

REPORT & ACCOUNTS

2016

Year ended 31 March 2016

AA



Pension Scheme
Your Future Now

Registered number: 10098233

Registered number: 10098233

AA PENSION SCHEME

REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2016

AA PENSION SCHEME

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AA PENSION SCHEME

Trustee and its advisers Year ended 31 March 2016

Trustee	AA Pensions Trustees Limited
Trustee Directors	Company Nominated Mrs J Thomson, Chairman (resigned 7 August 2016) Mr O Kunc (resigned 21 October 2015) Mr C Norman Mr R Warner (appointed 20 January 2016) Mr S Delo representing Pan Governance LLP - Independent Trustee (appointed 15 July 2015) (appointed Chairman 30 August 2016) Mr B Ryan (appointed 19 August 2016) Mr J Stewart (appointed 9 September 2016) Member Nominated Mr P Foster - Retired Mr P Hall - Active member Mr S Millman - Active member
Administrative details:	
Scheme Actuary	Mr D Eteen (Fellow of the Institute and Faculty of Actuaries (FIA)) Aon Hewitt Limited
Scheme Administrator	Aon Hewitt Limited (Aon) Briarcliff House Kingsmead Farnborough GU14 7TE
Independent Auditors	PricewaterhouseCoopers LLP
Banker	HSBC Bank plc
AVC Providers	The Prudential Assurance Company Limited The Equitable Life Assurance Society

AA PENSION SCHEME

Trustee and its advisers Year ended 31 March 2016

Trustee and its advisers (continued)

Investment Managers	Aberdeen Unit Trust Managers Limited (until November 2015) BlackRock Investment Management Ltd Bluebay Asset Management Brockton Capital LLP Clearbell Capital LP Henderson Global Investors (TH Real Estate) Hewitt Risk Management Services Keyhaven Capital Partners Legal & General Assurance (Pensions Management) Ltd Magnitude Capital, LLC Mesirow Advanced Strategies, Inc. Quellos Capital Management (now BlackRock) Columbia Threadneedle Pensions Limited
Secretary to the Trustee	Mr Mike Sullivan
Legal Advisors	Allen & Overy Eversheds LLP Hogan Lovells LLP Linklaters LLP Squire Patton Boggs Burness Paul LLP
Data Consultants	ITM Limited
Investment Consultants	Aon Hewitt Limited Buck Consulting Limited Valuation Consulting LLP
Custodian	Bank of New York Mellon Corporation
Principal employer	Automobile Association Developments Limited
Contact address	Mr Mike Sullivan Head of Pensions The AA Fanum House Basing View Basingstoke Hants, RG21 4EA

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

Scheme constitution and management

The Trustee of the AA Pension Scheme (the 'Scheme') is pleased to present its annual report together with the audited financial statements for the year ended 31 March 2016. The Scheme is a defined benefit scheme and is administered by Aon in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

During the year, deeds of amendment were executed in relation to the cessation of the Scheme being contracted out of the State Second Pension (S2P).

The Scheme has five categories of benefits:

- Staff section
- Management (section 1, 2 and 3)
- Career Average Revalued Earnings section (CARE)

Both the Staff and Management sections are closed to new entrants; only the CARE section of the Scheme is open to eligible employees.

The Trustee Directors' names are included on page 1.

Each Trustee Director is eligible to vote, whether Member Nominated or Company Appointed and the Trustee Company Memorandum and Articles of Association together with the Scheme Rules set out the basis on which decisions are made.

The AA may appoint Trustee Directors and may remove any Trustee Director it has appointed at any time. Member Nominated Trustee Directors are appointed for three years, but can be re-elected for a further term of office provided they are still eligible. A Trustee Director can resign by giving written notice to the Secretary at any time. The power of removing and/or appointing the Corporate Trustee rests with the principal employer.

The full Trustee Board met four times over the year and average attendance by the Trustee Directors was 92%. The Trustee has setup an Audit Committee, Benefits Committee and an Asset and Liability Sub Committee which all met during the year.

In addition to the professional advisers, the Trustee is supported by the AA Pensions Department, from which secretarial services are provided.

Strength of Employer Covenant

The Trustee monitors the credit rating and financial strength of the AA by having good communication and exchange of information with the AA. The Trustee meets with the Chief Finance Officer or his representative on a six monthly basis.

