Registered in England and Wales: No. 10084638

RAC BOND CO PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

RAC Bond Co plc

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RAC Bond Co plc
Company information

Directors:

J Baker
T Gallico
A Levy
D Wynne (Non-Executive Director)

Company Secretary:

K Bowden

Auditor:

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
United Kingdom
B1 2HZ

Registered office:

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

Company number:

Registered in England and Wales: No. 10084638

Other information:

The Company was incorporated for the purpose of issuing bonds and on-lending the proceeds to RAC Limited, a fellow Group company, as part of the refinancing by a Whole Business Securitisation ("WBS") of the RAC Bidco Limited Group. Bonds issued by the Company are listed on the Irish Stock Exchange.

The Company is a member of the RAC Group of Companies ("the Group" or "RAC"), which includes RAC Group (Holdings) Limited and its subsidiaries, which during 2021 and 2020 included RAC Midco Limited, RAC Midco II Limited, RAC Bidco Limited, RAC Bond Co plc, RAC Limited, RAC Group Limited, RAC Motoring Services (Holdings) Limited, RAC Motoring Services, RACMS (Ireland) Limited, RAC Financial Services Limited, RAC Insurance Limited, RAC Brand Enterprises LLP, RAC Cars Limited and Risk Telematics UK Limited.

These Financial Statements are presented for the year ended 31 December 2021. Comparatives are presented for the year ended 31 December 2020.

RAC Bond Co plc

Strategic report

For the year ended 31 December 2021

The Directors present their Strategic report for the year ended 31 December 2021.

Business review

Basis of preparation

This business review is addressed to, and written for, the Members of the Company with the aim of providing a fair review of business development and performance during the financial period. In providing this review, the aim is to present a view that is both balanced and comprehensive and is consistent with the size and complexity of the business.

Principal activities

The Company was incorporated for the purpose of issuing bonds and on-lending the proceeds to RAC Limited, a fellow Group company, as part of the refinancing by a Whole Business Securitisation ("WBS") of the RAC Bidco Limited Group.

Objectives and future developments

The strategy for the Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and is disclosed in the Financial Statements of that company. There are no specific future developments expected for this Company.

Financial review

Key Performance Indicators ("KPIs")

As the Company's sole function is to act as the funding vehicle for the Group, the Directors do not consider there to be any Key Performance Indicators to report.

The Company's Executive Directors are Directors of RAC Group (Holdings) Limited, the ultimate Parent Company. A detailed performance review is included in the Consolidated Annual Report and Financial Statements of that company.

On 4 November 2021, the Company issued £345 million of Class B2 Notes with a coupon of 5.250%, with an initial period to 4 November 2027 after which interest will be charged at 4.750% per annum (see note 12 for further details). The Company has a liability to the bondholders, however the proceeds are currently held in escrow by RAC Midco Ltd until completion of the Silver Lake transaction. The funds are therefore classified as an intercompany receivable from RAC Midco Ltd, increasing the level of other receivables, current assets and net current assets recognised in the financial statements.

The movement in current assets increasing by £346,316 thousand to £354,814 thousand is due to the new bond taken out on 4 November 2021 and therefore the change in the related party receivables in relation to the debt.

Principal risks and uncertainties

Liquidity risk

The Group has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due.

For further details on liquidity risk see note 14 for risk management.

Principal risks and uncertainties (continued)

Credit risk

Management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit rating agencies such as Standard & Poor's. The Company is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits.

RAC Bond Co Plc's indirect subsidiaries include the main trading companies of the RAC Group. The Directors meet regularly to review business performance and cash flow forecasts to ensure that obligations can be met. RAC Bondco Directors meet to review performance and ensure obligations can be met.

Regulatory risk

The Group defines this risk as the risk of failure to comply with current regulatory requirements applying to the business, the risk associated with potential future changes in regulatory requirements or the risk of failing to ensure that risks to good customer outcomes are identified and mitigated. Failure to comply with relevant regulations could results in customer detriment, regulatory enforcement and/or significant brand/reputational damage to RAC.

