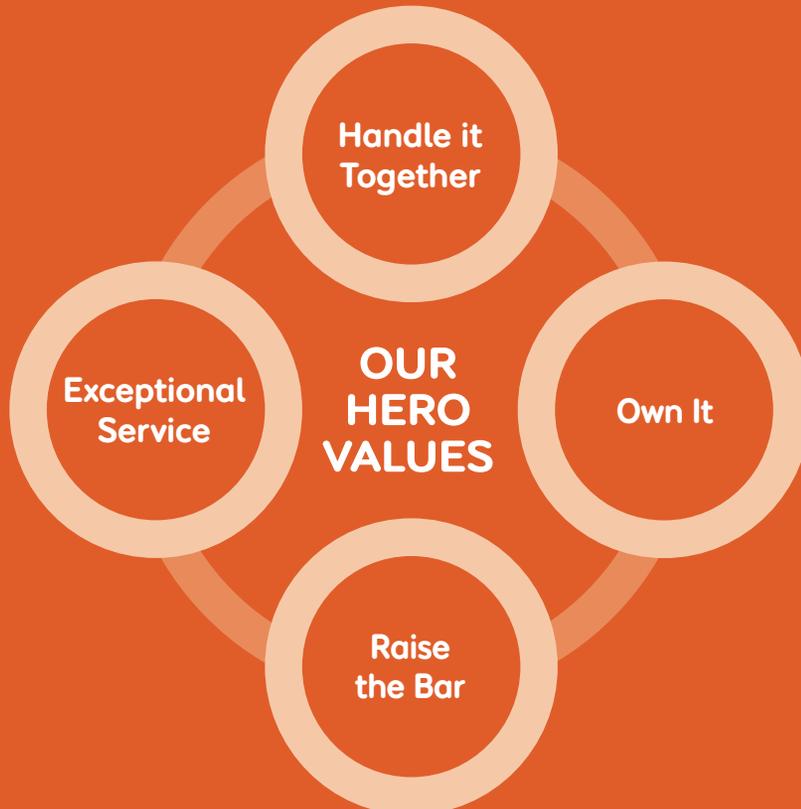


# People

Our colleagues remain the driving force behind our business. Their commitment, expertise and passion enable us to deliver complete peace of mind<sup>®</sup> to our members every day. We want the RAC to be a place where people choose to work, feel included and feel they belong. Guided by our HERO Values, we continue to invest in how we support, develop and evolve our colleague proposition so that everyone can thrive.

Our overall engagement score increased to 3.59 out of 5 in 2025, our highest-ever result (2024: 3.46). Over 3,000 colleagues took part in our annual engagement survey, providing more than 1,000 individual comments to help shape our future actions. Our Glassdoor rating rose to 4.5 out of 5, an 8% uplift year-on-year – indicating an excellent colleague experience and strong advocacy.

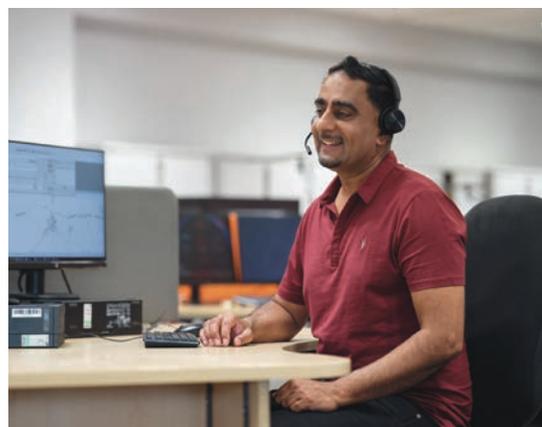
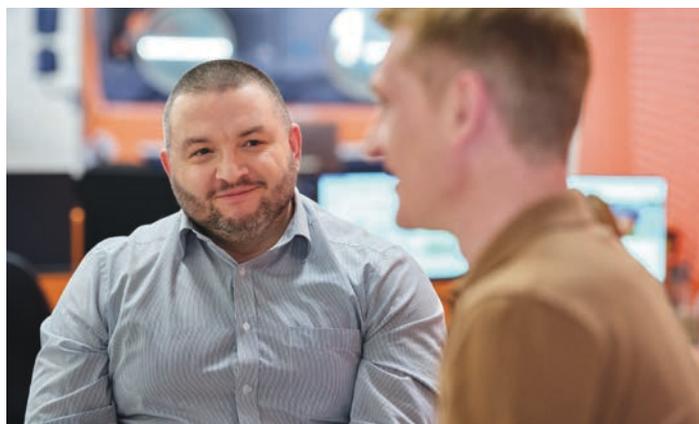
We are delighted that we've been named in the Top 500 of the UK's Best Employers 2026 by the Financial Times.



## Building strong, two-way communication with leadership

Colleagues have multiple ways to regularly engage with leadership – from large scale conferences to face to face meetings, virtual town halls to continuous online collaboration and communication via our intranet. In 2025, we relaunched our Callsign podcast for patrols and Mobile Mechanics, keeping them up to date while out on the road.

Our CEO continues to champion an open and honest environment and hosts “Dave’s Big Convo” each week. These Q&A sessions are open to all colleagues and reinforce transparency, visibility and trust in leadership.



## Reward

We continue to invest in reward structures that recognise contribution and ensure colleagues share in the RAC's success. Our colleague share scheme, launched in October 2023, offers all colleagues a continued stake in the RAC's growth.

Colleagues can choose from a range of flexible benefits, from health and wellbeing to cars, pension matching and extra holidays, as well as free breakdown cover from day one. Our RAC Success Portal provides a range of shopping discounts and cashback opportunities on everyday items from a range of high street and online stores.

## Celebrating our people

Recognition remains a cornerstone of our culture. Our annual Orange Hero Awards received a record number of nominations again in 2025, reflecting the pride and appreciation colleagues have for one another. We also recognise colleagues that live our HERO values more regularly – anyone can nominate a colleague, and the winners are announced by the CEO each week.

Informally, all colleagues can thank each other via e-cards using our RAC Success Portal. Line managers can enhance recognition by allocating RAC Success points to spend on the Portal. We saw a 35% increase in peer to peer recognition in 2025 versus 2024.

## Career Development & Training

Supporting progression and building capability remain central to our future success. As well as the RAC Academy, our investment in both the future of the RAC and the skills gap in the UK automotive sector, we completed a total of 81,107 hours of training in 2025 – an average of 18 hours per colleague.

In response to MySurvey feedback, we launched Ignite, our new frontline manager development programme. This is our biggest leadership investment to date, designed to further embed a culture of feedback, accountability and even higher performance.

## Wellbeing

We strengthened our holistic approach to wellbeing this year, ensuring colleagues can access the right support at the right time. In our engagement survey, our Wellbeing score increased by 30%, reflecting growing awareness and confidence in the support available.

Other progress included embedding our Wellbeing Framework, expanding peer to peer support through the Community Shed, deepening our sector leading partnership with Tough Enough to Care, alongside continued manager training in mental health awareness. We launched new resources including the Wellbeing Intranet Hub and the Men's Health and Wellbeing Network.





## Equity, Diversity & Inclusion (ED&I)

Creating a workplace where everyone feels seen, valued and supported remains central to our People Strategy. In 2025, we strengthened our understanding of our workforce and representation across the RAC, and our Glassdoor ED&I score reached 4.6, recognising the RAC as offering an “Excellent” inclusive experience.

Our Inclusion and Diversity Network delivered nine well attended sessions, and we launched our Women’s Network. 96% of colleagues completed annual training in Anti-discrimination & Harassment, Business Ethics and Equality, Diversity & Inclusion.

We are proud that 32% of our SLT and 25% of our workforce are female (compared to the sector average of 10% and 19% respectively). We continue to look for opportunities to further address the imbalance.

	Male	Female	Total
<b>Executive</b>	8 (80%)	2 (20%)	<b>10</b>
<b>SLT</b>	28 (68%)	13 (32%)	<b>41</b>
<b>Other</b>	3,264 (75%)	1,105 (25%)	<b>4,369</b>
<b>Total</b>	3,300 (75%)	1,120 (25%)	<b>4,420</b>

\*SLT is our Senior Leadership Team being those reporting directly to a member of the Executive.



## Charity & Community

The HIVE brings together like-minded colleagues from across the RAC who volunteer their time to lift morale, build community and support good causes. Operating across all three of our office sites, the HIVE focuses on engaging colleagues and raising funds for charities that matter to our people. In 2025, colleagues supported Birmingham Children’s Hospital, St Peter’s Hospice and The Christie Charity.



## Health & Safety

2025 saw a renewed focus on leadership, colleague engagement and frontline risk reduction in health and safety. We relaunched Be Safe, the largest safety culture initiative in RAC history, reinforcing safe working for our patrols, Mobile Mechanics and office-based staff. We also maintained our ISO45001 (Health & Safety), ISO14001 (Environment) and ISO9001 (Quality) certifications.

# Spotlight

## RAC Academy: Building for the future

The RAC Academy plays a vital role in building a sustainable talent pipeline for our business while helping to address the growing skills shortage in the UK automotive industry.

Delivered through partnerships with selected colleges, the 27-month apprenticeship programme combines structured college learning with extensive on the job experience, supported by dedicated mentors to prepare apprentices for fully fledged patrol roles.

2025 was a pivotal year for the RAC Academy as we grew its scale, capability and impact. It is now a core component of how we future-proof our workforce. We successfully onboarded multiple cohorts with 50 new apprentices joining the programme in 2025.

We currently have a total of 87 apprentices on the scheme. 55 have graduated into full-time patrol roles since the start of the programme, with 40 of those transitioning in 2025 alone. This increase in pace and volume has strengthened our internal talent pipeline and helped to reduce reliance on external recruitment.

Our partnerships with training providers continued to mature, and we expanded our coverage to four sites across the UK – North London Garages, S&B Automotive Academy, North Humberside GTA and the new Storm Academy in Milton Keynes.

Gender balance remains a focus, with 20% of our graduate apprentices female, and we continue to work closely with our college partners to increase participation and support wider industry change.

As the programme expanded, we strengthened learner welfare and safeguarding arrangements while maintaining high standards of training and support. We also enhanced RAC specific technical training, ensuring apprentices develop the skills, behaviours and confidence needed to succeed on the road.

Looking ahead, we have been preparing to build on this success with the launch of a Mobile Mechanic apprenticeship programme in early 2026, extending the Academy model into SMR and further strengthening our long-term technical capability.



# Non-financial information statement

Information regarding non-financial matters is contained throughout the Group's 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.



Our approach	Key policies or documents governing our approach	Relevant sections of the report	
<p><b>Environmental matters</b></p> <p>The RAC recognises the environmental impact of its activities, products and services and is committed to compliance with relevant environmental legislation and regulation. Environmental and climate related matters are considered through the Group’s Strategy, governance and risk management framework.</p>	<ul style="list-style-type: none"> <li>• Environmental Policy statement</li> <li>• Risk Management Report</li> </ul>	<p>Our Strategy</p> <p>Streamlined Energy &amp; Carbon Reporting</p> <p>Sustainability Report</p> <p>Climate-Related Financial Disclosures</p> <p>Risk Management Report</p> <p>Section 172 Statement</p>	<p>22–41</p> <p>112–115</p> <p>54–75</p> <p>58–68</p> <p>42–53</p> <p>80–85</p>
<p><b>Employees (including Health &amp; Safety)</b></p> <p>The RAC recognises the value of a diverse, engaged and safe workforce and our People Strategy is built on delivering a fantastic colleague experience and learning environment with colleague well-being as a central point of focus.</p> <p>Health and Safety remained a priority for the Group’s workforce and 2025 delivered another year of positive progress. The launch of our Group-wide “Be Safe” behavioural campaign drove a reduction in accidents and non-compliance and the renewed focus has laid a strong foundation for even greater improvements in 2026 and beyond.</p>	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Regulatory Code of Conduct</li> <li>• Health &amp; Safety Policy</li> <li>• Equality Diversity &amp; Inclusion Policy</li> </ul>	<p>Sustainability Report</p> <p>People</p>	<p>54–75</p> <p>70–75</p>
<p><b>Human rights</b></p> <p>The RAC recognises that its responsibilities extend beyond its own operations and its supply chain and is committed to preventing modern slavery and human trafficking. The Group takes a risk-based approach to identifying and managing modern slavery risks within its business and supply chain, supported by policies, due diligence processes and contractual controls. The Modern Slavery Statement was refreshed during FY2025 and sets out the Group’s governance arrangements and approach to mitigating modern slavery risks.</p>	<ul style="list-style-type: none"> <li>• Modern Slavery Statement</li> <li>• Modern Slavery Policy</li> </ul>	<p>raccorporate.co.uk</p>	

Our approach	Key policies or documents governing our approach	Relevant sections of the report	
<p><b>Communities and social matters</b></p> <p>The RAC and its colleagues support local communities through colleague volunteering, charity partnerships and fundraising activity. In addition, the Group undertakes public affairs activity focused on issues relevant to motorists, and road safety, aligned to its role as a motoring services brand. We also published our Annual Report on Motoring highlighting the interests of motorists.</p>	<ul style="list-style-type: none"> <li>• RAC Annual Report on Motoring</li> </ul>	Sustainability Report	54–75
<p><b>Anti-bribery and corruption</b></p> <p>The RAC is committed to acting with integrity and fairness in all business dealings and stakeholder relationships. Our anti-bribery and corruption policies are reviewed annually and all Colleagues undertake annual refresher training on these topics. Our broader financial crime risks have been reviewed during the year to ensure that the Group’s policies and controls remain appropriate and effective. Following the introduction of the Economic Crime and Corporate Transparency Act (2023) in September 2025, this review included a particular focus on the identification of fraud risks.</p>	<ul style="list-style-type: none"> <li>• Financial Crime Policy</li> <li>• Gifts &amp; Hospitality Policy</li> <li>• Whistleblowing Policy</li> <li>• Anti-Bribery and Corruption Policy</li> <li>• Conflicts of Interest policy</li> </ul>	Governance Report – principles and explanations	101–106
<p><b>Principal risks</b></p> <p>The RAC is committed to maintaining an effective risk management framework to identify and manage principal and emerging risks. During 2025, the Group made further progress in strengthening its risk management and internal control framework, including continued documentation of material controls and advancement of a more structured controls testing framework, building on work undertaken in previous years to be able to provide our Board with assurance that the material controls environment against our principal risks is operating effectively.</p>	<ul style="list-style-type: none"> <li>• Risk Management and Internal Control Policy</li> <li>• Compliance and Regulatory Risk Policy</li> <li>• Conduct Risk Policy</li> </ul>	Risk management	42–53
		Principal risks and uncertainties	47–53
		Climate-Related Financial Disclosure	58–68
<p><b>Strategy</b></p> <p>The RAC strategy is supported by three pillars which continued to drive sustained growth across the Group’s core business areas during 2025. Progress was made across each pillar, including further expansion into the Service, Maintenance and Repair market and continued development of the digital member platform, myRAC, strengthening member engagement and supporting delivery of the Group’s strategic objectives.</p>		Our Strategy	22–41
<p><b>Non-financial KPIs</b></p> <p>Non-financial KPIs support delivery of the Group’s strategic objectives and remained consistent during 2025, with continued focus on strengthening data quality and linking this to the strategic aims and objectives.</p>		Financial Review	14–20
		Climate-Related Financial Disclosures	58–68

# Section 172 (1) Statement

In accordance with the provisions of The Companies (Miscellaneous Reporting) Regulations 2018, 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 2025 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.

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 of delivery of 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. The Company also holds ultimate accountability for the Group's Sustainability Strategy, which is overseen by the Board Sustainability Committee and the Board Risk and Audit Committee oversees climate-related risks. Further details on the Company's strategy, sustainability strategy and risk management framework are set out on pages 22 to 75 of the Strategic Report.