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

Membership

Details of the membership of the Scheme as at 31 March 2016 are given below:-

	Active members 2016	Pensioners 2016	Members with deferred benefits 2016	Total 2016	Total 2015
Membership at the start of the year	4,526	7,515	14,106	26,147	24,868
Adjustments	3	2	(5)	-	1,103
New entrants in the year	249	-	-	249	370
Retirements	(97)	298	(201)	-	-
Deaths	(8)	(178)	(25)	(211)	(225)
Members leaving with preserved benefits	(458)	-	458	-	-
Trivial commutations	(2)	(23)	(33)	(58)	(4)
Cessation	(4)	(5)	-	(9)	(11)
Transfers out	(5)	-	(53)	(58)	(24)
Reinstatement	-	-	-	-	1
New spouses and dependants	-	109	-	109	69
Total membership at the end of the year	4,204	7,718	14,247	26,169	26,147
	Active members	Pensioners	Members with deferred benefits	Total 2016	Total 2015
Staff	2,092	7,567	12,285	21,944	21,922
Management 1	90	45	163	298	299
Management 2	-	-	-	-	236
Management 3	3	-	4	7	7
CARE	2,019	106	1,795	3,920	3,683
Total	4,204	7,718	14,247	26,169	26,147
Male	3,125	3,833	6,836	13,794	14,982
Female	1,079	3,885	7,411	12,375	11,165
Total	4,204	7,718	14,247	26,169	26,147

Included in the number of pensioners above are 1,410 (2015: 1,308) dependants in respect of the following sections:

Care	31
Staff	1,376
Management 1	3
Management 2	-
Management 3	-
Total	1,410

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

Pension increases

Pensions in payment, including early retirement supplements, are increased in April each year in line with the increase in the Retail Prices Index up to a maximum of 5% for pre 1 July 2010 service and up to a maximum of 2.5% for post 1 July 2010 service. Proportional increases are applied to new pensioners during the year. Deferred pensions are increased in line with legislative requirements:

A history of recent pension increases has been:

April 2011	4.6% on pre 1 July 2010 accrued pension; 2.5% on post 1 July 2010 accrued pension
April 2012	5.6% on pre 1 July 2010 accrued pension; 2.5% on post 1 July 2010 accrued pension
April 2013	2.6% on pre 1 July 2010 accrued pension; 2.5% on post 1 July 2010 accrued pension
April 2014	3.2% on pre 1 July 2010 accrued pension; 2.5% on post 1 July 2010 accrued pension
April 2015	2.3% on pre 1 July 2010 accrued pension; 2.3% on post 1 July 2010 accrued pension

As both the Retail Prices Index and Consumer Prices Index were less than 5% for the purposes of the April 2015 pension increases, increases were not capped in accordance with the Scheme rules. Certain, limited elements of members' pensions are not subject to a cap and received full increases in line with the Retail Prices Index or Consumer Prices Index in accordance with the Scheme rules.

None of these increases were discretionary.

Different levels of increase are awarded to Jersey and Guernsey pensioners:

Jersey

Pre 23 September 1999 excess:	1.9% increase on 1 April 2015 (Jersey cost of living index)
Post 23 Sept 1999 excess:	1.9% increase on 1 April 2015 (Jersey cost of living index capped at 5%)

Guernsey

Pre 23 September 1999 excess:	2.5% increase on 1 April 2015 (Guernsey retail price index)
Post 23 Sept 1999 excess:	2.5% increase on 1 April 2015 (Guernsey retail price index capped at 5%)

Review of Financial Development of the Scheme

The financial statements on pages 14 to 30 show that the value of the Scheme's assets decreased by £13,489,000 to £2,078,915,000 as at 31 March 2016. The decrease comprised net withdrawals from dealings with members of £24,286,000 and a net return in the value of investments of £10,797,000.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (SORP).

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 14 to 30.

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

Report on Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2001, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2013. This showed that on that date:

The value of the Technical Provisions was:	£1,765 million
The value of the assets at that date was:	£1,563 million
As a percentage of technical provisions	89%

The method and significant actuarial assumptions used to determine the technical provisions are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate:

Pre-retirement: The UK Gilt Yield at the actuarial valuation date plus 2.75% p.a.

Post-retirement: The UK Gilt Yield at the actuarial valuation date.

Future Retail Price inflation:

The assumption is derived from the difference between the market yields on long-dated fixed-interest and index-linked gilts at the actuarial valuation date and set so as to give approximately the same value of Technical Provisions as using the Scheme's cashflows, based on the membership data at the actuarial valuation date, together with the full Aon Hewitt market implied RPI gilt break even inflation curve as at the actuarial valuation date.

Future Consumer Price inflation:

The assumption is derived at the actuarial valuation date by deducting 0.9% p.a. from the RPI inflation assumption.

The difference between the long term assumption for RPI and CPI inflation may vary over time to reflect changing views of long term structural differences between the calculation of RPI and CPI inflation at the date subsequent calculations are carried out.

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

Pension increases:

Inflation-linked pension increase assumptions are derived from the RPI inflation assumption (except in respect of post 5 April 1988 GMP which is derived from the CPI inflation assumption) on the advice of the Scheme Actuary, allowing for the maximum and minimum annual increase, and the fact that inflation varies from year to year.