The bonds issued by the Company are highly regulated financial instruments, subject to a number of covenants. RAC Bond Co plc retains a number of specialist advisors to ensure its ongoing compliance.

Covid -19

The Group continues to monitor its risks in light of the continuing challenges presented by Covid-19 and has been able to continue to maintain the delivery of full services to its members and partners.

The Group’s response to Covid-19 continues to be led by government guidance and to be coordinated through the formal business continuity command structure. Actions taken have included moving a large proportion of the workforce to home working, changes to working arrangements at our main operational sites and continuing to adjust our operational processes at roadside in order to protect our customers and colleagues. Home / hybrid working for a proportion of our workforce has continued into 2022.

While Covid-19 has impacted on the wider economic environment in which the Company operates, there has been no direct impact on the Company.

Brexit risk

RAC continues to monitor the impact of Brexit and will take appropriate steps to maintain RAC's competitive position. RAC is a UK focused business, with very limited trade outside of the UK’s borders and, to date, there has been no material impact on our operations.

While Brexit continues to be a risk for the wider RAC Group, with more detail available in the Consolidated Financial Statements of RAC Bidco Ltd, the impact on RAC Bondco PLC is minimal due to the nature of its operations.

RAC Bond Co plc

Strategic report (continued)

For the year ended 31 December 2021

Principal risks and uncertainties (continued)

Climate and environmental risk

The Group defines this as the risk of damaging the environment in which we operate or of climate change resulting in adverse operational or financial impacts on the business.

While the Group is aware of their environment impact and continue to monitor the impact of climate change on the business, there is no impact on the Company. More detail on the actions taken by the Group are available within the Consolidated Financial Statements of RAC Bidco Ltd.

Capital management

In managing its capital, the Company seeks to:

(i) match the expected cash inflows from its assets with the expected cash outflows from the Company's liabilities as they fall due;

(ii) maintain financial strength and satisfy the requirements of its members and regulators;

(iii) retain financial flexibility by maintaining strong liquidity; and

(iv) allocate capital efficiently to repatriate excess capital where appropriate.

Section 172(1) Statement

RAC Bond Co plc is a wholly owned subsidiary of RAC Group (Holdings) Limited and decisions on matters covered in section 172(1) of the Companies Act 2006 are made at group level. Accordingly, RAC Bond Co plc refers to the section 172(1) statement of RAC Group (Holdings) Limited, which is set out in the 2021 Annual Report and Financial Statements of RAC Group (Holdings) Limited, an electronic copy of which is available on the website www.raccorporate.co.uk. In discharging their responsibilities, in respect of the matters covered in s172(1) (a)–(f), the Directors of the company who are also Directors of RAC Group (Holdings) Limited have applied the group policies to RAC Bond Co plc by making decisions which implement the "RAC 2025" strategy on a day to day basis and ensuring operation of the risk management framework while maintaining strong stakeholder engagement.

As approved by the Board on 1 March 2022

J Baker
Director

RAC Bond Co plc

Directors' report
For the year ended 31 December 2021

The Directors present their Annual Report on the affairs of RAC Bond Co plc, together with the Audited Financial Statements for the year ended 31 December 2021.

Directors

The names of the current Directors of the Company appear on page 1. Those who have served in office during the year and up to the date of signing are as follows:

- J Baker
- T Gallico
- A Levy
- D Wynne (Non-Executive Director)

None of the Directors had any interest in the shares of the Company during the period.

Results and dividends

The Company made a profit after tax for the year ended 31 December 2021 of £1 thousand (2020: profit £1 thousand). The Company's results for the year ended 31 December 2021 are set out on page 15. The Directors do not recommend the payment of a dividend (2020: £nil).

Directors' indemnities

RAC Group (Holdings) Limited, the ultimate Parent Company has granted an indemnity to all RAC Company Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This indemnity was first granted in 2011 and 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 to the Companies Act 2006.

Going concern

The Directors have assessed the financial position and the future 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 8 and 12 respectively to the Financial Statements. The Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk are set out in note 14 to the Financial Statements.