**Anoop,**  
patrol since 2023,  
Scotland

The Board promotes and supports a high standard of conduct across the Group supported by the Group's code of conduct, which is built around placing our members at the heart of everything we do and sets 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 oversees the Regulated Entities' activities which seek to proactively identify and mitigate any key risks to its ability to deliver good outcomes.

During 2025, the Board approved and oversaw the completion of a refinancing of the Group's Class A2 Notes. The transaction involved the issuance of new Class A4 Notes and the redemption of the existing Class A2 Notes, improving the Group's debt maturity profile and liquidity position. In approving the transaction, the Board considered the long-term implications for the Group's funding structure, cost of capital and financial resilience, alongside the interests of key stakeholders including shareholders, debt holders, colleagues and members. The Board concluded that the refinancing supported the Group's long-term sustainability financial strength.

Reward and recognition are recognised by the Board as important enablers of the Group's long-term strategy and culture. During the year, the Board had regard to the interests of colleagues through its oversight of remuneration matters, including consideration of collective pay and reward arrangements, in alignment with the Group's purpose, values and long-term sustainability. 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.

The Directors also recognise that the capability, conduct and engagement of colleagues is key to supporting sustainable growth across the Group. The Group continues to focus on operating in alignment with the Group's 'Hero Values' of: Handle it Together; Exceptional Service; Raise the Bar; and Own It which are integrated into every process within our colleague lifecycle. During 2025, the Board reviewed, approved and oversaw the implementation of the firm-wide bonus scheme via the Remuneration Committee, ensuring that this strikes a balance between individual and Group performance and financial and non-financial metrics.

During the year, the Board received updates on colleague engagement, wellbeing and culture, including outcomes from the annual engagement survey and workforce feedback mechanisms. The Directors had regard to employee interests when considering decisions affecting operational resilience, regulatory responsibilities and control environments. In doing so, the Directors had regard to the Group's People Strategy, recognising its role in building capability, supporting colleague engagement and sustaining effective leadership within the business.

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 adjacent table 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 of Directors on 5th March 2026 and signed on its behalf by



J Baker, Director  
5th March 2026

# 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 2025.

## Colleagues

Their interests	Business engagement & interactions	Board engagement & interactions
<ul style="list-style-type: none"> <li>• Health &amp; safety</li> <li>• Talent development, training &amp; retention</li> <li>• Diversity &amp; inclusion</li> <li>• Flexible working</li> <li>• Pay, terms &amp; conditions</li> <li>• Job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Rollout of Stay Switched On to Safety campaign and expanded Mental Health First Aider (MHFA) programme</li> <li>• Launch of 'Ignite' Frontline Manager Programme</li> <li>• Weekly RAC Orange Hero nominations and Annual Awards</li> <li>• Strengthened EDI data integrity; review of gender pay gap considerations through Pay Review</li> <li>• Continued promotion of inclusivity through OneRAC and the Community Shed initiatives</li> <li>• CEO and SLT led colleague listening sessions (Big Convo)</li> <li>• Engagement Survey and Executive sponsorship of Divisional Engagement plans; 4.5 Glassdoor score</li> </ul>	<ul style="list-style-type: none"> <li>• Formal H&amp;S deep dive at Regulated Entities Boards</li> <li>• Board attendance of onsite showcase sessions</li> <li>• Oversight of EDI and inclusion strategy via Sustainability Committee and Regulated Entities Boards</li> <li>• Board approval of Performance Related Pay recommendations via Remuneration Committee</li> <li>• Board review of engagement survey results and action tracking</li> </ul>

## Shareholders

<ul style="list-style-type: none"> <li>• Performance of the business</li> <li>• Return on investment</li> <li>• Five-year strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Executive management meetings, workshops, and engagement sessions</li> <li>• Regular shareholder update meetings</li> <li>• Formal Strategy and budget sign off and monthly deep dives</li> </ul>	<ul style="list-style-type: none"> <li>• Investor directors form part of Group and subsidiary Boards to facilitate consistent engagement with executives</li> <li>• Annual report and accounts to keep investors informed of financial and strategic outcomes</li> </ul>
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### Members (B2C and B2B2C customers)

Their interests	Business engagement & interactions	Board engagement & interactions
<ul style="list-style-type: none"> <li>• Fair value and pricing of products</li> <li>• Reliability of service</li> <li>• Quality of service</li> <li>• Complaints resolution</li> <li>• Member engagement</li> <li>• Confidentiality of data</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly Customer Committees reviewing customer outcomes delivered</li> <li>• Complaints Action Group reviewing trends and themes and identifying actions</li> <li>• Ongoing product reviews including fair value assessments</li> <li>• Member communications via post, email, myRAC and SMS</li> <li>• Monitor customers views through NPS, satisfaction surveys, focus groups and Trustpilot</li> <li>• Customer experience project to enhance end to end customer journey</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Reports and accounts</li> <li>• Regular board updates on Net Promoter Score (NPS) and ongoing feedback on Consumer Duty metrics, via updates from Regulated Entities Boards</li> <li>• Customer outcomes and insights shared from customer committees for Regulated Entities Boards review</li> <li>• iNED attendance at a Customer Committee</li> </ul>

### B2B Partners

<ul style="list-style-type: none"> <li>• Reliability of service</li> <li>• Relationship management</li> <li>• Improved efficiency</li> <li>• Vehicle downtime improvements</li> <li>• Sustainability (CO2)</li> </ul>	<ul style="list-style-type: none"> <li>• Key partner quarterly business review meetings</li> <li>• Detailed reporting of MI</li> <li>• Dedicated partner services where partner required</li> <li>• BR CEO monthly engagement with key strategic partner senior contacts</li> <li>• Stakeholder engagement plans by customer</li> <li>• Development of SMR and Vehicle Off Road capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with senior executives of partner organisations</li> <li>• Board oversight on the selection and approval of key contracts and suppliers</li> <li>• Annual BR deep dive sessions at board meetings</li> </ul>
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### Supply chain

<ul style="list-style-type: none"> <li>• Fair trading</li> <li>• Payment practices</li> <li>• Terms &amp; conditions</li> <li>• Human Rights and Modern Slavery</li> </ul>	<p>A detailed framework for overseeing our relationships with material outsourcing suppliers and key suppliers includes:</p> <ul style="list-style-type: none"> <li>• Regular account review meetings</li> <li>• Review of KPIs and performance</li> <li>• Due Diligence onboarding process and risk-based reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Board oversight and approval of key contracts</li> <li>• Modern slavery statement</li> <li>• Annual reports and accounts</li> </ul>
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## Senior debt holders

Their interests	Business engagement & interactions	Board engagement & interactions
<ul style="list-style-type: none"> <li>Return on investment</li> <li>Current and future performance of the business</li> <li>Group strategy</li> <li>Sustainability strategy</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Corporate website which has been reviewed and updated during the year</li> <li>Press releases</li> <li>Investor relations mailbox</li> <li>Regular and frequent engagement with Relationship Banks</li> </ul>	<ul style="list-style-type: none"> <li>Annual report and accounts</li> <li>Investor calls for the annual and half yearly results</li> </ul>

## Regulatory bodies

<ul style="list-style-type: none"> <li>Regulatory Compliance</li> <li>Data privacy</li> <li>Risk management</li> <li>Health &amp; Safety</li> <li>Operational and Financial Resilience</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory returns and reporting</li> <li>Stock exchange announcements for RAC BondCo PLC</li> <li>Engagement in risk framework overseen by Exec Risk &amp; Audit Committee</li> <li>Exec Compliance Committees, Divisional Customer Committees and Conduct &amp; Culture Committee</li> <li>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)</li> <li>Sustainability Steering Group</li> <li>Monthly H&amp;S Steering Groups in Operations and SMR</li> </ul>	<ul style="list-style-type: none"> <li>Oversight of compliance, H&amp;S and data privacy matters</li> <li>Risk framework overseen by the Board Risk and Audit Committee</li> <li>Review of key submissions/ correspondence with, and publications by, FCA/PRA</li> <li>Approval of annual consumer duty report outlining the approach to delivering good outcomes for RAC customers</li> <li>iNED attendance at Exec Compliance Committee</li> </ul>
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## Community and the local environment

<ul style="list-style-type: none"> <li>Compliance with applicable legislation</li> <li>Community programmes</li> <li>Environmental impact and decarbonisation</li> <li>Advocate for Road safety</li> </ul>	<ul style="list-style-type: none"> <li>Charitable partnerships through HIVE</li> <li>Expansion of RAC Academy &amp; Apprenticeship Scheme</li> <li>Industry enforcing authority forums e.g. PROTECT, PROSE, and relevant highways agencies</li> <li>RAC Drive Newsletter</li> <li>Annual Report on Motoring</li> </ul>	<ul style="list-style-type: none"> <li>Annual report and accounts</li> <li>Corporate website</li> <li>Tax strategy</li> <li>Gender pay gap reporting</li> <li>Modern slavery statement</li> <li>Sustainability Strategy</li> </ul>
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# Governance report

For the year ended 31 December 2025

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# 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 focused 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 to which it has delegated authority
- 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 2025 the Group's equity is owned by: investment vehicles 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 \$116 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 investment, 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. Established in 1981, GIC 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 €201 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.



**Anoop,**  
patrol since 2023,  
Scotland

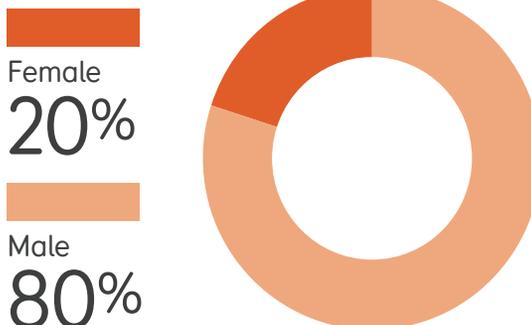
## The Board

As at 31 December 2025 the Board comprises the Chairman, two Executive Directors being the Chief Executive Officer and Chief Financial Officer, and seven Non-Executive Directors ('NEDs') comprising two CVC appointed NEDs, one GIC appointed NED, two Silver Lake appointed NEDs, one Independent NED and one other NED. Biographies can be found on page 93 of this report.

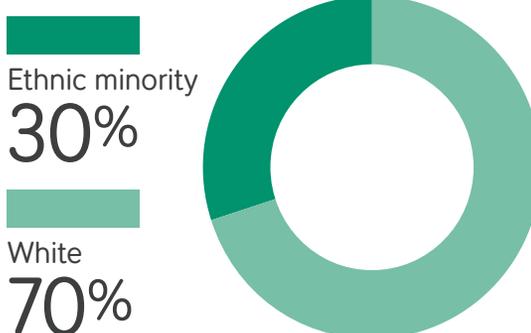
The Board provides leadership to the Group, setting the tone for a culture across the business committed to achieving the right outcomes for customers and delivering long term value for the RAC, its members and stakeholders. The Board retains ownership and leadership of sustainability as part of the Group's overall strategy, with oversight of delivery, KPIs and decarbonisation delegated to the Board Sustainability Committee. During 2025 the Board held seven 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 and the issue of Bonds by RAC Bond Co plc, a wholly owned subsidiary. 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 Committee. The Executive Committee comprises of 10 members, being the Chief Executive Officer, who is also the Chair, the Chief Financial Officer, Chief Operations Officer, the CEO Consumer Roadside, Chief People Customer and Marketing Officer, CEO Business Roadside, Chief Product & Technology Officer, CEO Service, Maintenance and Repair, CEO Insurance and Chief Risk and Legal Officer.

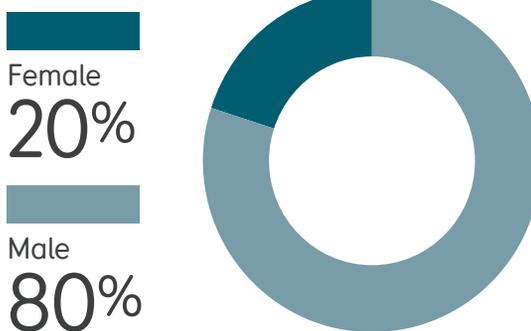
### Board gender



### Board ethnicity



### Executive gender





**Hugh,**  
mobile mechanic since 2019,  
South West

## Board of Directors



**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 and some of their portfolio companies.

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**Dave Hobday**  
Chief Executive Officer

Dave joined the RAC in February 2017 from the payments company Worldpay UK where he was Managing Director between 2013-2017. He has previously worked at BT, Telewest, HBOS and Procter & Gamble in areas covering operations, customer service, marketing, sales, and digital/technology.

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**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.

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## Non-Executive Directors



### 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.

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### 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.

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### Non-Executive Directors – GIC



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.

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### Non-Executive Directors – Silver Lake



Simon has been a Non-Executive Director since March 2022. He 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, hardware, semiconductor, 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.

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Ahmed joined the RAC as a Non-Executive Director in 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.

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## Non-Executive Directors – CVC



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, 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.

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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 Hargreaves Lansdown, Domestic & General, Lipton Teas and Six Nations Rugby. He joined CVC in 2003 after working in mergers and acquisitions at Citigroup and Schroders.

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## 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 Committee 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 model.
- 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 Sustainability and decarbonisation 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 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.

Detailed oversight of risks relating to: regulatory compliance; sustainability (including climate-related risks) and management compensation and incentivisation, is undertaken by the Regulated Entities Board, the Sustainability Committee and the Remuneration Committee respectively. The Board Risk and Audit Committee maintain a high-level oversight role in respect of each of these areas across the Group. It ensures that risks are reviewed alongside other principal risks within the enterprise risk framework and that matters are escalated appropriately through established governance arrangements. This supports effective coordination, consistent risk oversight and clear accountability across the Group's governance structure.

## 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 efficiency 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 auditors.



## Remuneration Committee

This Committee is chaired by the Chairman of the Board, and is attended by the Chief Executive Officer, at least one Independent Director and a Non-Executive 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

The Board Sustainability Committee oversees the Group's Sustainability strategy and governance framework. Its work is structured around a standing annual agenda including people and culture, climate and decarbonisation, sustainability, governance, regulatory disclosures and sustainability related risk, with 2025 outputs reflected in the Sustainability Report.

During 2025 the Committee continued to focus on the development, delivery and monitoring of the Group's sustainability priorities, including environmental, social and governance 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 Director 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 support delivery of sustainability objectives.
- Overseeing the continued effectiveness of Group sustainability policies, principles, projects, and standards ensuring compliance with legislative, regulatory, and legal requirements, and 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 and long term strategy.
- Ensuring best practice and external developments are considered in the evolution 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 ensure sustainability related risk and opportunities are appropriately identified, assessed and monitored within the Group's wider risk management framework.

# 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, Patrick Gale. Membership includes 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 Limited 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, and actively monitoring performance against strategic objectives, regulatory standards and the delivery of good customer outcomes.
- Ensuring the establishment and maintenance of effective governance systems and controls, and a positive culture that supports fair customer outcomes for customers in accordance with Group policies and regulatory requirements.
- Reviewing detailed management information on key conduct and prudential matters, including complaints, vulnerable customers, quality assurance while monitoring trends to address risks and emerging risk trends, to support effective challenge and support continuous improvement.
- Overseeing the regulatory landscape applicable to the Regulated Entities, including developments in FCA and PRA requirements, and ensuring that actions taken in response are embedded within 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.
- Overseeing climate-related regulatory requirements where applicable, including relevant FCA and PRA rules.
- Specifically, in respect of RAC Insurance Limited, ensuring compliance with PRA requirements including Solvency UK requirements and the Own Risk and Solvency Assessment (ORSA) process and the maintenance of financial resilience and regulatory capital adequacy.