Pay increases:

Each member's salary is assumed to increase in line with the assumed rate of RPI inflation plus 1.1% p.a. together with an allowance for promotional increases.

However, active members' benefits accrued up to 30 June 2010 are assumed to increase in future in line with deferred revaluations rather than salary increases. Benefits accrued after 30 June 2010 are assumed to increase each year in line with increases in salaries but subject to individual member-specific pensionable salary caps that apply on a year by year basis. Note that pensionable salary caps were introduced on 1 July 2010 and were set equal to each member's Final Pensionable Earnings as at 30 June 2010 with an uplift of 2.5% or 3% depending on member election.

Pensionable salary caps are increased at each 1 April at either 2.5% or 3% depending on member selection in 2010.

Post-retirement mortality:

Base mortality table:

- Males – standard table S1PMA
- Females – standard table S1PFA

Adjusted for year of birth with an allowance for improvements between 2002 and 2012.

An allowance for future improvements has been made in line with the CMI_2012 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5% for men and women.

An actuarial valuation as at 31 March 2016 is underway.

Transfer values

All transfer values paid during the year were calculated and verified in accordance with regulations made under the Pension Scheme Act 1993. In accordance with the direction of the Trustee, no allowance for discretionary benefits has been made in the calculation of transfer values. No transfers were made at less than their cash equivalent.

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

Further information

Further information about the Scheme is available, on request, to members and prospective members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules, the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected or copies can be obtained from the address below.

Individual benefit statements are provided to active members annually. In addition to the information shown on these statements members can request details of the amount of their current transfer value and, if applicable, the current amount of any refund of contributions to which they would be entitled on leaving service. Such requests cannot, however, be made more frequently than once a year.

Queries concerning the Scheme in general or a member's pension position, or further information, about the Scheme should be directed to Mr Mike Sullivan, at the address below.

If you have any complaints in relation to the Scheme you should in the first instance contact:

Mr Mike Sullivan
Head of Pensions
The AA
Fanum House
Basing View
Basingstoke
Hants
RG21 4EA

Email: mike.sullivan@theaa.com
Helpline: 0345 850 6406 (Aon)

The Data Protection Act 1984 covered information which was held electronically, i.e. computer-based information. The Data Protection Act 1998 extended data protection laws to cover paper-based records held for individuals and new restrictions on the processing of sensitive personal data to which individuals must have given express consent. Sensitive information can include information on, for example, the health of a member.

Members' data will be used by the Scheme's advisers to administer the Scheme and the provision of members' death-in-service benefits, and may be passed to other professional providers or advisers in order to administer the Scheme as necessary.

The Trustee, the Employer and the Scheme's advisers each have a legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating the Scheme, which includes passing on data to third parties, as mentioned above.

The Trustee and the Company are regarded as "Data Controllers", for the purposes of the Data Protection Act 1998, in relation to the process referred to above. The advisers appointed by the Trustee are "Data Processors".

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

Investment strategy and principles

The Trustee is responsible for determining the Scheme's investment strategy.

In accordance with section 35 of the Pensions Act 1995, the Trustee has agreed a Statement of Investment Principles ("SIP") which was last revised in October 2014. A copy of the SIP may be obtained from the contact for enquiries on page 2.

The Scheme benchmark was updated on 1 December 2015 when the allocation to listed equities was reduced and the four delegated mandates were combined into a single mandate. The SIP is expected to be updated following the completion of the actuarial valuation currently in progress.

The Trustees' investment strategy considers the Scheme's investments:

Return seeking assets :Predominantly equities, hedge funds and properties where the objective is to achieve growth within the constraints of the risk profile set by the Trustee.

Liability Driven assets: Predominantly gilts, bonds, LDI funds and swaps, where the objective is to secure fixed or inflation-adjusted cash flows in future, and where the investments are generally expected to be held to maturity.

Management and custody of investments

The Trustee has delegated management of investments to professional investment managers which are listed on page 2. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objective and policies set out in the SIP are followed.

The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Scheme but reviews the manager's policies and statements of compliance with respect to active voting participation and consideration of social, ethical and environmental factors when making investment decisions.

The Trustee has appointed Bank of New York Mellon to keep custody of the Scheme's investments other than pooled investment vehicles where the manager makes its own arrangements for custody of underlying investments.