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 in the Annual Report and Consolidated Financial Statements of RAC Bidco Limited. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

Going concern (continued)

As at 31 December 2021 the Company has net current assets of £345 million (2020: £55 thousand). This largely reflects £345 million receivable from RAC Midco Limited, a fellow Group company in respect of funds held in escrow for the Class B2 issuance.

The Directors have assessed the financial position and the prospects and future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. This assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 month period from date of issuance, including the impact of the UK leaving the EU and a consideration of the continued uncertainty as a result of the Covid-19 pandemic. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with the terms of its bank debt. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and to be able to support the financing of the group, at least 12 months from the date of this report, and so determine that it is appropriate for the 2021 Financial Statements to be prepared on a going concern basis.

Financial instruments

Details of the Company's risk management objectives, policies and exposures to risk relating to financial instruments are set out in note 14 to the Financial Statements.

Employees

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

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Group and Company and their reappointment will be proposed to the Board at the April 2022 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.

Strategic Report

The Companies Act 2006 requires the Company to prepare a Strategic Report, set out on pages 2 to 3. The Strategic Report includes information about the Company's operations and business model, financial performance throughout the year, likely future developments, key performance indicators, and principal risks.

RAC Bond Co plc

Directors' report (continued)

For the year ended 31 December 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with UK-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 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; and
- make an assessment of 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.

Events since the Statement of financial position date

Subsequent to the Statement of Financial Position date, regulatory approval in respect of the Silver Lake transaction was received with completion expected for 11 March 2022. This does not have a material impact on the Company's financial position as at 31 December 2021.

As approved by the Board on 1 March 2022

Jo Baker

J Baker
Director

RAC Bond Co plc

Independent auditor's report to the members of RAC Bond Co plc

Opinion

In our opinion the Financial Statements of RAC Bond Co plc (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Income statement;
- the Statement of financial position;
- the Statement of changes in equity;
- the Statement of cash flows;
- the Accounting policies; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards.

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 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

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

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the recoverability of the intercompany receivable, including the ability of the company to repay bond holders when due. Within this report, the key audit matter is identified as follows: • Similar level of risk
Materiality	The materiality that we used in the current year was £7.2m which represents 0.6% of the external debt of the company.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach.

RAC Bond Co plc

Independent auditor's report to the Members of RAC Bond Co plc (continued)

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.

The company is a subsidiary of the group headed by RAC Group (Holdings) Limited (the 'group') and its purpose is to secure external funding for the group, therefore the going concern of the company is closely linked to the group. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting has therefore been performed at the group level, supplemented with procedures specific to the company. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- ·Enquiring of senior management in relation to their going concern assessment including impacts of Covid-19 and Brexit, and the steps they will take in the event that economic and other factors deteriorate;

- Challenging group management's key assumptions underpinning the going concern basis of accounting, by assessing the reasonableness of significant movements in forecast cash flows, considering their consistency with other available information, historical performance of the group against previous forecasts and our understanding of the group businesses. This included assessing management's stress and scenario testing and performing 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;
- Assessing the group's operational resilience, business continuity plans, monitoring of outsourced operations, and ability to continue to serve customers, comply with regulations and maintain appropriate internal controls as this relates to ability to continue as a going concern;
- Assessing compliance with financial covenants on the listed debt and the Senior Term Facility; and
- Evaluating the appropriateness of disclosures in the 2021 financial statements relating to going concern with particular focus on Covid-19 and Brexit.

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 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

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

RAC Bond Co plc

Independent auditor's report to the Members of RAC Bond Co plc (continued)

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.