The Regulated Entities Boards meet at least six times per year, supported by a structured annual agenda and programme of deep dives and approvals aligned to their regulatory responsibilities. During 2025, this included focused consideration of operational resilience, Consumer Duty reporting, prudential and financial reporting, complaints and conduct risk, vulnerable customers, and regulatory disclosures, supporting effective oversight and informed decision making.

## Other committees and working groups

In 2025, 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, Executive Risk and Audit and Committee, which supports management oversight of risk, compliance and control matters and escalates key issues to the appropriate Board or Board Committee where required, the 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 2025 financial year. The Principles, and an explanation of how each Principle has been addressed by the Company are set out, starting on the adjacent page.



**Indy,**  
mobile mechanic since 2022,  
West Midlands

# Application of the Wates Principles

The Wates Principles for Large Private Companies continue to underpin the Group’s governance framework. During 2025, the Board maintained strong oversight of strategy, performance, risk and stakeholder matters, with continued focus on sustainability, good customer outcomes and effective accountability. Progress during the year reflected strengthened governance arrangements, with a clearer line of sight between Board oversight, regulatory responsibilities and executive decision making. A summary of activity against each principle is set out below.

Principle	Explanation
<p>1. Purpose and leadership</p>	<p>The Board continues to promote the Group’s purpose of providing complete peace of mind for members through leadership of strategy, culture and performance. The Group’s purpose and strategic direction is based on clear strategic pillars and remains clearly defined and embedded across the business, providing a stable framework within which the Board exercises oversight and leadership.</p> <p>During 2025, the Board provided active and continuous leadership through formal decision making, regular engagement with management and targeted operational deep dives aligned to the strategic pillars. This enabled close oversight of strategy delivery, customer outcomes, operational risks and financial performance, and supported timely challenge and effective decision making, including in response to emerging issues between scheduled meetings. The Chair of the Regulated Entities Board also provided regular updates to the Group Board, reinforcing alignment on purpose, priorities, customer outcomes and regulatory expectations across the Group.</p> <p>The Board and Executive team held a strategy day in November 2025, building on the existing strategic framework to focus on the key areas of sustainable growth over the next five years. Progress against strategic priorities is reviewed regularly by the Board through reporting and engagement with Executive Management, supporting accountability and sustained momentum against the Group’s five-year plan.</p> <p>Culture and values remained a core area of focus. In 2025, the Group held its annual Orange Hero Awards, recognising colleagues who exemplified the Group’s values and commitment to exceptional service. These awards reinforce purpose led leadership across the organisation and highlight the role colleagues play in delivering the Group’s strategy.</p> <p>A message from our CEO: pages 8 to 13            Strategy: pages 22 to 41            Sustainability Report: pages 54 to 75</p>

Principle	Explanation
<p>2. Board composition</p>	<p>Board composition remained stable during 2025, providing continuity and an appropriate balance of skills and experience to support effective oversight of the Group's strategy, performance, risk and regulatory obligations.</p> <p>The Group Board is led by a Non-Executive Chair and comprises a majority of Non-Executive Directors, including investor appointed directors, alongside executive management. The Non-Executive Directors bring a broad range of sector and functional expertise across regulated financial services, consumer facing businesses, technology, operations, risk management and capital markets. This structure supports effective challenge, balanced decision making and clear oversight between oversight and execution.</p> <p>During the year, the Board reviewed and approved its Board Diversity Policy as part of its wider governance review reaffirming its commitment to maintaining an appropriate balance of skills, experience and perspectives to support effective governance and long-term value creation. The Board also reviewed and approved the Terms of Reference for its committees as part of its regular governance review cycle, ensuring committee responsibilities remain clear, appropriate and aligned with regulatory expectations and best practice. The review confirmed that the current composition of the Board remains appropriate and effective, with no material gaps identified that had not already been addressed through existing succession and appointment arrangements. The Board continues to consider composition and succession as part of its ongoing governance arrangements to ensure continued alignment with the Group's strategy, risk profile and regulatory environment.</p> <p>Further details on individual directors, including skills, experience and external appointments, are set out on page 92 of this Annual Report and on the Group's website, <a href="http://raccorporate.co.uk">raccorporate.co.uk</a>.</p>

Principle	Explanation
<p>3. Director responsibilities</p>	<p>In 2025 the Board continued to discharge its responsibilities through formal decision making, active oversight and sustained engagement with management, providing clear accountability across strategy, performance, risk and regulatory matters.</p> <p>In accordance with the Group’s governance framework, the Board approved a range of matters reserved to it during the year. These included the 2024 Annual Report and Financial Statements, the 2026 budget and the Group’s five-year plan, reinforcing the Board’s oversight of strategy, financial performance and long-term sustainability. The Board also approved the Modern Slavery Statement and the Group’s Tax Strategy Annual Statement, reflecting its stewardship responsibilities and oversight of transparency and regulatory matters.</p> <p>As part of matters reserved to it, the Board approved the refinancing of the Group’s Class A2 notes including the issuance of £400m four-year Class A4 Notes, supporting the ongoing management of the Group’s funding structure and debt maturity profile.</p> <p>The Board also approved the execution of the Group’s Senior Term Facility (STF) and US Private Placement (USPP), which had been approved and disclosed in the prior year’s Annual Report and were completed during 2025.</p> <p>The Board reviewed the Group’s corporate governance arrangements and was satisfied that they remained appropriate, effective and aligned with regulatory expectations and best practice.</p> <p>Recognising the strategic importance of technology and operational resilience, the Board maintained oversight of cyber security as part of its responsibilities for risk management and internal control, supported by established risk governance processes, monitoring and reporting.</p> <p>The Group Board set the strategic direction and risk appetite for Consumer Duty and retained overall accountability for customer outcomes across the Group. Formal approval of the Consumer Duty Report and execution of the Consumer Duty framework were undertaken through the Regulated Entities Board and relevant management committees and working groups, with clear escalation to the Group Board where appropriate.</p> <p>Further detail on the role and operation of divisional sub-committees and working groups, together with how outcomes are monitored and escalated to the Board, is set out elsewhere in the Annual Report.</p> <p>Directors’ Report: pages 108 to 117 Sustainability Strategy: pages 54 to 75</p>

Principle	Explanation
<p>4. Opportunity and risk</p>	<p>The Board considers opportunity and risk together as part of its oversight of the Group’s strategy and long-term objectives, recognising that effective risk management enables sustainable growth and strong customer outcomes.</p> <p>During 2025, the Board saw strong progress in opportunities arising from digital transformation. This included significant growth in engagement with the myRAC platform, supporting improved member interaction, retention and service efficiency. The Service, Maintenance and Repair (SMR) business continued to perform strongly, with the Board reviewing progress and considering further commercial opportunities within the context of sustainable growth, delivery capability and margin discipline.</p> <p>The Group Board retained overall responsibility for setting the Group’s risk appetite and overseeing the management of principal risks. The Board Risk &amp; Audit Committee supported this oversight on behalf of the Board, with regular reporting on risk exposures, control effectiveness and emerging risks. This included review of the Group Risk Management Framework and Risk Appetite Statements to ensure continued alignment with the Group’s five-year plan.</p> <p>Oversight of Consumer Duty sat with the Regulated Entities Board, which reviewed and approved the annual Consumer Duty report, with visibility and escalation to the Group Board through reporting and governance arrangements.</p> <p>The Board also maintained oversight of operational resilience and control effectiveness, including internal audit activity, second line monitoring and progress against the Controls Programme via the Board Risk &amp; Audit Committee. Cyber security and technology risk remained key areas of focus, with the Board receiving regular updates on the evolving threat landscape and approving enhancements to the Group’s cyber security policy during the year.</p> <p>Further details on the Group’s strategy, principal risks and mitigating actions, together with the CEO’s review, is set out in the Strategic Report.</p> <p>Strategy: pages 22 to 41 Principal Risks: pages 42 to 53</p>

Principle	Explanation
<p>5. Remuneration</p>	<p>The Board recognises the importance of remuneration arrangements in supporting delivery of the Group’s strategy, promoting long-term sustainable performance and reinforcing appropriate behaviours and customer outcomes.</p> <p>Oversight of executive remuneration is delegated to the Remuneration Committee, which operates under terms of reference approved by the Board. During the year, the Remuneration Committee reviewed and approved the annual bonus scheme for the Performance Related Pay population and oversaw its application, ensuring that outcomes were aligned with performance, risk considerations and regulatory expectations.</p> <p>Local incentive schemes across the Group were reviewed, approved and overseen through the Conduct and Culture Committee and the Regulated Entities Board, providing assurance that incentive arrangements supported good customer outcomes, appropriate conduct and compliance with Consumer Duty and other relevant regulatory requirements.</p> <p>The Group continues to publish its gender and pay reporting externally, supporting transparency and reinforcing the Group’s focus on fairness, inclusion and equality within its remuneration framework.</p> <p>Further details on remuneration governance, outcomes and gender pay gap reporting is set out in the Annual Report and the Group’s corporate website <a href="http://raccorporate.co.uk">raccorporate.co.uk</a>.</p> <p>Remuneration Committee: page 98</p>

Principle	Explanation
<p>6. Stakeholder relationships and engagement</p>	<p>Effective engagement with key stakeholders remained a priority for the Board during 2025, reflecting its commitment to transparency, accountability, and long-term sustainability. The Board recognises that strong stakeholder relationships are fundamental to delivering the Group’s strategy and achieving positive outcomes for members, colleagues, partners and wider stakeholders.</p> <p>In making decisions, Directors continued to have due regard to stakeholder interests, in line with section 172 of the Companies Act balancing the needs of members, colleagues, shareholders and other key groups. Members remained central to Board oversight with the Board reviewing customer outcomes through regular reporting on service performance, complaints and customer sentiment, including Net Promoter Score and Trustpilot feedback. Increased engagement through digital channels, including the myRAC platform, supported improved interaction, retention and service efficiency.</p> <p>The Board also oversaw the award, renewal and extension of key strategic customer contracts, during the year supporting long-term value creation and reflecting strong customer trust.</p> <p>Colleague engagement was considered through Board review of the annual colleague engagement survey and associated action plans, alongside oversight of culture, wellbeing and leadership development.</p> <p>Oversight of engagement with business partners and suppliers included consideration of ethical standards and modern slavery risk, with appropriate reporting provided to the Board.</p> <p>Further details on stakeholder engagement, including how stakeholder views informed Board decision making is set out in the Section 172 Statement on pages 80 to 85 and the Strategic and Sustainability reports.</p> <p>Governance Report: pages 86 to 107  Sustainability Report: pages 54 to 75  Directors’ Report: pages 108 to 117  Section 172 Statement: pages 80 to 85</p>



**Alex,**  
mobile mechanic since 2023,  
East Midlands



Complete  
peace of mind  
roc.co.uk



# Directors' report

For the year ended 31 December 2025

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**110** Directors' report

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**Iain,**  
patrol since 2016,  
North West

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 2025. 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 Strategic 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 2. Those who have served in office during the year and until the date of signing of this report are as follows:

- J Baker
- T Gallico
- D Hobday
- P Hooper
- A Khairat
- 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 ended 31 December 2025 are set out on pages 135 to 139 and discussed in the Strategic Report on pages 14 to 21. No interim or final dividends were paid (2024: £nil). There are no final dividends proposed.

## Capital structure

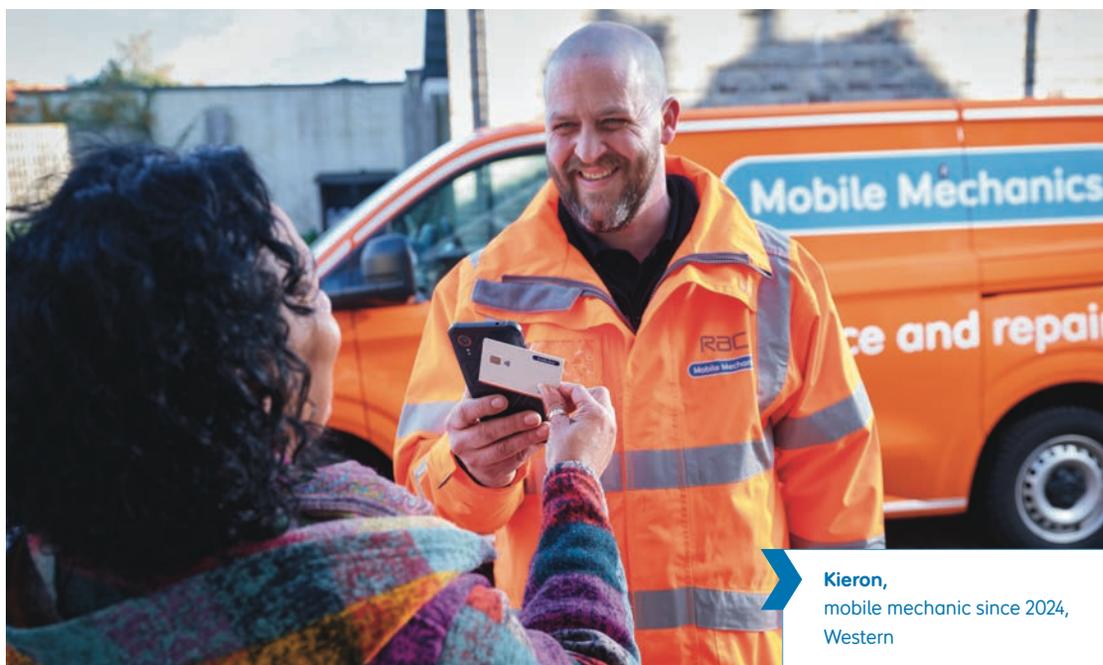
As of 31 December 2025, CVC Funds, GIC and Silver Lake, in aggregate, had control of the Group by virtue of their majority shareholding in the ultimate parent company. More information on the shareholders is provided in the Governance Report on page 89.

## Political donations

The Group did not make any political donations during the year (2024: £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 29 of the Consolidated Financial Statements.



## Streamlined energy and carbon reporting

The Group has assessed greenhouse gas emissions using 'The GHG Protocol Corporate Accounting and Reporting Standard' and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, as enacted via the DESNZ's Streamlined Energy and Carbon Reporting requirements. The Group is also compliant with the Environment Agency's Energy Saving Opportunities Scheme (ESOS Phase 3).

The Group's carbon footprint, including **Scope 1**, **Scope 2**, and **Scope 3** greenhouse gas emissions (excluding supply chain), is available in the Streamline Energy and Carbon Report below.

### Reporting methodology

We have followed the GHG protocol in reporting our emissions. The reporting scope in the table opposite includes the following organisational boundaries:

- The Company.
- Wholly owned subsidiaries in the RAC Group.

The reporting scope covers energy used in the period 1 January to 31 December 2025 – energy and carbon use for the 2024 year are also shown. All conversion factors are taken from the Department for Energy Security & Net Zero for 2025.

For some data sources, assumptions have been used where energy and carbon emissions cannot be calculated exactly from primary data. The methodology use has been documented and any changes in source data and methodology in future years will be notified.