Investment Performance

The Trustee assesses the performance of the Scheme's investments by reference to benchmarks and performance targets set and agreed with each manager. The Trustee receives reports from its investment advisers quarterly showing actual performance by manager and fund. Investment managers present to the Asset and Liability Committee (ALSC) regularly, to report on compliance with their agreements and to be questioned by the ALSC members. Performance of the Scheme's investments over short and longer periods is summarised as follows:

Annualised return over	Scheme return (%)	Benchmark return (%)
1 year	0.6	2.8
3 years	7.0	4.3
5 years	9.5	6.3

Source: Bank of New York Mellon

AA PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2016

The principal economic factors which have affected the benchmarks against which performance is compared were as follows:

- Economic momentum slowed globally over the year to March 2016, with the US suffering from a fall in confidence and business activity, weaker Chinese economic growth and global trade failing to grow.
- However, Eurozone economic growth steadily improved as the weaker euro boosted exports, but Japan's economy experienced two (non-consecutive) quarters of recession over the year.
- Over the year, the MSCI All Country World Index returned -4.9% in local currency terms and -1.2% in sterling terms as sterling weakened broadly in the second half of the period over Brexit fears. The US was the only region to provide a positive return over the period.
- Despite the UK experiencing sturdy economic growth, the UK equity market returned -3.9% over the period. The market's sizeable resource component exposed the market to falling commodity prices.
- UK gilt yields fell over the twelve months to March 2016, with yields at some maturities falling to record lows.
- UK property returns were strong, with the IPD Monthly Index rising 11.7% over the period. Whilst this is still a strong return, momentum in UK property returns is slowing.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about the investments are given in the notes to the financial statements.

AA PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.


Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Signed for and on behalf of the Trustee:

Trustee Director:

Trustee Director:

Date:


4/10/16

AA PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE

Independent auditors' report to the Trustee of the AA Pension Scheme

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2016, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3A of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

What we have audited

AA Pension Scheme's financial statements comprise:

- the statement of net assets available for benefits as at 31 March 2016;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

AA PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE

What an audit of financial statements involves

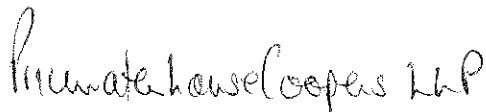
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 4/10/16

AA PENSION SCHEME

FUND ACCOUNT For the year ended 31 March 2016

	Note	For the year ended 31 March 2016 £000	For the year ended 31 March 2015 £000
Employee contributions	3	1,776	1,209
Employer contributions	4	28,105	20,202
Total Contributions		29,881	21,411
Other income		2	1
		29,883	21,412
Benefits	5	(46,345)	(42,382)
Transfers to other schemes	6	(7,820)	(2,018)
Administrative expenses		(4)	(4)
		(54,169)	(44,404)
Net withdrawals from dealings with members		(24,286)	(22,992)
Returns on investments			
Investment income	7	4,231	3,431
Change in market value of investments	8	8,063	315,179
Investment management expenses	14	(1,497)	(738)
		10,797	317,872
Net (decrease)/increase in the fund during the year		(13,489)	294,880
Opening net assets		2,092,404	1,797,524
Closing net assets		2,078,915	2,092,404

The notes on pages 16 to 30 form an integral part of these financial statements.


AA PENSION SCHEME

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS As at 31 March 2016

	Note	31 March 2016 £000	31 March 2015 £000
Investment assets			
Pooled investment vehicles	9	1,809,195	1,837,380
Asset backed funding	10	236,800	237,000
Other investments	8	13	-
AVC investments	12	7,446	6,000
Cash and cash equivalents	11	13,833	3,736
Accrued investment income	8	416	379
Total investments		2,067,703	2,084,495
Current assets	17	13,095	8,269
Current liabilities	18	(1,883)	(360)
Total Net Assets Available for Benefits		2,078,915	2,092,404

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on actuarial liabilities of the Scheme on pages 6 and 7 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee and were signed on their behalf by:

Trustee Director: 

Trustee Director: 

Date: 4/10/16

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised November 2014)("the SORP").

With effect from 1 April 2014 FRS 102 and the revised SORP have been applied to the Scheme's financial statements. There was no effect on these financial statements other than additional disclosures. The Trustee has elected to adopt early the amendments to FRS 102 fair value hierarchy disclosures issued in March 2016.

2. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements. They have been adopted consistently.

2.1 Accruals concept

The financial statements have been prepared on an accruals basis.

2.2 Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

2.3 Contributions and benefits

Member contributions, including additional voluntary contributions, are accounted for as they are deducted from pay. Employer's normal contributions are accounted for in the period to which the corresponding pay relates.

Employer deficit contributions are accounted for in accordance with the agreement under which they are being paid, or in the absence of any agreement, when received.

Augmentations relate to the cost of augmenting benefits of certain retiring members, as advised by the Actuary. They are accounted for in accordance with the agreement under which they are paid. In the absence of any formal agreement they are accounted for on a receipts basis. Redundancy payments relate to enhancing the benefits of certain members. They are accounted for in accordance with the agreement under which they are paid. In the absence of any formal agreement they are accounted for on a receipts basis.

AVCs are accounted for on an accruals basis, and the resulting investments are included within the net assets statement at the value provided by the AVC providers. Where there is no value provided they are included within the net assets statement on a cash basis.

Benefits payable in respect of the Scheme year are accounted for by reference to the year to which they relate. Lump sums and annuity purchases are accounted for by reference to the later of the date of retirement or leaving the Scheme and the date the option is exercised.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

2. ACCOUNTING POLICIES (continued)

2.4 Investment income

Income arising from the underlying investments of the pooled investment vehicles, that is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

Income from pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend/ interest.

Investment income includes withholding taxes but excludes any other taxes, such as attributable tax credits, not payable wholly on behalf of the recipient. Withholding tax is accrued on the same basis as investment income. Tax on overseas dividends is accounted for on a receipts basis.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Income arising in foreign currency is translated into Sterling at the exchange rate on the date of the transaction.

2.5 Transfers to and from other schemes

Individual transfer values have been included in the accounts when received and paid at values determined by the Actuary advising the Group Trustees. They do not take account of members who have notified the Scheme of their intention to transfer. They represent the capital sums either received in respect of members from other pension schemes, or paid to other pension schemes for members who have left the Scheme.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

2. ACCOUNTING POLICIES (continued)

2.6 Valuation of investments

Investments are stated at market value.

The market value of listed securities is based on the bid price at the year end.

Pooled Investment Vehicles are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

In the case of private equity investments, these are valued by the investment managers using the International Private Equity and Venture Capital Guidelines. These are valued at the year end, or if a valuation is not available as at the year end, at the latest valuation available adjusted for known cash movements.

Fund of hedge funds, are included at the valuation provided by the independent third party administrator appointed by the Investment Manager in accordance with generally accepted principles within the hedge funds industry.

In the case of property funds included within pooled investment vehicles, these are valued by the investment managers. In the case of property fund of funds, the unit price used by the fund manager is based on the net asset valuations ("NAVs") provided by the underlying fund managers. Where the formal pricing of these funds has been frozen due to lack of liquidity within the property market, the funds have been valued at the year end NAVs provided by the underlying property managers or if not available at an estimate provided by the property fund of fund manager.

The Asset Backed Funding (ABF) has been stated at an estimated fair value. The fair value of the arrangement is based on the net present value of the cash flows expected from the arrangement, with due allowance for credit and illiquidity risk and the funding level of the Scheme. An independent valuation has been undertaken at the year end date by the Scheme Actuary.

ABF sales are in respect of receipts generated by the underlying asset and are accounted for on an accruals basis.

2.7 Investment management expenses and fee rebates

Investment management expenses and fee rebates are accounted for on an accruals basis.

2.8 Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

3. EMPLOYEE CONTRIBUTIONS

	For the year ended 31 March 2016 £000	<i>For the year ended 31 March 2015 £000</i>
Normal	1,140	1,203
Additional voluntary contributions	636	6
	1,776	1,209
	1,776	1,209

4. EMPLOYER CONTRIBUTIONS

	For the year ended 31 March 2016 £000	<i>For the year ended 31 March 2015 £000</i>
Normal	19,369	19,868
Additional	5,940	-
Augmentations	2,796	334
	28,105	20,202
	28,105	20,202

The employer additional contributions shown above represents a lump sum regarding further service underpin.

5. BENEFITS

	For the year ended 31 March 2016 £000	<i>For the year ended 31 March 2015 £000</i>
Pensions	37,797	34,831
Commutations and lump sum retirement benefits	7,321	6,903
Annuities	-	1
Death benefits	1,227	647
	46,345	42,382
	46,345	42,382

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

6. TRANSFERS TO OTHER SCHEMES

	For the year ended 31 March 2016 £000	<i>For the year ended 31 March 2015 £000</i>
Individual transfers to other schemes	7,820	2,018

7. INVESTMENT INCOME

	For the year ended 31 March 2016 £000	<i>For the year ended 31 March 2015 £000</i>
Income from pooled investment vehicles	3,906	3,150
Interest on cash deposits	325	281

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

8. INVESTMENTS

MOVEMENTS IN INVESTMENTS

	Value at 01/04/2015	Purchases at cost	Sales proceeds	Change in market value	Value at 31/03/2016
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,837,380	567,636	(588,868)	(6,953)	1,809,195
Asset backed funding	237,000	-	(12,856)	12,656	236,800
AVC investments	6,000	634	(1,548)	2,360	7,446
	<u>2,080,380</u>	<u>568,270</u>	<u>(603,272)</u>	<u>8,063</u>	<u>2,053,441</u>
Cash and cash equivalents	3,736				13,833
Accrued investment income	379				416
Cash in transit	-				13
	<u>2,084,495</u>				<u>2,067,703</u>

Income is received from the ABF of £12.2 million each year from 1 November 2013 for 25 years in equal monthly installments and is shown under ABF sales. This income increases annually by RPI up to a maximum of 5% per annum and income of £12.9 million has been seen in this Scheme year. Deficit contributions are only required to make up any shortfall in the income received from the ABF.