The reporting scope includes the following energy sources. All references to the rows are to table 1 which splits the data between mandatory and voluntary disclosures:



Table 1: GHG emissions and energy use data for period 1 January 2025 to 31 December 2025

		RAC Bidco Limited			
		2025		2024	
Mandatory information	Row	Energy (kWh)	Emissions (tCO <sub>2</sub> e)	Energy (kWh)	Emissions (tCO <sub>2</sub> e)
<b>Scope 1</b>		<b>79,552,600</b>	<b>20,055</b>	<b>83,169,224</b>	<b>19,789</b>
Transport fuel	1	77,173,537	19,573	80,690,106	19,287
Main office sites	2	2,379,063	482	2,479,118	502
<b>Scope 2 – location-based emissions</b>		<b>3,693,860</b>	<b>597</b>	<b>3,628,343</b>	<b>558</b>
Main office sites	3	2,642,300	511	2,847,203	524
Other sites	4	781,140	34	781,140	34
EVs	5	270,420	52	–	–
<b>Scope 2 – market-based emissions</b>		<b>3,693,860</b>	<b>180</b>	<b>3,628,343</b>	<b>75</b>
Main office sites	6	2,642,300	9	2,847,203	9
Other sites	7	781,140	66	781,140	66
EVs	8	270,420	105	–	–
<b>Gas – other sites</b>	9	<b>607,819</b>	<b>123</b>	<b>607,819</b>	<b>123</b>
<b>Scope 3 – Transport fuel</b>	10	<b>324,449</b>	<b>106</b>	<b>781,557</b>	<b>178</b>
<b>Total*</b>		<b>84,178,728</b>	<b>20,464</b>	<b>88,186,943</b>	<b>20,165</b>
<b>Intensity ratio (emissions per job)</b>		<b>32.42698</b>	<b>0.00788</b>	<b>36.58000</b>	<b>0.00866</b>

\*Total includes market-based emissions only. Location-based emissions reported for completeness.

		RAC Bidco Limited			
		2025		2024	
Voluntary information	Row	Energy	Emissions (tCO <sub>2</sub> e)	Energy	Emissions (tCO <sub>2</sub> e)
Business recovery in contractor vehicles (miles)	11	14,180,320	15,000	17,172,482	17,164
Business rescue in contractor vehicles (jobs)	12	207,876	674	190,083	616
Water (m3)	13	16,837	2.58	11,020	1.69
Waste water (m3)	14	15,773	2.93	10,469	1.94
Other waste (including office and roadside) (tonnes)	15	76	0.48	100	1.47
<b>Total</b>			<b>15,680</b>		<b>17,785</b>

## Scope 1

- Transport fuel (in litres) used by RAC Bidco Limited and subsidiary operations under RAC operational control (see row 1), which in 2025 includes purchased diesel and HVO for its roadside, Mobile Mechanic and company car fleet. In 2024, this data only included roadside and Mobile Mechanic fleet. Company cars were included under scope 3, "Transport Fuel" (row 10).
- Gas consumed (kWh) in heating RAC Bidco Limited and subsidiary operations at RAC occupied buildings under the RAC's control (see row 2). While RAC uses renewable natural gas, including biogas backed by Renewable Gas Guarantees of Origin, the GHG Reporting Protocol guidance around the reporting of this remains unclear. Therefore, the RAC has continued to use natural gas emissions calculations pending clear guidance on the emissions for biogas.

## Scope 2

- The RAC only reported location-based emissions in 2024. In 2025, we have shown both location-based (in rows 3-5) and market-based (in rows 6-8) in compliance with the GHG Reporting Protocol. To reflect our efforts to use renewable energies in our operations, from 2025, we will measure our total emissions based on market-based emissions.
- Electricity (kWh) purchased for RAC Bidco Limited and subsidiary operations at RAC occupied buildings under the RAC's control (row 3). This electricity is fully renewable.
- Electricity purchased for RAC Bidco Limited and subsidiary operations at RAC occupied buildings where the landlord supplies the electricity (row 4). Emissions have been estimated based on the size and type of the facility. This data was not included in 2024 but has been shown as a prior year comparison in 2025.
- Electricity (kWh) used in EVs that form part of the RAC's Mobile Mechanic and company car fleet (row 5). The RAC's Mobile Mechanic EV fleet was launched in 2025. In 2024, company cars EV emissions were included in scope 3 "Transport Fuel" (row 10).

- Gas used to heat RAC Bidco Limited and subsidiary operations at RAC occupied buildings under the Landlord's control (row 9). This has been estimated based on the size and type of the facility. This data was not included in 2024 but has been shown as a prior year comparison in this year's SECR.

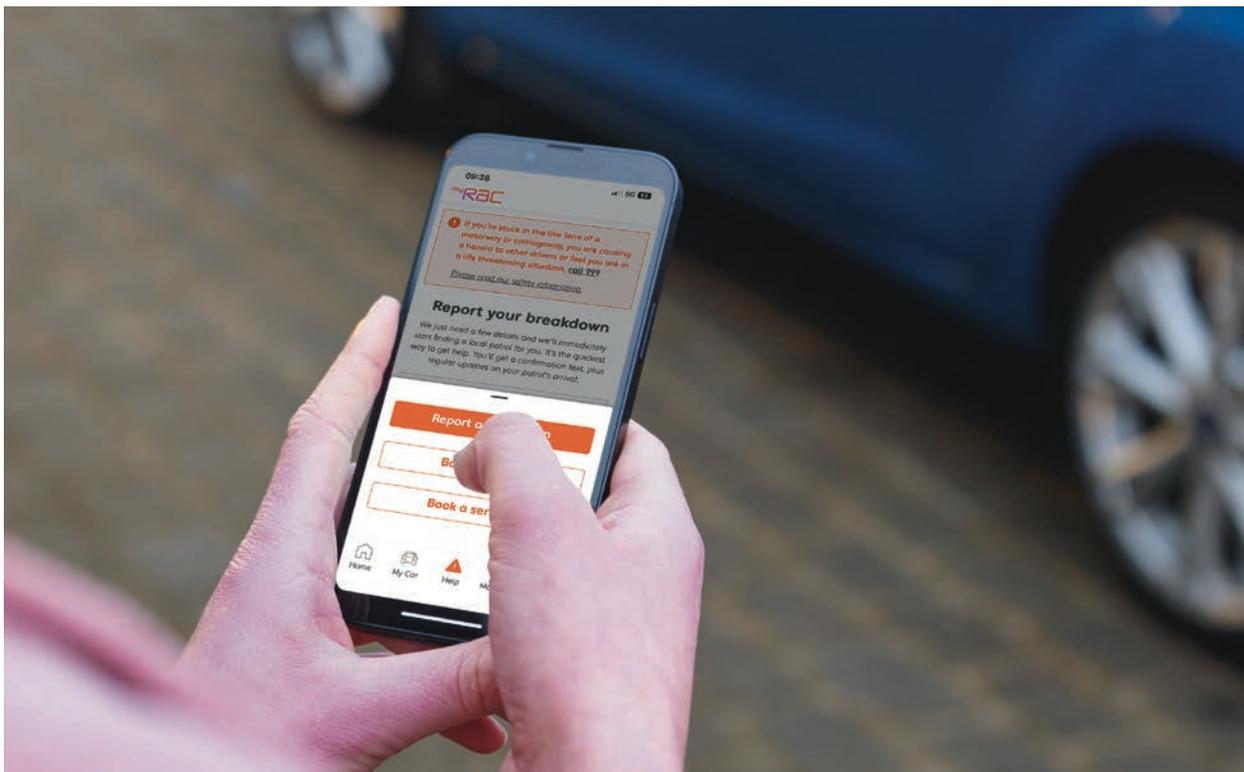
## Scope 3

- Transport fuel used upstream by RAC Bidco Limited and subsidiary operations (row 10), which includes the RAC's grey fleet and business mileage in personal vehicles. Mileage information has been used to calculate emissions. In 2024, this data also included company car emissions. These are included in Transport fuel (row 1) in 2025.
- Transport fuel used upstream by RAC Bidco Limited and subsidiary operations (row 11) in recovery contractor vehicles. Mileage data has been used to estimate emissions.
- Transport fuel used upstream by RAC Bidco Limited and subsidiary operations (row 12) in rescue contractor vehicles. Financial data has been used to estimate emissions. This data was not included in 2024 but has been shown as a prior year comparison in this year's SECR.
- Water in m3 used for RAC Bidco Limited and subsidiary operations at RAC occupied buildings (row 13).
- Wastewater in m3 generated at RAC Bidco Limited and subsidiary occupied buildings (row 14).
- Waste generated at RAC Bidco Limited and subsidiary occupied buildings (row 15) by weight and type of waste, including method of disposal (open or closed loop recycling, or combustion). In 2025, this figure also includes emissions from waste generated by RAC Bidco Limited employees at the roadside calculated by weight and type of waste, including method of disposal (open or closed loop recycling or combustion). Roadside waste was not included in 2024.

## Energy saving initiatives

Energy saving initiatives undertaken in the year include the following. Further information about these can be found on pages 54 to 57:

- Continued to train our patrols in Safe and Fuel Efficient Driving achieving 94% completion rates, and a 7% reduction in fuel consumed versus 2024.
- Use of technology to fix vehicles remotely where possible, and to dispatch the right type of patrol first time, reducing the number of attendances required for each breakdown.
- From 1 January 2025, switched to biogas backed by Renewable Gas Guarantees of Origin at our main office sites.
- Removed single use containers from our main office sites, contributing to a 28% decrease in incinerated waste.
- Implemented an EV-only company car policy from 1 January 2025 with 84% of our company car fleet EVs as at 31 December 2025.
- Rolled out 22 EVs in our Mobile Mechanic Fleet and continued our trials of HVO in RAC LCVs and HGVs.
- Completed our LED lighting replacement programme across our estate.
- Engaged with our contractor network to help share energy saving initiatives across our supply chain with this action continuing each quarter in 2026.
- Gained greater visibility of our scope 3 emissions with a view to working with high emission suppliers to reduce their emissions in 2026.



### Going concern

The Directors have assessed the financial position, the future prospects and funding requirements of the 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 20 and 25 to the Consolidated Financial Statements. The 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 29 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 Group 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 22 to 41 and the Risk Management section on pages 42 to 53.

The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

The Group has net assets of £157m and net current liabilities of £54m. The Group's net asset position largely reflects the value of separately identifiable intangible assets, offset by the book value of issued bonds of £995m and bank borrowings of £387m.

The Group's third-party borrowings have an average time to maturity of three years. The Company has net assets of £1,021m and net current liabilities of £8m. 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 Group and the Company have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2025 Consolidated and Company 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 June 2026 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.

## 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 and signed on their behalf on 5 March 2026.



Jo Baker, Chief Financial Officer



RAC

Complete peace of mind

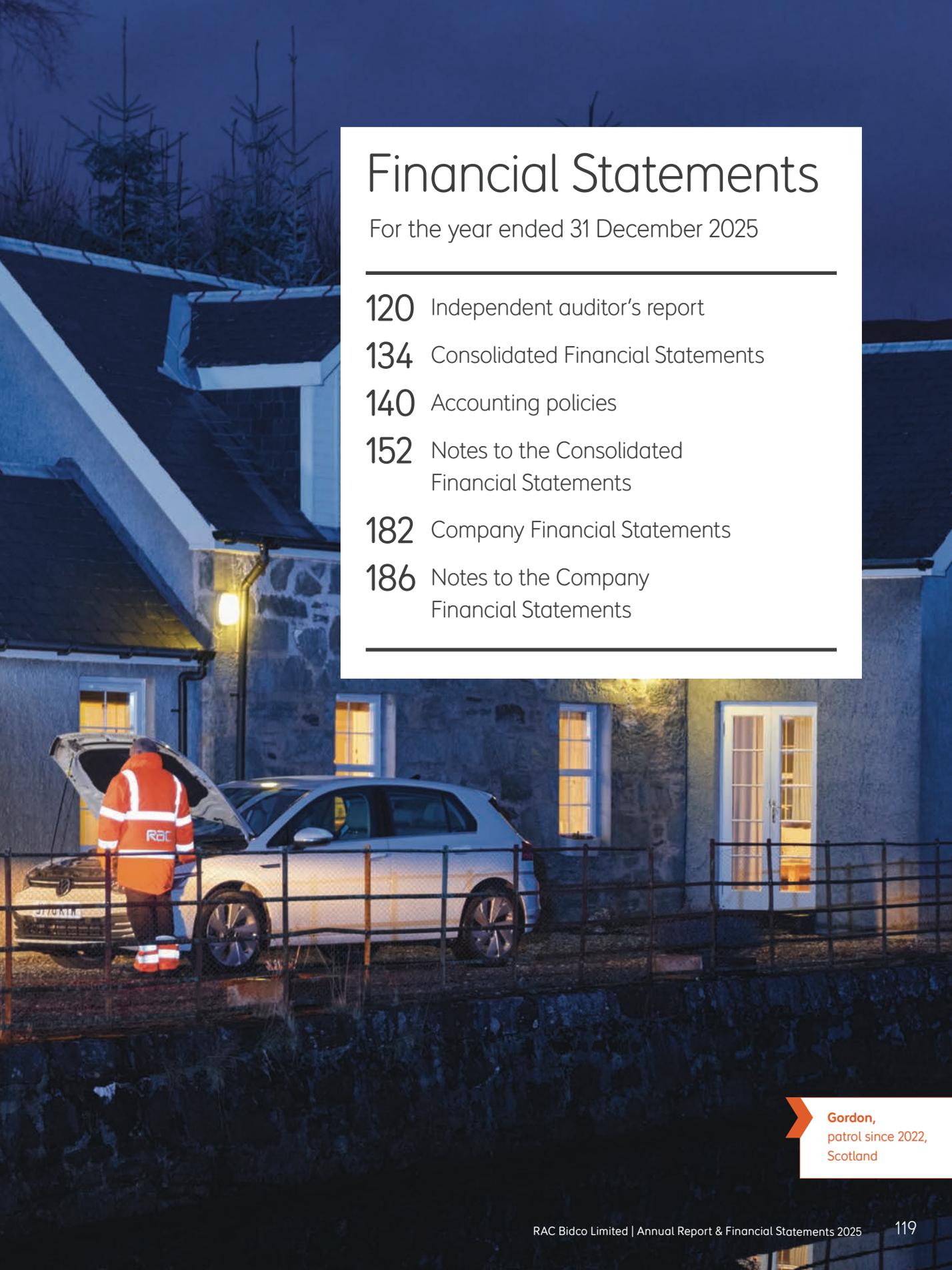
rac.co.uk

PIRAC

# Financial Statements

For the year ended 31 December 2025

- 
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  - 152 Notes to the Consolidated Financial Statements
  - 182 Company Financial Statements
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- 



**Gordon,**  
patrol since 2022,  
Scotland

## 1. Opinion

### In our opinion:

- The financial statements of RAC Bidco 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 2025 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 consolidated and parent company statements of cash flows.
- The material accounting policy information.
- The related notes 1 to 34 to the consolidated 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. The non-audit services provided to the group for the year are disclosed in note 7 to the financial statements.

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

<b>Key audit matter</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"><li>• Recognition of equity-linked remuneration schemes under IFRS 2.</li><li>• Carrying value of indefinite useful life intangible assets recognised within the Insurance CGU.</li></ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"><li>ⓘ Newly identified</li><li>Ⓣ Decreased level of risk</li></ul>
<b>Materiality</b>	<p>The materiality that we used for the group financial statements was £9.40 million which was determined on the basis of 3% of EBITDA before exceptional items.</p>
<b>Scoping</b>	<p>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.</p>
<b>Significant changes in our approach</b>	<p>A new key audit matter has been identified in the current year regarding the recognition of equity-linked remuneration schemes under IFRS 2, due to the complexity of the Group's incentive arrangements and the significant estimation uncertainty involved in the determination of key assumptions, which impacts expense recognition within the financial statements and disclosures.</p> <p>In the prior year, we identified a key audit matter concerning the carrying value of goodwill and other indefinite useful life intangible assets, this was across all Group cash-generating units (CGUs). In the current year, considering the improved financial performance of the Group's CGUs and the comparatively lower headroom of the Insurance CGU relative to other Group CGUs, we have refined our key audit matter. Accordingly, our focus this year was on the impairment risk associated with other intangible assets with an indefinite useful life within the Insurance CGU, as no goodwill is recognised in this CGU.</p>

## 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 the director's key assumptions underpinning the going concern basis of accounting, by assessing the reasonableness of significant assumptions 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. Recognition of equity-linked remuneration schemes under IFRS 2

### Key audit matter description

During the year, the Group conducted a valuation of the D class ordinary share based payments scheme and reviewed the vesting pattern, which led to the recognition of a share-based payment charge in the income statement. For the year ended 31 December 2025, a total share-based payment expense of £9 million (2024: £nil) was recognised.