The liquidity of the investments of the Scheme varies across asset classes and according to market conditions, (for example the property portfolio is, by nature, less liquid than the equity holdings). Where investments are held in pooled vehicles, contract terms can also restrict realisation. Funds held in the ABF and with investment managers, Quellos and Keyhaven have restrictions, which represent 13.2% of the Scheme's net assets. For investments held in the alternative assets portfolio, some specialist investment managers require an initial period where new funds invested cannot be withdrawn, with liquidity thereafter being available only on specific monthly, quarterly or annual dates. Finally, private equity commitments are made at the outset for a ten or fifteen year period. A secondary market does exist for private equity investments but cannot be relied upon to provide liquidity.

There are no transaction costs in the year to 31 March 2016 (2015: £nil). Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles, the amount of indirect costs is not separately provided in the Scheme.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

9. POOLED INVESTMENT VEHICLES

	31 March 2016 £000	<i>31 March 2015 £000</i>
Equity	112,725	221,632
Bond	346,866	385,517
Property	148,366	118,310
Private equity funds	79,450	82,063
Other - Alternative	883,510	824,377
Fund of hedge funds	238,278	205,481
	<u>1,809,195</u>	<u>1,837,380</u>

10 ASSET BACKED FUNDING

	31 March 2016 £000	<i>31 March 2015 £000</i>
Asset backed funding	<u>236,800</u>	<u>237,000</u>

This facility is provided via an ABF arrangement through the Scottish Partnership and secured against the assets of AA Brand Management Limited which is the owner of all of the AA Group's intellectual property.

The ABF arrangement is valued by the Scheme Actuary. The valuation approach for the ABF involves discounting the Scheme's expected future cashflows that will arise from the ABF. The discount rate used to place a present value on payments projected to be received in the future is based on gilt yields.

11 CASH AND CASH EQUIVALENTS

	31 March 2016 £000	<i>31 March 2015 £000</i>
Sterling cash deposits	4,048	785
Money market deposits	9,785	2,951
	<u>13,833</u>	<u>3,736</u>

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

12. AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year end is shown below:

	31 March 2016 £000	<i>31 March 2015 £000</i>
Equitable Life	685	765
Prudential	6,761	5,235
	<hr/>	<hr/>
	7,446	<i>6,000</i>
	<hr/> <hr/>	<hr/> <hr/>

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

13. CONCENTRATION OF INVESTMENTS

The following investments, excluding UK Government securities, account for more than 5% of the Scheme's net assets as at 31 March 2016.

	31 March 2016		31 March 2015	
	Market value £000	%	Market value £000	%
Legal & General Over 15yr Index-Linked Gilts	261,853	12.6 %	283,154	13.5 %
Hewitt DGF2 & DLF2 Portfolio A05	-	-	238,117	11.4 %
Hewitt Main Portfolio A01	883,510	42.5 %	516,356	24.7 %
Asset Backed Funding	236,800	11.4 %	237,000	11.3 %
Aberdeen Life World Equity Fund	-	-	104,703	5.0 %

14. INVESTMENT MANAGEMENT EXPENSES

	For the year ended 31 March 2016 £000	For the year ended 31 March 2015 £000
Administration, management & custody	1,999	1,065
Investment fee rebate	(502)	(327)
	<u>1,497</u>	<u>738</u>

Fees for investment management are based upon the market values of the portfolios. Investment fee rebates are related to funds held with Aberdeen Asset and Henderson.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

15. FAIR VALUE

The fair value of finance instruments has been prepared using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e developed using market data) for the asset or liability either directly or indirectly;

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

	At 31 March 2016			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Pooled investment vehicles	-	459,590	1,349,605	1,809,195
Asset backed funding	-	-	236,800	236,800
AVC investments	-	-	7,446	7,446
Cash and cash equivalents	13,833	-	-	13,833
Accrued investment income	416	-	-	416
Cash in transit	13	-	-	13
	14,262	459,590	1,593,851	2,067,703
	14,262	459,590	1,593,851	2,067,703

	At 31 March 2015			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Pooled investment vehicles	-	607,149	1,230,231	1,837,380
Asset backed funding	-	-	237,000	237,000
AVC investments	-	-	6,000	6,000
Cash and cash equivalents	3,736	-	-	3,736
Accrued investment income	379	-	-	379
	4,115	607,149	1,473,231	2,084,495
	4,115	607,149	1,473,231	2,084,495

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

16. INVESTMENT RISK

FRS102 requires the disclosure of information in relation to certain investment risks.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy below. The Trustee manages investment risks taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by way of regular reviews of the investment portfolio.

Investment Strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the Trust deed and rules as they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Employer. The Investment strategy is set out in its Statement of Investment Principles ("SIP").

The current strategy is to hold:

- 29.5% in return seeking investments comprising UK and overseas equities, investment property, hedge funds, multi asset credit and private equity.
- 20% in UK Government gilts and index linked gilts, that move in line with the long term liabilities of the Scheme, the purpose of which is to hedge against the impact of interest rate movement and inflation on long term liabilities.
- 50% with a delegated manager who invests in return seeking investments comprising UK and overseas equities, investment property, hedge funds, various credit instruments, infrastructure and liability driven investments (LDI). The LDI investments move in line with the long term liabilities of the Scheme, the purpose of which is to hedge against the impact of interest rate movements and inflation on the long term liabilities.
- 0.5% in cash to meet pension payments.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

Credit Risk

Credit risk arising on bonds is mitigated by investing in pooled investment vehicles holding index linked gilts (£262m) and gilts (£85m), where the credit risk is minimal. The Scheme's investment in a pooled total return diversified credit fund totalling £73 million and investment with the delegated manager (HRMSL) totalling £883m, of which £118m was invested in credit assets, exposes it to indirect credit risk in relation to publicly traded bonds and privately agreed credit arrangements held in these pooled investment vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager. HRMSL carries out due diligence checks on its appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of a pooled manager. Pooled investment arrangements used by the Scheme comprise unit linked insurance contracts and authorised unit trusts.

Indirect credit risk arises in relation to underlying investments held in the credit pooled investment vehicle. This risk is mitigated by investing in a fund which is well diversified in terms of credit instrument, region, credit rating and issuer. Indirect credit risk arises in relation to exposure via HRMSL to underlying bond pooled investment vehicles. This risk is mitigated through the underlying exposures on aggregate basis being predominantly investment grade credit securities, however they may invest in debt securities which may be unrated by a recognised credit rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Risk is mitigated by holding a diverse portfolio of investments with exposure to a range of issues and issuers.

Cash is held by HRMSL within financial institutions which are at least investment grade credit rated.

There is also credit risk associated with the ABF not being able to make coupon payments as required by the terms of the ABF. This is mitigated in part by the ABF being collateralised using the Company's brand.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments (£310m) and some of those held by HRMSL are held in overseas markets via pooled investment vehicles. The Trustee has an informal target to hedge c.50% of the currency risk associated with assets held outside HRMSL. HRMSL may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions as a result of changes in currency exchange rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

Interest rate risk

The Scheme is subject to interest rate and inflation risk because some of the Scheme's investments are held in gilts (£85m) and index linked gilts (£262m) and through HRMSL pooled vehicles leveraged bonds, swaps and cash (£253m). These investments are held in order to mitigate the impact of interest rate and inflation changes on the Scheme's liabilities. If interest rates fall the value of these funds will rise to help offset some of the increase in actuarial liabilities because on an increase in the discount rate. The Scheme also has some exposure to bond pooled investment vehicles as part of its diversified return seeking growth portfolio.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which is held in pooled vehicles directly or through HRMSL as follows:-

Global Equities (£372m)
Return Seeking Bonds and Opportunistic credit (£197m)
Hedge Funds (£353m)
Infrastructure (£16m)
Private Equity (£36m)
Property and Property Debt (£232m)

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Illiquidity Risk

The Scheme is subject to illiquidity risk because some of the Scheme's investments are held in the ABF. The ABF is an unusual arrangement for a pension scheme, and the particular details of this contract are unique to the Scheme. There is no market in such contracts, and so the ABF is considered to be highly illiquid and not transferable, except under exceptional circumstances.

17. CURRENT ASSETS

	31 March 2016 £000	31 March 2015 £000
Employer contributions due	1,579	1,701
Employee contributions due	90	94
Prepayments	-	2,980
Cash balances	11,426	3,409
Sundry debtor	-	85
	<u>13,095</u>	<u>8,269</u>

All contributions due to the Scheme at the year end relate to the month of March 2016 and March 2015 and were paid in full.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

18. CURRENT LIABILITIES

	31 March 2016 £000	<i>31 March 2015 £000</i>
Unpaid benefits	589	210
Investment managers fees payable	208	150
Sundry creditors	1,086	-
	<hr/>	<hr/>
	1,883	<i>360</i>
	<hr/> <hr/>	<hr/> <hr/>

19. EMPLOYER RELATED INVESTMENTS

In accordance with the Occupational Pension Schemes (Investment Regulations 2005), there is no direct self investment in the employer of the Scheme during the year (that is, no investment in shares, loans or property of the AA or related entities). The Scheme has indirect exposure of £1.7m to the sponsor as at 31 March 2016. This amount is equivalent to 0.08% of Scheme assets.