The fair valuation of these schemes requires significant judgement, as it is based on option pricing models such as Black-Scholes and incorporates a range of key inputs. These include the company's enterprise and equity values, expected timing and probability of a liquidity event, volatility benchmarks, risk-free rates, expected dividends, and any applicable discount for lack of marketability. All assumptions are informed by the management's estimates and market data.

Management must also apply judgement in establishing the appropriate vesting period and estimating the number of employees expected to remain in service at the vesting date for this scheme. Inappropriate assumptions, could result in a material misstatement.

Further details of the key sources of estimation uncertainty involved are detailed in accounting policies note T and note V, which relate to note 32 to the financial statements for share-based payments.

### How the scope of our audit responded to the key audit matter

We obtained an understanding of management's approach to valuing the D class ordinary share-based payment scheme, including the use of option pricing models and the selection of key assumptions.

With the involvement of our share-based payment specialists, we assessed the appropriateness of the valuation approach and models applied to D class ordinary share-based payments granted since scheme inception. Our specialist reperformed calculations of the fair value of awards using management's inputs.

With the involvement of our share-based payment specialists, we further assessed the appropriateness of the key inputs such as enterprise and equity values, expected timing and probability of a liquidity event, volatility, risk-free rates, expected dividends, and any discounts for lack of marketability, by reference to supporting documentation, market data, and relevant benchmarks.

We assessed the reasonableness of management's estimates regarding vesting periods and the number of employees expected to remain in service at the vesting date, including a comparison to historical data.

We also assessed the adequacy of financial statement disclosures in relation to the share-based payment scheme.

### Key observations

We concluded that the amounts recorded and accounting treatment in relation to the D class share-based payment scheme are appropriate.

The assumptions used in the valuation are within an acceptable range and the charge recorded in the income statement is in line with the requirements of IFRS 2 Share-based payments.

5.2. Carrying value of indefinite useful life intangible assets recognised within the Insurance CGU 

<p><b>Key audit matter description</b></p>	<p>As at 31 December 2025, the Insurance CGU holds other indefinite life intangible assets of £88 million (2024: £88 million), relating to the value of the RAC brand. The RAC brand is assessed as having an indefinite useful life and is therefore subject to an annual impairment review. No impairment was recognised in the current year or the prior year.</p> <p>Management performs an assessment of the carrying value of other indefinite life intangible assets in which they estimate future cash flows to determine value in use.</p> <p>The key judgements in this assessment are the future cash flow forecasts and the discount rate applied. Inappropriate assumptions, could result in a material misstatement.</p> <p>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 11 to the financial statements for goodwill and intangible assets.</p>
<p><b>How the scope of our audit responded to the key audit matter</b></p>	<p>We obtained an understanding of management's processes and key controls relating to the valuation of other indefinite useful life intangible assets.</p> <p>We evaluated the key judgements applied by management in identifying potential indicators of impairment for assets within the Insurance CGU, and assessed both the reasonableness of these judgements and the accuracy of the underlying inputs.</p> <p>We also assessed the key forecasting assumptions in the five-year plan, including growth rates and EBITDA margins used in the value in use calculations, by comparing them to historical performance and whether consistent with forecasts used elsewhere in the business. In addition, with the involvement of our valuation specialists we evaluated the discount rate applied against relevant market rates to assess its appropriateness.</p> <p>We tested the mathematical accuracy of management's impairment model, alongside an assessment of budget versus actual performance of the Insurance CGU to assess the reliability of the budgeting process.</p> <p>We further evaluated the adequacy of the financial statement disclosures in relation to other indefinite useful life intangible assets within the Insurance CGU.</p>
<p><b>Key observations</b></p>	<p>Management's approach to determining the discount rate and cash flow forecasts was found to be reasonable.</p> <p>Overall, the carrying value of other indefinite life intangible assets recognised within the Insurance CGU at year end and the related financial statement disclosures are appropriate.</p>



**Indy,**  
mobile mechanic since 2022,  
West Midlands

## 6. Our application of materiality

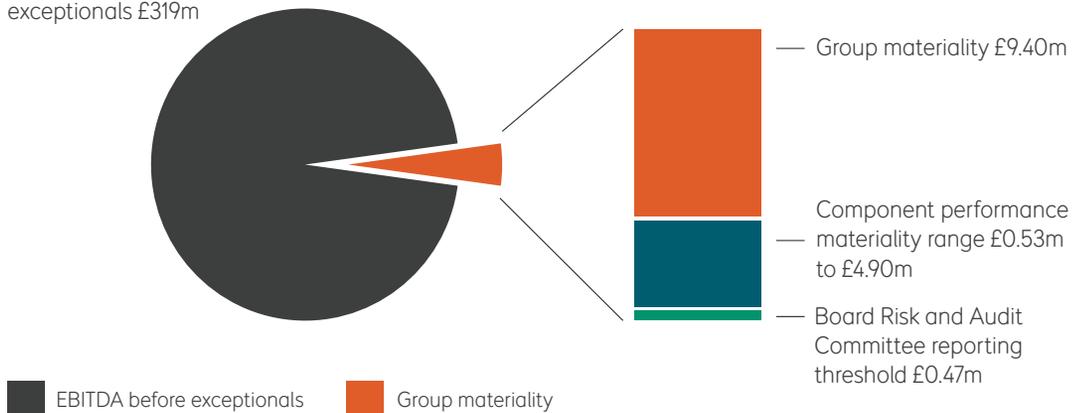
### 6.1. Materiality

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
<b>Materiality</b>	£9.40m (2024: £8.80m)	£6.20m (2024: £5.50m)
<b>Basis for determining materiality</b>	3% of EBITDA before exceptional items (2024: 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.
<b>Rationale for the benchmark applied</b>	We determined materiality based on EBITDA before exceptionals 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.

EBITDA before exceptionals £319m



## 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
<b>Performance materiality</b>	65% (2024: 70%) of group materiality	65% (2024: 70%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered a variety of factors including our understanding of the group, the 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 £0.47m (2024: £0.40m), 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, 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 £0.53m to £4.90m (2024: £0.30m to £4.80m). These account for over 99% (2024: 99%) of the group's revenue, net assets and EBITDA before exceptionals. 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 relevant general IT controls in the current year. 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 year across key business processes including revenue, impairment assessment of indefinite-life intangible assets and 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 Related Financial Disclosures (CFD) requirements as well as the PRA 'Financial risks from climate change' requirements. These are detailed on pages 54-75 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](http://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, share based payments, 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. 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 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 did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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 not 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 12 years, covering the years ending 2014 to 2025.

### 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 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

5 March 2026



## Consolidated Income Statement

	Note	2025 £m	2024 £m
Revenue – non-insurance related		306	345
Revenue – insurance related		534	438
<b>Revenue</b>	1	<b>840</b>	<b>783</b>
Expenses – non-insurance related		(276)	(324)
Insurance service expenses		(335)	(239)
<b>Operating profit</b>		<b>229</b>	<b>220</b>
<b>EBITDA</b>		<b>329</b>	<b>295</b>
Depreciation	2	(27)	(26)
Amortisation	2	(54)	(49)
Share-based payments charge	32	(9)	-
Exceptional items	3	(10)	-
<b>Operating profit</b>		<b>229</b>	<b>220</b>
Finance expenses	5	(102)	(95)
Finance income	6	9	5
<b>Profit before tax</b>		<b>136</b>	<b>130</b>
Tax charge	10	(33)	(26)
<b>Profit for the year</b>		<b>103</b>	<b>104</b>

All activities relate to continuing operations.

The accompanying notes on pages 152 to 181 are an integral part of these Financial Statements.

## Consolidated Statement of Comprehensive Income

	Note	2025 £m	2024 £m
<b>Profit for the period</b>		<b>103</b>	<b>104</b>
Other comprehensive income/(expense):			
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		(6)	(6)
Aggregate tax effect		2	1
<b>Net other comprehensive expense to the reclassified to the profit or loss in subsequent periods</b>		<b>(4)</b>	<b>(5)</b>
<b>Total comprehensive income for the period</b>		<b>99</b>	<b>99</b>

The accompanying notes on pages 152 to 181 are an integral part of these Financial Statements.

## Consolidated Statement of Financial Position

	Note	2025 £m	2024 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and intangible assets	11	1,683	1,679
Contract costs	12	50	48
Plant and equipment	13	26	30
Right of use assets	14	65	74
Other investments	15	24	24
Deferred tax assets	21	5	12
Derivative financial instruments	17	2	9
		<b>1,855</b>	<b>1,876</b>
<b>Current assets</b>			
Inventories	18	3	3
Trade and other receivables	19	90	82
Cash and cash equivalents	20	103	152
Current tax receivable		13	-
		<b>209</b>	<b>237</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	25	(10)	(180)
Provisions	22	(2)	(2)
Trade and other payables	23	(145)	(169)
Insurance contract liabilities	24	(106)	(71)
		<b>(263)</b>	<b>(422)</b>
<b>Net current liabilities</b>			
		<b>(54)</b>	<b>(185)</b>
<b>Non-current liabilities</b>			
Borrowings	25	(1,372)	(1,368)
Employee benefit liability		(3)	(3)
Trade and other payables	23	(65)	(71)
Deferred tax liability	21	(204)	(200)
		<b>(1,644)</b>	<b>(1,642)</b>
<b>Net assets</b>			
<b>Equity</b>			
Ordinary share capital	26	339	339
Hedging instruments reserve	27	1	5
Retained earnings		(183)	(295)
<b>Total equity</b>		<b>157</b>	<b>49</b>

The accompanying notes on pages 152 to 181 are an integral part of these Financial Statements.

Approved by the Board and signed on their behalf on 5 March 2026.



J Baker  
Chief Financial Officer

## Consolidated Statement of Changes in Equity

	Note	Ordinary share capital £m	Hedging instruments reserve £m	Retained earnings £m	Total equity £m
<b>Balance as at 1 January 2024</b>		<b>339</b>	<b>10</b>	<b>(399)</b>	<b>(50)</b>
Profit for the period		-	-	104	104
Other comprehensive expense		-	(5)	-	(5)
Total comprehensive income		-	(5)	104	99
<b>Balance as at 31 December 2024</b>		<b>339</b>	<b>5</b>	<b>(295)</b>	<b>49</b>
Profit for the period		-	-	103	103
Other comprehensive expense		-	(4)	-	(4)
Total comprehensive income		-	(4)	103	99
Equity-settled share-based payments		-	-	9	9
<b>Balance at 31 December 2025</b>		<b>339</b>	<b>1</b>	<b>(183)</b>	<b>157</b>

The accompanying notes on pages 152 to 181 are an integral part of these Financial Statements.

## Consolidated Statement of Cash Flows

	Note	2025 £m	2024 £m
<b>Operating activities</b>			
Profit before tax		136	130
<b>Adjustments to reconcile profit before tax to net cash flows:</b>			
Depreciation	2	27	26
Amortisation	2	54	49
Share-based payments charge		9	-
Exceptional items	3	10	-
Finance expenses	5	102	99
Finance income	6	(9)	(9)
<b>Working capital adjustments</b>			
Increase in trade and other receivables		(11)	(22)
Increase in trade and other payables		26	35
Operating cash impact of exceptional items		(2)	-
Taxation paid		(37)	(32)
<b>Net cash flows from operating activities</b>		<b>305</b>	<b>276</b>
<b>Investing activities</b>			
Purchase of plant and equipment		(8)	(9)
Purchase of intangible assets		(70)	(75)
Interest received		5	5
<b>Net cash flows used in investing activities</b>		<b>(73)</b>	<b>(79)</b>
<b>Financing activities</b>			
Repurchase of bonds	25	(485)	(115)
Repayment of bank debt	25	(170)	(141)
Proceeds from new bonds	25	400	-
Proceeds from new bank debt	25	90	205
Repayment of obligations under leases		(21)	(19)
Interest paid		(95)	(91)
<b>Net cashflows used in financing activities</b>		<b>(281)</b>	<b>(161)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(49)</b>	<b>36</b>
Cash and cash equivalents brought forward	20	152	116
<b>Cash and cash equivalents carried forward</b>		<b>103</b>	<b>152</b>

The accompanying notes on pages 152 to 181 are an integral part of these Financial Statements.



**Hugh,**  
mobile mechanic since 2019,  
South West

## A. Corporate information

RAC Bidco Limited, a private limited liability company, limited by shares, incorporated and domiciled in the United Kingdom ("UK") and registered in England and Wales together with its subsidiaries (collectively, the "Group" or "RAC"), 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 the Group's structure is provided in note 16. Information on related party relationships of the Group is provided in note 30.

The Consolidated and Parent Company Financial Statements of RAC Bidco Limited for the year ending 31 December 2025 were approved for issue by the Board on 5 March 2026.

## B. Basis of preparation and basis of consolidation

### Basis of preparation

The Consolidated Financial Statements for the Company and the Group 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 for the Group and the Company have been prepared in accordance with the UK adopted International Financial Reporting Standards ("IFRS") 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 functional currency of the Group and the Company. Unless otherwise noted, the amounts shown in these Financial Statements are in millions of pounds ("£m"). As required, thousands of pounds are denoted as "£k" or "£000" in these Financial Statements.

The separate Financial Statements of the Company are set out from page 182. On publishing the Company Financial Statements here together with the 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 loss for the year ended 31 December 2025 was £6m (2024: loss £3m).

### 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 21.

At 31 December 2025, 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:

- Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7<sup>1</sup>.
- Introduction of IFRS 18 and IFRS 19<sup>2</sup>.

<sup>1</sup>Effective for annual periods commencing on or after 1 January 2026.

<sup>2</sup>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 affect the policyholder. The Group considers that these two areas are portfolios under the standard. The fixed fee exemption has historically been 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.

Following the introduction of risk based pricing for first year breakdown policies, the Group is no longer electing to take the Fixed Fee exemption under IFRS 17 'Insurance Contracts' for contracts written from 1 January 2025. In accordance with IFRS 17, this change has been applied prospectively on a contract-by-contract basis and therefore the financial information for the year ended 31 December 2024 does not require restating in the Income Statement or Statement of Financial Position. The impact of this change is purely presentational, reducing non-insurance related revenue and expenses and increasing insurance related revenue and expenses by equal and opposite amounts and increasing insurance contract liabilities for those insurance related working capital balances therefore reducing the separately disclosed working capital balances on the face of the Statement of Financial Position. There is no impact on earnings nor net assets.

### **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 the 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 with insurance contract services. For the Group, a substantive obligation to provide insurance contract services ends when the coverage 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 as 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 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 20 and 25 to the Consolidated Financial Statements. The 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 29 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 Group's and the 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 7 to 85. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

The Group has net assets of £157m and net current liabilities of £54m. The Group's net asset position largely reflects the value of separately identifiable intangible assets, offset by the book value of issued bonds of £995m and bank borrowings of £387m. The Group's third-party borrowings have an average time to maturity of three years.

The Company has net assets of £1,021m and net current liabilities of £8m. 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 Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2025 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 2025.

Subsidiaries are those entities in which the Group, directly or indirectly, has power to exercise control. Control is achieved when the 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 Group controls an investee if and only if it has:

- power over the investee (i.e. existing rights that give it the 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 Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual agreement with the other vote holders of the investee;
- rights arising from the other contractual arrangements;
- the Group's voting rights and contractual voting rights.

The 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 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 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 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 Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the 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 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 Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the 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 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 prior to the Group no longer electing to take the fixed fee exemption, revenue is recognised over the life of the contract.

### Revenue – insurance related

For insured services, where contracts have been identified as being in the scope of IFRS 17, revenue reflects business inception 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 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. Details of items considered to be exceptional by management are shown within note 3.

## **E. Goodwill and intangible assets**

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the 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 three 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 11.

### 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 25 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, computer equipment 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 significant 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 and deposits held at call with banks. 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 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 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 the 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. 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 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 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 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 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 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 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 Group), and an unfunded unapproved pension scheme.

In addition the 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.

### **Share based payments**

The Group operates equity settled share-based payment schemes for senior management. In accordance with IFRS 2 Share-based Payment, equity settled awards are measured at the fair value of the equity instruments granted as the grant date.

Fair value is determined using an appropriate valuation model taking into account the terms and conditions of the grant. The resulting cost is recognised as an expense over the expected vesting period based on the Group's estimate of the number of awards expected to vest.

At each reporting date, the Group reviews its estimates of the number of awards that will ultimately vest. Any adjustments to the cumulative expense are recognised in profit or loss, with a corresponding adjustment within equity. The Group has elected for these adjustments to be directly in retained earnings rather than through a separate share-based payment reserve.

When awards are modified, cancelled or forfeited, the Group accounts for the change in accordance with the requirements of IFRS 2.

### Termination benefits

The 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 Financial Reporting Standards ("IFRS") accounting standards requires the 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 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. The 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 2025 and 31 December 2024 was £760m and £837m respectively.

The 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 2030. The growth rate used to extrapolate future cash flows beyond the Group's forecasts for both CGUs is 2.0% (2024: 2.5%), based on the expected average long-term growth rate of the UK economy. The pre-tax discount rate of 13% (2024: 13%) 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. During the year, the Group reviewed the structure of its operating segments, and as such the Membership Services CGU was split into two new CGUs being Breakdown and SMR. The indefinite lived intangibles, which represents Brand, is considered as a corporate asset as it does not generate independent cash flows. Therefore, this is assessed for impairment testing across the Breakdown and SMR CGUs collectively. No goodwill has been allocated to the SMR CGU as this segment has developed organically since the period in which the goodwill arose. The headroom for the Breakdown and SMR CGU is £1,832m and for the Insurance CGU is £180m. The key assumptions in this assessment are the Group's expected short-term growth rate which is based on management's

forecasts, future cash flows growth rate beyond 2030 and pre-tax discount rate. If the short-term growth rate were to reduce to 6.0%, the effect on the Group would be to decrease headroom by £733m in Membership Services CGU and £84m in the Insurance CGU. If the future cash flows growth rate were to reduce from 2.0% to 1.0%, the effect on the Group for this reduction would be to decrease headroom by £209m and £20m respectively for the Membership Services and Insurance CGUs. If the pre-tax discount rate were to increase by 1%, the effect on the Group would be to decrease this headroom by £325m. For the Insurance CGU, for the recoverable amount to equal to the carrying amount, the discount rate would need to increase by 12.7 percentage points or the terminal growth rate would need to be below 0% rather than 2.0%. For the Membership Services CGU, for the recoverable amount to equal the carrying amount, the discount rate would need to increase by 11.7 percentage points or the terminal growth rate would need to be below 0% rather than 2.0%.

### **Share-based payments**

In accordance with IFRS 2 Share-based Payment, the fair value of equity-settled awards is measured at the grant date and is recognised as an expense over the vesting period. The determination of fair value involves the use of valuation models and assumptions that require significant judgement and estimation by management. These estimates are reviewed on an ongoing basis; however, actual outcomes may differ. The Group uses a Black-Scholes model, prepared by an independent valuation specialist, which requires assumptions around a number of inputs including expected vesting period and volatility.

## 1. Revenue

	2025 £m	2024 £m
Sale of products – transferred at a point in time	36	35
Sale of services – transferred at a point in time	238	216
Sale of services – subscription services	566	532
<b>Total revenue</b>	<b>840</b>	<b>783</b>

Sale of products includes revenue from batteries and parts at the roadside by Breakdown patrols which are not typically included with the entitlement of a Breakdown policy.

Sale of services – transferred at a point in time includes revenues from Breakdown pay on use, Service, Maintenance and Repair and Insurance broking commissions.

Sale of services - subscription services includes revenue from Breakdown subscription contracts for both Consumer and Business members.

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

	2025 Revenue		2024 Revenue	
	Non-Insurance Related £m	Insurance Related £m	Non-Insurance Related £m	Insurance Related £m
Breakdown	189	534	253	438
Service, Maintenance & Repair	41	-	22	-
Insurance	76	-	70	-
	<b>306</b>	<b>534</b>	<b>345</b>	<b>438</b>

Revenue – insurance related is defined as revenue under the scope of IFRS 17 Insurance Contracts, the £534m of revenue (2024: £438m) includes Consumer Roadside and Business Roadside breakdown subscription contracts, plus Legal Expenses Insurance contracts.

Revenue – non-insurance related is defined as revenue under the scope of IFRS 15 Revenue from Contracts with Customers and includes all revenue from Service, Maintenance and Repair and Insurance segments (see note 4) revenue from contracts which previously took the fixed fee exemption, plus Breakdown pay on use, branded services, online retail, accident management services and telematics devices.

## 2. Operating items

The following items have been charged to operating profit:

	2025 £m	2024 £m
Depreciation of owned tangible assets (note 13)	9	9
Depreciation of right of use assets (note 14)	18	17
Amortisation of insurance acquisition cash flows (note 24)	7	5
Amortisation of intangible assets (note 11)	19	9
Amortisation of contract costs (note 12)	28	35
Share-based payments charge	9	-
Exceptional items (note 3)	10	-
Employee costs (note 8)	222	211

## 3. Exceptional items

	2025 £m	2024 £m
Loss on disposal	7	-
Strategic projects	3	-
<b>Total exceptional items</b>	<b>10</b>	<b>-</b>

In March 2025, the Group sold certain policy books in respect of its non-motor insurance business. This resulted in a loss on disposal of £7m, which included the write-off of certain equipment and intangible assets and onerous costs related to ongoing third-party supplier commitments.

During the year, the Group incurred various one-off costs in respect of strategic projects, incurring £3m of cost.

## 4. Operating segments

The Group is primarily UK based and is a Driving Services subscription business providing a differentiated range of products and 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 Group. The Board of Directors has been identified by management to reflect the chief operating decision maker ("CODM") in accordance with the requirements of IFRS 8 Operating Segments.

During the year, the Group reviewed the structure of its operating segments to ensure alignment with the way performance and strategic priorities are monitored by the CODM. As a result of this review, the previously reported Membership Services has been split into:

- Service Maintenance and Repair – a fast growing division that is strategically important to the Group, although not material in size, has been presented as a separate operating segment to provide greater transparency over its performance.
- The remainder of Membership Services has been renamed to Breakdown, to better reflect the nature of the activities it comprises.

As such, the Group now has three new operating and reportable segments as described below.

### Breakdown

Breakdown is the largest operating segment of the Group, offering breakdown cover and related products to individual members, SMEs and Corporate Partners. In addition, this segment includes the other products and services such as, accident management, branded services, telematics devices, online retail and legal advisory services (including legal expenses insurance).

### 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 from 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.

### Service, Maintenance and Repair

Service, Maintenance and Repair (SMR) comprises the Group's mobile vehicle servicing, maintenance and repair activities, delivered by RAC qualified technicians at customers' homes or workplaces alongside the RAC's approved garage network.

### Assets and Liabilities

For the purpose of monitoring segment performance, working capital analysis is presented to and monitored by the Board of Directors at a Group level, to enable a meaningful review of the economic position of the Group as a whole. As such, segmental analysis of assets and liabilities by function is not regularly provided to the Board of Directors and therefore has not been presented within the condensed consolidated financial statements.

The following is an analysis of the Group's revenue and results by operating segment. During all periods reported on, there were no inter segment sales and no individual customer contributed 10% or more to the Group's revenue.

	2025 £m	2024 £m
<b>Segmental Revenue</b>		
Breakdown	723	691
Insurance	76	70
Service, Maintenance & Repair	41	22
<b>Revenue</b>	<b>840</b>	<b>783</b>
<b>Segmental EBITDA before head office costs</b>		
Breakdown	329	301
Insurance	54	45
Service, Maintenance & Repair	7	3
<b>EBITDA before head office costs</b>	<b>390</b>	<b>349</b>
Head office costs*	(61)	(54)
<b>EBITDA</b>	<b>329</b>	<b>295</b>
Depreciation of owned tangible assets*	(9)	(9)
Depreciation of right of use assets*	(18)	(17)
Amortisation of insurance acquisition cash flows*	(7)	(5)
Amortisation of contract costs*	(28)	(35)
Amortisation of other intangible assets*	(19)	(9)
Share-based payments charge*	(9)	-
Exceptional items*	(10)	-
<b>Operating profit</b>	<b>229</b>	<b>220</b>
Finance expenses	(102)	(95)
Finance income	9	5
<b>Profit before tax</b>	<b>136</b>	<b>130</b>

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

## 5. Finance expenses

	2025 £m	2024 £m
Interest payable – third parties	92	88
Interest payable – lease liabilities	7	4
Amortisation of capitalised finance costs	3	3
	102	95

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

## 6. Finance income

	2025 £m	2024 £m
Interest receivable – related parties	4	–
Interest receivable – third parties	5	5
	9	5

Interest receivable to third parties relates to finance income in respect of cash held in bank or money market deposit.

## 7. Auditor’s remuneration

The total remuneration payable by the Group, excluding VAT, to its auditor, Deloitte LLP, is shown below.

	2025 £000	2024 £000
<b>Non-audit services</b>	100	–
<b>Audit services</b>		
Audit of financial statements	112	99
Audit of subsidiaries	597	527
<b>Total remuneration payable to Deloitte LLP</b>	709	626

Fees for non-audit services provided by the Group’s auditors were £150k (2024: £nil) related to other assurance services associated with debt refinancing.

## 8. Employee information

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

	2025 number	2024 number
Breakdown	3,453	3,615
Insurance	30	30
Service, Maintenance & Repair	299	196
Support functions	401	388
	<b>4,183</b>	<b>4,229</b>

	2025 £m	2024 £m
<b>Total staff costs were:</b>		
Wages and salaries	187	181
Social security costs	24	20
Pension costs	11	10
Share-based payments charge	9	–
	<b>231</b>	<b>211</b>

During the year, £11m (2024:£11m) was charged to the Group's Consolidated Income Statement in respect of the employee defined contribution schemes and £126k (2024: £126k) in respect of employee defined benefit schemes.

## 9. 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 Group comprise:

	2025 £m	2024 £m
Fees and benefits	2	3
	<b>2</b>	<b>3</b>
<b>Emoluments of the highest paid Director:</b>		
Fees and benefits	1	1
	<b>1</b>	<b>1</b>

Fees and benefits include relevant Directors' bonuses. Retirement benefits are accrued to no Directors (2024: none) under a money purchase scheme. During the year no Directors (2024: none) were awarded shares under long-term incentive schemes.

## 10. Tax

	2025 £m	2024 £m
<b>(a) Tax charged to the Consolidated Income Statement</b>		
The total tax charge comprises:		
<b>Current tax:</b>		
For the year	33	34
Adjustment in respect of prior periods	(16)	(2)
Total current tax	17	32
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	4	(1)
Adjustment in respect of prior periods	12	(5)
Total deferred tax	16	(6)
<b>Total tax charged to the Consolidated Income Statement</b>	<b>33</b>	<b>26</b>

During the year, the Group reviewed the methodology used in calculating the corporate interest restriction and identified that this had resulted in an excessive disallowance of interest deductions. Accordingly the Group has revised prior period returns, resulting in a prior year current tax credit and a corresponding reduction in the deferred tax asset in respect of carried forward disallowed interest.

### (b) Tax reconciliation

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

	2025 £m	2024 £m
Profit before tax	136	130
Tax calculated at standard UK corporation tax rate of 25.0% (2024: 25.0%)	34	33
Disallowable expenses	3	-
Adjustment in respect of prior periods	(4)	(7)
<b>Total tax charged to the Consolidated Income Statement (note 10a)</b>	<b>33</b>	<b>26</b>

For the year ending 31 December 2025, the corporation tax rate that has been used is 25.0% (2024: 25.0%).

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 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 £2m (2024: £1m) in respect of tax on movements in hedging instrument fair values.

## 11. Goodwill and intangible assets

	Goodwill £m	Brand £m	IT development £m	Total £m
<b>Cost:</b>				
At 1 January 2024	878	864	125	1,867
Additions	-	-	30	30
Disposals	-	-	(36)	(36)
<b>At 31 December 2024</b>	<b>878</b>	<b>864</b>	<b>119</b>	<b>1,861</b>
Additions	-	-	23	23
Disposals	-	-	(1)	(1)
<b>At 31 December 2025</b>	<b>878</b>	<b>864</b>	<b>141</b>	<b>1,883</b>
<b>Impairment / Amortisation</b>				
At 1 January 2024	118	27	64	209
Charge for the period	-	-	9	9
Disposals	-	-	(36)	(36)
<b>At 31 December 2024</b>	<b>118</b>	<b>27</b>	<b>37</b>	<b>182</b>
Charge for the period	-	-	19	19
Disposals	-	-	(1)	(1)
<b>At 31 December 2025</b>	<b>118</b>	<b>27</b>	<b>55</b>	<b>200</b>
<b>Net book value</b>				
<b>At 31 December 2025</b>	<b>760</b>	<b>837</b>	<b>86</b>	<b>1,683</b>
<b>At 31 December 2024</b>	<b>760</b>	<b>837</b>	<b>82</b>	<b>1,679</b>

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. A small impairment charge of £2m (2024: £nil) has been recognised during the year, within amortisation. 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.

## 11. Goodwill and intangible assets (continued)

### Impairment testing of goodwill and intangible assets with indefinite lives

During the year, the Group reviewed the structure of its operating segments to ensure better alignment with the way performance and strategic priorities are monitored. This resulted in the Membership Services CGU being split into two new CGU's: Breakdown and SMR.

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-life intangible assets allocated across the two CGUs is £760m and £837m respectively.

Goodwill	2025 £m	2024 £m
Breakdown	760	760
Insurance	-	-
SMR	-	-
	<b>760</b>	<b>837</b>

Indefinite-lived intangibles	2025 £m	2024 £m
Breakdown and SMR	749	749
Insurance	88	88
	<b>837</b>	<b>837</b>

For impairment testing purposes, the Indefinite-lived intangibles which represent the RAC Brand are included within the carrying amount of the combined new Breakdown and SMR CGU's, which together represent the smallest group of assets that generate cash inflows largely independent of other assets and to which the brand asset can be allocated.

The Group performs impairment testing annually in Q4 and whenever a loss event occurs. The impairment test compares 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 2030. The growth rate used to extrapolate future cash flows beyond the Group's forecast is 2.0%, based on the expected average long-term growth rate of the UK economy. The pre-tax discount rate is 13% (2024: 13%) 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.

## 12. Contract costs

	Contract costs £m	Total £m
<b>Cost or valuation:</b>		
At 1 January 2024	179	179
Additions	36	36
Disposals	(105)	(105)
<b>At 31 December 2024</b>	<b>110</b>	<b>110</b>
Additions	31	31
Disposals	(9)	(9)
<b>At 31 December 2025</b>	<b>132</b>	<b>132</b>
<b>Amortisation</b>		
At 1 January 2024	132	132
Charge for the period	35	35
Disposals	(105)	(105)
<b>At 31 December 2024</b>	<b>62</b>	<b>62</b>
Charge for the period	28	28
Disposals	(8)	(8)
<b>At 31 December 2025</b>	<b>82</b>	<b>82</b>
<b>Net book value</b>		
<b>At 31 December 2025</b>	<b>50</b>	<b>50</b>
<b>At 31 December 2024</b>	<b>48</b>	<b>48</b>

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 were reassessed in the prior year.