Due to an administrative oversight, March 2016 employer deficit contributions of £1,073,331, which were due to be paid to the Scheme by 19 April 2016, were not received until 4 May 2016.

The Scheme has taken legal advice to confirm that the ABF is not an employer related investment.

20. RELATED PARTY TRANSACTIONS

During the year the employer paid £3,111,579 (2015: £2,095,744) of administrative costs including PPF levy of £814,161 (2015: £442,166) and Trustee expenses of £3,037 (2015: £2,626) which related to the operation of the Scheme.

During the year one Trustee Director, Mr P Foster, received a pension from the Scheme and contributions were paid in accordance with the Scheme Rules for seven current or former Trustee Directors who are or were active members of the Scheme; Mr P Hall, Mr S Millman, Mr C Norman, Mr O Kunc, Mr R Warner, Mr B Ryan and Mr J Stewart.

The Scheme entered into an ABF arrangement during the year ended 2014. An amount of £198 million was paid into the ABF which is underpinned by a 25 year loan note backed by royalties payable in respect of the AA's brands. Income is received from the ABF of £12.2 million each year for 25 years in equal monthly instalments increasing annually by RPI up to a maximum of 5%. The current value is £236.8m.

The Trustee is not aware of any other material related party transactions that require disclosure in the financial statements.

21. CAPITAL COMMITMENTS

At the year end, the Scheme has commitments in relation to Keyhaven of £3,245,655 (2015: £5,875,480), £482,547 (2015: £868,145) in relation to Quellos: £28,000,000 (2015: £14,904,369) in relation to Brockton Capital: £130,000,000 (2015: £23,400,000) in relation to Clearbell Capital and £nil (2015: £19,352,307) in relation to Hewitt DCS.

These commitments will be funded from cash and disinvestments from other investment funds.

AA PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

22. POST BALANCE SHEET EVENTS

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustee will keep the situation under review over the coming months, including implications for investment strategy and risk management.

AA PENSION SCHEME

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS For the year ended 31 March 2016

Independent Auditors' Statement about Contributions to the Trustee of the AA Pension Scheme

Statement about contributions

Our qualified opinion

In our opinion, the contributions except for the matter described in the basis for our qualified opinion paragraph below, the contributions required by the Schedule of Contributions for the Scheme year ended 31 March 2016 as reported in AA Pension Scheme's summary of contributions have in all material respects been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 28 November 2013.

Basis for our qualified opinion

As explained in the summary of contributions, there were deficit contributions for one month of £1,073,332 paid on 4th May which was later than 19th April as set out in the Schedule of Contributions.

What we have examined

AA Pension Scheme's summary of contributions for the Scheme year ended 31 March 2016 is set out on the following page.

Responsibilities for the statement about contributions

Our responsibilities and those of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

AA PENSION SCHEME

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS For the year ended 31 March 2016

What an examination of the Summary of Contributions involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the Schedule of Contributions and the timing of those payments.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham**

Date: *4/10/16*

AA PENSION SCHEME

Summary of contributions For the year ended 31 March 2016

Summary of Contributions payable during the Scheme year ended 31 March 2016

Contributions payable to the Scheme by the employer under the Schedule of Contributions in respect of the year ended 31 March 2016 were as follows:

Contributions payable under the Schedule in respect of the Scheme year	£'000
Employer normal contributions	19,369
Employer deficit funding	12,880
Employee normal contributions	<u>1,140</u>
	<u>33,389</u>
Reconciliation to contributions reported in the financial statements in respect of the Scheme year	
Contributions payable under the Schedule (as above)	33,389
Augmentations	2,796
Additional	5,940
Additional voluntary contributions	636
Deficit contributions from asset backed funding shown under investment sales	(12,856)
Deficit contributions from asset backed funding disinvested post year end	(1,073)
2015 deficit contributions shown under investment sales	<u>1,049</u>
Total contributions reported in the financial statements	<u><u>29,881</u></u>

Due to an administrative oversight, March 2016 employer deficit contributions of £1,073,331, which were due to be paid to the Scheme by 19th April 2016, were not received until 4th May 2016.

Signed for and on behalf of the Trustee:

Trustee Director: 

Trustee Director: 

Date: 4/10/16

AA PENSION SCHEME

ACTUARIAL CERTIFICATE

Actuarial Certificate of the Schedule of Contributions

AA Pension Scheme

Adequacy of rates of contributions

- 1 I certify that, in my opinion, the rates of the contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2013 to be met by the end of the period specified in the recovery plan dated 1 November 2013.

Adherence to statement of funding principles

- 2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 1 November 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were wound up.

Signature **DAVID ETEEN**

Date **28 November 2013**

David Eteen

Fellow of the Institute and Faculty of Actuaries

Aon Hewitt Limited

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St Albans
AL1 5HE