## 13. Plant and equipment

	Fixtures, fittings and other equipment £m	Computer equipment £m	Total £m
<b>Cost or valuation:</b>			
At 1 January 2024	53	8	61
Additions	8	1	9
<b>At 31 December 2024</b>	<b>61</b>	<b>9</b>	<b>70</b>
Additions	5	2	7
Disposals	(10)	–	(10)
<b>At 31 December 2025</b>	<b>56</b>	<b>11</b>	<b>67</b>
<b>Depreciation:</b>			
At 1 January 2024	28	3	31
Charge for the period	8	1	9
<b>At 31 December 2024</b>	<b>36</b>	<b>4</b>	<b>40</b>
Charge for the period	8	1	9
Disposals	(8)	–	(8)
<b>At 31 December 2025</b>	<b>36</b>	<b>5</b>	<b>41</b>
<b>Net book value:</b>			
<b>At 31 December 2025</b>	<b>20</b>	<b>6</b>	<b>26</b>
<b>At 31 December 2024</b>	<b>25</b>	<b>5</b>	<b>30</b>

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

## 14. Right of use assets

	Property £m	Vehicles £m	Total £m
<b>Cost</b>			
At 1 January 2024	46	60	106
Additions	-	23	23
Disposals	-	(14)	(14)
<b>At 31 December 2024</b>	<b>46</b>	<b>69</b>	<b>115</b>
Additions	1	8	9
Disposals	-	(4)	(4)
<b>At 31 December 2025</b>	<b>47</b>	<b>73</b>	<b>120</b>
<b>Depreciation:</b>			
<b>At 1 January 2024</b>	<b>12</b>	<b>26</b>	<b>38</b>
Charge for the period	2	15	17
Disposals	-	(14)	(14)
<b>At 31 December 2024</b>	<b>14</b>	<b>27</b>	<b>41</b>
Charge for the period	2	16	18
Disposals	-	(4)	(4)
<b>At 31 December 2025</b>	<b>16</b>	<b>39</b>	<b>55</b>
<b>Net book value</b>			
<b>At 31 December 2025</b>	<b>31</b>	<b>34</b>	<b>65</b>
<b>At 31 December 2024</b>	<b>32</b>	<b>42</b>	<b>74</b>

## 15. Other investments

Movements in the Company's other investments	2025 £m	2024 £m
<b>Fair value</b>		
At 1 January	24	23
Acquisitions	-	1
<b>At 31 December</b>	<b>24</b>	<b>24</b>

Other investments comprises where the Group, through the Employee Benefit Trust, hold an investment in RAC Group (Holdings) Limited, the Group's ultimate controlling entity.

The Directors do not consider there to have been any change in fair value between the date of acquisition and the Statement of Financial Position date.

## 16. Group information

### (a) Information about subsidiaries

The Consolidated Financial Statements of the Group include the following subsidiaries:

Company	Type of business	Class of share	Proportion held
<b>Directly held:</b>			
RAC Limited	Holding company	Ordinary	100%
RAC Bond Co PLC	Funding vehicle	Ordinary	100%
<b>Indirectly held:</b>			
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	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, being RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW. The registered office of RACMS (Ireland) Limited is C/O Cronin & Company, 1 Terenure Place, Terenure, Dublin, Ireland, D6W FN23.

The Consolidated Financial Statements of the Group also include the financial performance and position of the RAC Employee Benefit Trust ("EBT"). In accordance with the IFRS 10 Consolidated Financial Statements, the 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. As a consequence, 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) have all taken advantage of the available exemption for audit.

### (b) The Parent Company

The immediate controlling entity of RAC Bidco Limited is RAC Midco II Limited. The ultimate controlling entity of RAC Bidco Limited is RAC Group (Holdings) Limited.

## 17. Derivative financial instruments

	2025 £m	2024 £m
Cash flow hedge assets	2	9

### (a) Hedging

The Group uses financial instruments, including over-the-counter instruments, in line with the Group's overall risk management strategy (see note 29).

The Group has formally assessed and documented the effectiveness of its hedged derivatives in accordance with IFRS 9 Financial Instruments.

### (b) Cash flow hedges

The 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 values of these are as follows:

	2025 £m	2024 £m
Contract/ notional value	340	344
<b>Total derivative financial instrument asset</b>	<b>2</b>	<b>9</b>

The hedges were effective in the 12 months ending 31 December 2025 (2024: effective) and therefore the full movement in the fair value of cash flow hedges has been recognised in other comprehensive income (2024: 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 all the Senior Term Facilities and the interest rate swap contracts against which the Senior Term Facilities 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 8 April 2025, the Group entered into a hedge for an amount of £88m, effective from 30 September 2027 with the fixed element of the hedge set to 3.761% until 31 March 2028.

## 18. Inventories

	2025 £m	2024 £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 2025 amounted to £24m (2024: £18m).

## 19. Trade and other receivables

	2025 £m	2024 £m
Trade and other receivables	16	29
Prepayments and accrued income	35	25
Amounts due from related parties	39	28
<b>Total</b>	<b>90</b>	<b>82</b>
Expected to be recoverable within one year	90	82

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 2025 (2024: £nil).

## 20. Cash and cash equivalents

	2025 £m	2024 £m
<b>Cash and cash equivalents comprise:</b>		
Unrestricted cash at bank and in hand	93	143
Restricted cash at bank and in hand	10	9
<b>Total</b>	<b>103</b>	<b>152</b>

Restricted cash is the amount of cash RAC Insurance Limited is required to hold to meet regulatory Solvency UK requirements.

## 21. Tax assets and liabilities

	2025 £m	2024 £m
Current tax asset	13	-
Deferred tax asset	5	12
Deferred tax liability	(204)	(200)
<b>Total</b>	<b>(186)</b>	<b>(188)</b>

Current tax payable includes amounts to be settled by group relief of £nil (2024: £nil).

IFRIC 23 clarifies the accounting for uncertainties in income taxes and has been considered in regard to all uncertain tax positions of the RAC group of companies. There are no uncertain tax positions identified that would require measurement under IFRIC 23.

Deferred tax	Property,	Intangible	Retirement	Revaluation	Other	Total
	plant & equipment	assets & contract costs	benefit obligations	of financial assets	temporary difference	
	£m	£m	£m	£m	£m	£m
<b>At 1 January 2024</b>	1	(204)	-	(3)	11	(195)
(Charge)/credit to Consolidated Income Statement	(2)	7	-	-	1	6
Credit to other comprehensive income	-	-	-	1	-	1
<b>At 31 December 2024</b>	<b>(1)</b>	<b>(197)</b>	<b>-</b>	<b>(2)</b>	<b>12</b>	<b>(188)</b>
(Charge)/credit to Consolidated Income Statement	-	(6)	-	-	(7)	(13)
Credit to other comprehensive income	-	-	-	2	-	2
<b>At 31 December 2025</b>	<b>(1)</b>	<b>(203)</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>(199)</b>

	2025	2024
	£m	£m
<b>The movement in the net deferred tax liability was as follows:</b>		
Net deferred tax liability brought forward	(188)	(195)
Deferred tax (charged)/credited to the Consolidated Income Statement	(13)	6
Deferred tax credited to other comprehensive income	2	1
<b>Net deferred tax liability carried forward</b>	<b>(199)</b>	<b>(188)</b>

The Group has unrecognised capital losses of £137m (2024: £146m) 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 Group has an unrecognised deferred tax asset of £5m (2024: £6m) in respect of interest disallowed under the corporate interest restriction rules.

## 22. Provisions

	Total
	£m
At 1 January 2025	2
Additions	3
Utilised during the period	(3)
<b>At 31 December 2025</b>	<b>2</b>

Provisions include amounts payable at the end of vehicle leases to correct modifications made which are expected to be utilised at the end of each vehicle's lease term (usually five years), amounts provided for restructuring costs and amounts provided for onerous costs related to ongoing third-party supplier commitments following the disposal of policy books in respect of the non-motor insurance business.

## 23. Trade and other payables

	2025 £m	2024 £m
Trade payables and accruals	66	66
Deferred income	–	20
Other payables	144	154
<b>Total</b>	<b>210</b>	<b>240</b>
Expected to be payable within one year	145	169
Expected to be payable in more than one year	65	71
<b>Total</b>	<b>210</b>	<b>240</b>

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.

Deferred income is carried at the cost of consideration for which the Group has not yet satisfied its performance obligations under IFRS 15 Revenue from Contracts with Customers. This balance is £nil in 2025 as a result of the Group no longer electing to take the fixed fee exemption under IFRS 17 Insurance Contracts.

Included within other payables is £79m (2024: £85m) in relation to lease liabilities recognised as a result of IFRS 16 Leases. The contractual maturity dates of lease liabilities are:

	2025 £m	2024 £m
Within 1 year	15	16
1 to 5 years	27	25
Over 5 years	37	44
<b>Total</b>	<b>79</b>	<b>85</b>

### Lease commitments:

As at 31 December 2025, the Group had committed to aggregated undiscounted future lease payments of £11m payable over a period of up to 5 years (2024: £2m payable over a period up to 5 years).

Short-term and low-value leases expenses to the Income Statement in the year amounts to £nil (2024: £nil).

Lease commitments for short-term and low-value leases at the balance sheet date amounted to £nil (2024: £nil).

## 24. Insurance contract liabilities

The Group principally issues non-life insurance contracts for breakdown assistance and legal expenses. 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 sensitivities due to the immediate nature or very soon after (within 60 days) nature of the settlement of claims for breakdown assistance and therefore there are no material outstanding claims at the Condensed Consolidated 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 tables have been presented.

	Liability for remaining coverage £m	Liability for incurred claims £m	Insurance acquisition cash flows £m	Total £m
<b>As at 1 January 2024</b>	<b>83</b>	<b>7</b>	<b>(21)</b>	<b>69</b>
Insurance service revenue	(438)	-	-	(438)
Insurance service expenses				
- incurred claims and other insurance service expenses	-	234	-	234
- amortisation of acquisition cash flows	-	-	5	5
<b>Insurance service result</b>	<b>(438)</b>	<b>234</b>	<b>5</b>	<b>(199)</b>
Premiums received	446	-	-	446
Claims costs paid	-	(236)	-	(236)
Insurance acquisition cash flows	-	-	(9)	(9)
<b>Total cash flows</b>	<b>446</b>	<b>(236)</b>	<b>(9)</b>	<b>201</b>
<b>As at 31 December 2024</b>	<b>91</b>	<b>5</b>	<b>(25)</b>	<b>71</b>
Insurance service revenue	(534)	-	-	(534)
Insurance service expenses				
- incurred claims and other insurance service expenses	-	328	-	328
- amortisation of acquisition cash flows	-	-	7	7
<b>Insurance service result</b>	<b>(534)</b>	<b>328</b>	<b>7</b>	<b>(199)</b>
Premiums received	568	-	-	568
Claims costs paid	-	(320)	-	(320)
Insurance acquisition cash flows	-	-	(14)	(14)
<b>Total cash flows</b>	<b>568</b>	<b>(320)</b>	<b>(14)</b>	<b>234</b>
<b>As at 31 December 2025</b>	<b>125</b>	<b>13</b>	<b>(32)</b>	<b>106</b>

Included within the liability for incurred claims is a risk adjustment of £222k (2024: £151k) 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: 6 years).

	2025 £m	2024 £m
<b>Analysis of net liability</b>		
Breakdown assistance	98	65
Legal expenses insurance	6	6
<b>Total</b>	<b>104</b>	<b>71</b>

## 25. Borrowings

(a) Analysis of borrowings	Bonds				Bank Debt					Total
	Class A2	Class A3	Class A4	Class B2	2021 Senior Term Facility	2021 Senior Term Facility	2024 Senior Term Facility	2025 Senior Term Facility	2025 USPP	
	Notes	Notes	Notes	Notes						
Interest rate	4.87%	8.25%	5.75%	5.25%	SONIA + 1.80%	SONIA + 2.50%	SONIA + 3.00%	SONIA + 3.00%	6.49%	
<b>At 31 December 2025</b>										
Fair value	-	307	496	379	-	111	248	48	63	<b>1,652</b>
Amounts due within one year	-	4	3	3	-	-	-	-	-	<b>10</b>
Amounts due in more than one year	-	246	397	342	-	94	203	40	50	<b>1,372</b>
Book value	-	250	400	345	-	94	203	40	50	<b>1,382</b>
Principal outstanding*	-	250	400	345	-	95	205	40	50	<b>1,385</b>
<b>At 31 December 2024</b>										
Fair value	517	325	-	395	176	119	266	-	-	<b>1,798</b>
Amounts due within one year	4	3	-	3	170	-	-	-	-	<b>180</b>
Amounts due in more than one year	484	246	-	341	-	94	203	-	-	<b>1,368</b>
Book value	488	249	-	344	170	94	203	-	-	<b>1,548</b>
Principal outstanding*	485	250	-	345	170	95	205	-	-	<b>1,550</b>

\* Principal outstanding is the book value of borrowings excluding capitalised finance costs and accrued interest.

## (b) Bonds

The Group's bonds comprise four tranches: Class A2 Notes, Class A3 Notes, Class A4 Notes and Class B2 Notes. £600m of Class A2 notes were issued at a coupon of 4.870%, and had an initial period to 6 May 2026, after which interest will be charged at 5.370% per annum. On 21 March 2024, £115m of Class A2 Notes were repurchased. On 4 June 2025, the remaining £485m of Class A2 Notes were also repurchased. £250m of Class A3 Notes were issued at a coupon of 8.250%, and have an initial period to 6 November 2028, after which interest will be charged at 8.750% per annum. £400m of Class A4 Notes were issued on 20 May 2025 at a coupon of 5.750%, and have an initial period to 6 November 2029, after which interest will be charged at 6.250% per annum. £345m of Class B2 Notes were issued on 4 November 2021 at a coupon of 5.250%, and have 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.

## (c) Bank debt

On 30 June 2021, the Group entered into a 2021 Senior Term Facility for an amount of £265m. On 30 July 2021, the Group drew down upon this facility, of which £170m has a floating rate of 1.80% plus SONIA and matured on 30 June 2025 and £95m has a floating rate of 2.50% plus SONIA and matures on 30 June 2028. On 2 June 2025, the £170m facility was repaid in full.

In January 2024, the Group entered into a 2024 Senior Term facility for an amount of £205m. On 7 March 2024, the Group drew down upon this facility with a floating rate of 3.00% plus SONIA which matures on 29 January 2029.

In May 2025, the Group entered into a 2025 Senior Term facility and a 2025 US Private Placement for the amounts of £40m and £50m respectively. On 2 June 2025, the Group drew down upon the Senior Term Facility with a floating rate of 3.00% plus SONIA which matures on 29 January 2029 and the US Private Placement with a fixed rate of 6.49% which matures on 2 June 2030.

The Group has also entered into agreements for a Working Capital Facility of £50m and a Liquidity Facility of £90m. The Working Capital Facility is subject to interest of SONIA plus 3.00% (prior to 29 January 2024: SONIA + 2.50%) and matures on 29 January 2029. The Liquidity Facility was uplifted to £100m on 26 April 2024 in-line with the terms of the Whole Business Securitisation agreement and is subject to annual review.

Interest rate risk arising under the drawn bank debt is hedged using an interest rate swap exchanging variable interest rate for fixed interest rate. This is detailed further in note 17 and an analysis of the contractual undiscounted cash flows for these borrowings is shown in note 29(a)(iii).

## (d) Security, covenants and fees

The Class A Notes, Class B2 Notes, US Private Placement 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, US Private Placement 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 A3 Notes, Class A4 Notes and US Private Placement (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.

## 26. Ordinary share capital

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

	2025 £m	2024 £m
<b>Allotted, called-up and fully paid:</b>		
339,131,773 ordinary shares of £1.00 each (2024: 339,131,773 of £1.00 each)	339	339
	<b>339</b>	<b>339</b>

## 27. 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 transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item.

## 28. Reconciliation of financial liabilities

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

	2025 £m	2024 £m
<b>As at 1 January</b>	<b>1,511</b>	<b>1,564</b>
<b>Cash changes:</b>		
Financing cash flows	(165)	(51)
Interest and debt issue costs paid	(94)	(86)
<b>Non-cash changes:</b>		
Other finance expenses (notes 5 & 6)	10	7
Third party net interest expenses (notes 5 & 6)	83	83
Movement in fair value of hedge assets (note 17)	(7)	(6)
<b>As at 31 December</b>	<b>1,338</b>	<b>1,511</b>



**Anoop,**  
patrol since 2023,  
Scotland

## 29. 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 Group are set out in this note.

The 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 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 Group's current borrowing facilities are disclosed in note 25.

## 29. Risk management (continued)

### (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 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 £4m (2024: £7m). The impact on shareholders' equity would be a decrease/increase of £3m (2024: £5m). 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 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 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 Group's operational fleet of patrols, mobile mechanics and recovery vehicles.

The 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.

## (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:

	Note	2025 £m	2024 £m
Trade and other receivables	19	16	29
Cash and cash equivalents	20	103	152
Derivative financial instruments	17	2	9
		<b>121</b>	<b>190</b>

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 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 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 Group's largest cash and cash equivalent counterparty is Qatar National Bank QPSC. (2024: JP Morgan VNAV). At 31 December 2025 the balance with that counterparty was £20m (2024: £20m).

## 29. Risk management (continued)

### (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 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.

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

	2025 £m	2024 £m
<b>Bonds</b>		
Less than 1 month	-	-
1 to 3 months	-	-
3 months to 1 year	65	62
1 to 5 years	1,180	1,167
5 to 10 years	-	-
<b>Total bonds</b>	<b>1,245</b>	<b>1,229</b>
<b>External bank debt</b>		
Less than 1 month	-	-
1 to 3 months	4	6
3 months to 1 year	13	185
1 to 5 years	365	354
5 to 10 years	-	-
<b>Total external bank debt</b>	<b>382</b>	<b>545</b>
<b>Total borrowings</b>	<b>1,627</b>	<b>1,774</b>

Maturity dates of trade and other payables, including lease liabilities are disclosed within note 23.

## (b) Capital risk management

The Group maintains an efficient capital structure consisting of equity shareholders funds of £339m (2024: £339m) and third-party borrowings of £1,382m (2024: £1,548m). 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; and
- 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, capitalised finance costs plus lease liabilities less 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.

Certain indirect subsidiaries of the Group are required to hold a minimum level of capital to meet regulatory Solvency UK requirements. These amounts were complied with throughout the year ending 31 December 2025 (2024: complied with throughout the year). The amount of capital held by the Group is disclosed within note 20.

## (c) Regulatory risk

The Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on applicable FCA and PRA regulations. The 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 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 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 Group having to suspend, either temporarily or permanently, certain activities. To mitigate these risks the Group employs regulatory and compliance specialists to ensure the regulatory and legislative requirements are fully understood and adhered to.

## 30. Related party transactions

(a) The Group had the following transactions with related parties in 2025 and 2024:

<b>(i) Amounts due from related parties</b>	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Other group companies – current accounts	33	23
Other related parties	6	5
	<b>39</b>	<b>28</b>

Of amounts due from Group companies, £33m (2024: £23m) was due from RAC Group (Holdings) Limited, the Company's ultimate party company. Of amounts due from other related parties £6m (2024: £5m) was due from Silver Lake.

<b>(ii) Amounts due to related parties</b>	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Other group companies – current accounts	(23)	(15)
	<b>(23)</b>	<b>(15)</b>

Of amounts due to Group companies, £23m (2024: £15m) was due to RAC Midco Limited, the Company's indirect parent company.

### (iii) Transactions with related parties

- Audit fees of £496k (2024: £437k) were borne by RAC Motoring Services, a subsidiary of the Company, on behalf of the RAC Group.

## (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 Group is as follows:

	2025 £m	2024 £m
Fees and benefits	5	6

Fees and benefits include key management bonuses. During the year, payments of £205k (2024: £nil) were made to key management for loss of office and payments of £43k (2024: £44k) were made as contributions for key management to defined contribution pension schemes.

## (c) Key management interests

No key management personnel held equity stakes in the Group at 31 December 2025 or 31 December 2024.

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 parent company

The immediate controlling entity of the Company is RAC Midco II Limited, registered in England and Wales.

## (e) Ultimate controlling party

The ultimate controlling entity of the Group is RAC Group (Holdings) Limited. Its Annual Report and Financial Statements are available on application to the Company Secretary, RAC Group (Holdings) Limited, RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW. The lowest level at which Consolidated UK adopted international accounting standards Financial Statements are prepared is RAC Bidco Limited.

## 31. Fair value of financial assets and liabilities

The financial 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).

	Fair Value Hierarchy	2025 £m	2024 £m
Cash flow hedge asset (note 17)	Level 2	2	9

Valuations are performed by an external valuer in accordance with Group accounting policies.

The interest rate swap has been valued using market observable inputs of interest rate curves built using cash rates, swap rates and forward rates. Sensitivity analysis provided in note 29.

## 32. Share-based payments

In recent years, the Group has operated an equity settled share-based payment arrangement for senior management through the issue of D ordinary shares in RAC Group (Holdings) Limited (the "MIP Shares"). There are no market-based performance conditions and service conditions apply throughout the vesting period.

### Measurement of fair value

In accordance with IFRS 2 'Share-based Payment', the fair value of the MIP Shares at each relevant grant date has been determined by an independent valuation specialist using an option pricing model informed by the Black-Scholes framework. This methodology reflects the effect of the RAC Group (Holdings) Limited's capital structure (including preference shares), expected time to exit, equity volatility, and other relevant assumptions including a discount for lack of marketability.

### Recognition of expense

The fair value of the MIP Shares is recognised as an expense over the vesting period, based on the estimated proportion of awards expected to vest. During the year, the Group undertook a comprehensive valuation of the awards and reassessed the pattern of vesting, resulting in the recognition of a non-cash share-based payment charge in the income statement.

The total share-based payment expense recognised in the income statement for the year ended 31 December 2025 was £9m (2024: £nil). The Group does not assess these costs as exceptional items, however, such costs have been excluded from the calculation of both EBITDA and EBIT on the basis that they relate to a future business transaction and as such are not costs in respect of the underlying performance of the Group.

### 33. Events after the reporting period

There have been no events since the statement of financial position date which have a material impact on the Company's or Group's financial position as at 31 December 2025.

### 34. Alternative performance measures

Certain alternative performance measures ("APMs") have been included within the Annual Report and Financial Statements. These APMs are used by the management internally to monitor and manage the underlying business performance of the Group.

The table below details the definition of each APM.

APM	Definition
EBITDA	EBITDA is statutory operating profit before depreciation, amortisation, share-based payments charge and exceptional items.
EBITDA margin	EBITDA as a percentage of total revenue.
EBIT	EBIT is statutory operating profit before exceptional items.
Exceptional items	Exceptional items are those which 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.
Capital expenditure	Aggregate of purchase of property, plant and equipment and purchase of intangible assets.
Cash conversion	EBITDA less working capital movements, capital expenditure (defined above) and repayment of obligations under leases as a percentage of EBIT (also defined above). In 2024 and prior, this was calculated as net cash flows from operating activities as a percentage of EBITDA.
Customer acquisition intangibles	Amounts relating to contract costs and insurance acquisition cash flows as per notes 12 and 24 respectively.
Total annual recurring revenue	Represents the value of sales of Breakdown and Insurance products that are linked to ongoing membership contracts or policies, expressed on a 12-month basis, before the impact of any deferral required under IFRS.
Net debt	Gross value of borrowings, including interest and capitalised finance costs, plus lease liabilities less cash and cash equivalents.
Leverage	Ratio of net debt as a multiple of EBITDA.

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The accounting policies on pages 140 to 151 also form an integral part of these Financial Statements.

# Company Statement of Financial Position

Registered in England and Wales: No. 09229824

	Note	2025 £m	2024 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	4	1,102	1,102
		1,102	1,102
<b>Current assets</b>			
Current tax receivable		1	1
		1	1
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	6	(9)	(8)
		(9)	(8)
<b>Net current liabilities</b>		(8)	(7)
<b>Non-current liabilities</b>			
Other payables	6	(73)	(68)
		(73)	(68)
<b>Net assets</b>		<b>1,021</b>	<b>1,027</b>
<b>EQUITY</b>			
Ordinary share capital	7	339	339
Retained earnings		682	688
<b>Total equity</b>		<b>1,021</b>	<b>1,027</b>

The accounting policies on pages 140 to 151 and the notes on pages 186 to 190 are an integral part of these Financial Statements.

The Company's loss for the year was £6m (2024: loss of £3m). 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 and signed on their behalf on 5 March 2026.



J Baker  
Chief Financial Officer

## Company Statement of Changes in Equity

	Ordinary share capital £m	Retained earnings £m	Total equity £m
<b>Balance as at 1 January 2024</b>	<b>339</b>	<b>691</b>	<b>1,030</b>
Loss for the period	-	(3)	(3)
Total comprehensive expense	-	(3)	(3)
<b>Balance as at 31 December 2024</b>	<b>339</b>	<b>688</b>	<b>1,027</b>
Loss for the period	-	(6)	(6)
Total comprehensive expense	-	(6)	(6)
<b>Balance as at 31 December 2025</b>	<b>339</b>	<b>682</b>	<b>1,021</b>

The accounting policies on pages 140 to 151 and the notes on pages 186 to 190 are an integral part of these Financial Statements.



## Company Statement of Cash Flows

	2025 £m	2024 £m
<b>Operating activities</b>		
Loss before tax	(7)	(3)
<b>Adjustments to reconcile loss before tax to net cash flows:</b>		
Exceptional items	3	-
Finance expenses	5	3
<b>Working capital adjustments:</b>		
Increase in trade and other payables	(1)	-
<b>Net cash flows generated from operating activities</b>	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents brought forward	-	-
<b>Cash and cash equivalents carried forward</b>	<u>-</u>	<u>-</u>

The accounting policies on pages 140 to 151 and the notes on pages 186 to 190 are an integral part of these Financial Statements.

## 1. Auditor's remuneration

Audit fees of £112k (2024: £99k) are borne and paid by RAC Motoring Services, a fellow Group company. Disclosures relating to auditor's remuneration may be found in note 7 of the Consolidated Financial Statements.

## 2. Employee information

The Company has no employees. All Group employees are employed by and remunerated by RAC Motoring Services, a fellow Group company. Disclosures relating to employees may be found in note 8 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 9 of the Consolidated Financial Statements.

## 4. Investments in subsidiaries

(a) Movements in the Company's investments in subsidiaries:	2025 £m	2024 £m
<b>Carrying value</b>		
At 1 January and 31 December	1,102	1,102

## (b) Information about subsidiaries

The Company had the following directly or indirectly held investments in subsidiaries:

Company	Type of business	Class of share	Proportion held
<b>Directly held:</b>			
RAC Limited	Holding company	Ordinary	100%
RAC Bond Co PLC	Funding vehicle	Ordinary	100%
<b>Indirectly held:</b>			
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	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%

The Company and all of its 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, being RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW. The registered office of RACMS (Ireland) Limited is C/O Cronin & Company, 1 Terenure Place, Terenure, Dublin, Ireland, D6W FN23.

## (c) The Parent Company

The immediate controlling entity of the Company is RAC Midco II Limited. The ultimate controlling entity of Company is RAC Group (Holdings) Limited.

## 5. Tax assets and liabilities

For the year ending 31 December 2025, the corporation tax rate that has been used is 25.0% (2024: 25.0%).

## 6. Other payables

	2025 £m	2024 £m
Other payables	1	–
Amounts due to related parties (note 8(a)(ii))	81	76
<b>Total</b>	<b>82</b>	<b>76</b>
Expected to be payable within one year	9	8
Expected to be payable in more than one year	73	68
<b>Total</b>	<b>82</b>	<b>76</b>

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:

	2025 £m	2024 £m
<b>Allotted, called-up and fully paid:</b>		
339,131,773 ordinary shares of £1.00 each (2024: 339,131,773 shares of £1.00 each)	339	339
	<b>339</b>	<b>339</b>

## 8. Related party transactions

(a) The Group had the following transactions with related parties in 2025 and 2024:

(i) Amounts due from related parties	2025 £m	2024 £m
Amounts due from Group companies	-	-
	-	-

(ii) Amounts due to related parties

(ii) Amounts due to related parties	2025 £m	2024 £m
Amounts due to Group companies	(81)	(76)
	(81)	(76)

Of amounts due to Group companies, £73m (2024:£69m) was due to RAC Limited, the Company's direct subsidiary and £8m (2024: £7m) to RAC Motoring Services, an indirect subsidiary of the Company

(iii) Transactions with related parties

- During 2025, the Company recharged £1m (2024: £1m) to RAC Limited, a direct subsidiary, in respect of a Management Services Agreement. This agreement allocates the strategic and governance costs of the Group and recharges them to the trading entities where appropriate.

GIC, CVC, Silver Lake and senior management are all related parties of the 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.

(iv) Amounts included in the Income Statement

Transactions included within the Income Statement that have taken place during the reported periods are as follows:

(iv) Amounts included in the Income Statement	2025 £m	2024 £m
Management charges	1	1
	1	1

## 8. Related party transactions (continued)

### (b) Key management compensation

The Directors and key management of the Company are considered to be the same as the Group. Information on key management compensation may be found in note 30 of the Consolidated Annual Report and Financial Statements.

### (c) Key management interests

No key management personnel held equity stakes in the Group at 31 December 2025 or 31 December 2024.

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

The immediate controlling entity of the Company is RAC Midco II Limited.

The ultimate controlling entity of the Company is RAC Group (Holdings) Limited. Its Consolidated Annual Report and Financial Statements are available on application to the Company Secretary, RAC Group (Holdings) Limited, RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW. The lowest level at which Consolidated UK adopted accounting standards Financial Statements are prepared is RAC Bidco Limited.

## 9. Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements or key sources of estimation uncertainty for the Company.



**Bradley,**  
mobile mechanic since 2024,  
Western

 **BREAKDOWN**



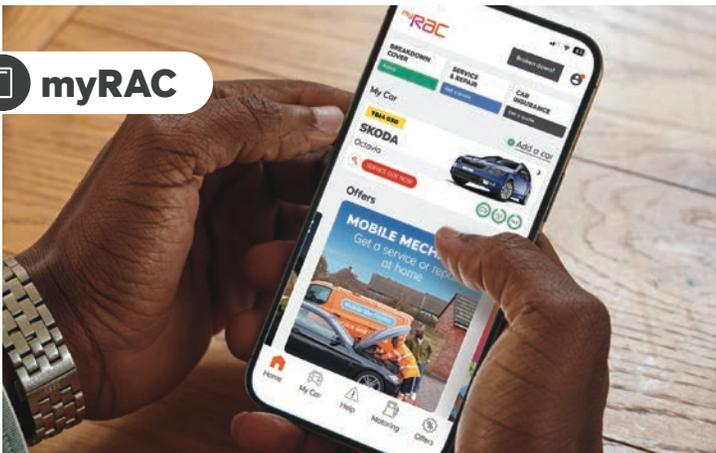
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