Recoverability of the intercompany receivable	
Key audit matter description	The company's principal activity is to secure external funding for the group of companies. The cash raised is distributed to the group companies through a loan to RAC Limited, a fellow subsidiary and intermediate parent company of the group of trading companies within the RAC Group (Holdings) Limited group (the "RAC trading group"). The outstanding loan obligation is included in other receivables as a significant intercompany receivable between the company and RAC Limited. This amounts to £1.2bn at 31 December 2021 (2020: £1.1bn). Management assesses expected credit losses (ECLs) at each reporting date to reflect changes in credit risk since initial recognition in line with International Financial Reporting Standards (IFRS) 9. Management relies on the same forecasts and assumptions considered in their evaluation of going concern for the RAC trading group and goodwill impairment assessment in assessing the expected credit losses on the intercompany receivable. We identified our key audit matter to be the recoverability of the intercompany receivable given the significance of the balance on the financial statements of the company and the impact of a likely impairment on the company's ability to meet its debt obligations when they fall due. Management's accounting policies are detailed in accounting policy F to the financial statements and the key sources of assessing the impairment estimate are outlined in note I of accounting policies to the financial statements. Note 10 discloses the outstanding balance as at year end.
How the scope of our audit responded to the key audit matter	We challenged the appropriateness of the net assets and future cash flow forecasts of the RAC trading group, which underpins the recoverability of the loan, by obtaining an understanding of the business drivers that influence the significant movements in the forecasts. We evaluated the historical accuracy of forecasts made by management by comparing them to actual results. Our evaluation also involved assessing whether the same forecasts and assumptions were used across the preparation of the financial statements including the evaluation of going concern for the RAC trading group and goodwill impairment assessment. We inspected Management's accounting paper and assessed the appropriateness of the expected credit loss (ECLs) methodology for the intercompany receivable in our assessment of whether the balances are credit impaired and if there was a significant increase in credit risk since initial recognition as required by IFRS 9.
Key observations	We concluded that the intercompany receivable is appropriately stated.

Independent auditor's report to the Members of RAC Bond Co plc (continued)

Our application of 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 materiality	£7.2m (2020: £6.8m)
Basis for determining materiality	When determining materiality, as the company is part of the group, we also considered that this materiality is appropriate for the consolidation of this set of financial statements into that group's results. Our determined materiality equates to 0.6% (2020: 0.6%) of the external debt balance held by the company.
Rationale for the benchmark applied	The purpose of the company is to issue bonds and on-lend to fellow companies within the group. Given the resulting capital structure of the company, we determined external debt to be the most appropriate benchmark in determining materiality.

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. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 65%).

We determined performance materiality with reference to factors such as our understanding of the entity, the entity's complexity and purpose within the group, the centralised finance function, the quality of the control environment and the low extent of material misstatements applicable to the company in previous audits.

We adopted a lower performance materiality at 65% in the prior year in light of Covid 19 remote working arrangements and the impact these may have on the control environment. We considered it appropriate to increase the performance materiality to 70% in the current year given the adoption of formalised hybrid working arrangements and normalisation of remote working.

Error reporting threshold

We agreed with the Board Risk, Audit and Compliance Committee that we would report to the Committee all audit differences in excess of £0.4m (2020: £0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board Risk, Audit and Compliance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the company and its environment, including group-wide controls, and assessing the risks of material misstatement relevant for the company. Audit work to respond to the risk of material misstatement was performed directly by the audit engagement team.

Independent auditor's report to the Members of RAC Bond Co plc (continued)

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.

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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

RAC Bond Co plc

Independent auditor's report to the Members of RAC Bond Co plc (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

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 RAC group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Board Risk, Audit and Compliance Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and IT, 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 company 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 Irish Stock Exchange Listing Rules, the Companies Act 2006 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 company's ability to operate or to avoid a material penalty. These included money laundering regulations, the Data Protection Act 2018 and the Bribery Act 2010.

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, Audit and Compliance 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; and
- 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.

RAC Bond Co plc

Independent auditor's report to the Members of RAC Bond Co plc (continued)

Report on other legal and regulatory requirements

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; and
- 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

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.

Other matters which we are required to address

Auditor tenure

Following the recommendation of the Board Risk, Audit and Compliance Committee, we were appointed by the Board of Directors on 12 October 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 December 2016 to 31 December 2021.

Consistency of the audit report with the additional report to the Board Risk, Audit and Compliance Committee

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

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.

K. J. Cooper

Kieren Cooper, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
1 March 2022

RAC Bond Co plc
Financial Statements 2021
Income statement
For the year ended 31 December 2021

	Note	2021	2020
		£000	**£000**
Revenue	**1**	53,126	57,536
Administrative income	**2**	1	1
Finance expenses	**3**	(53,126)	(57,536)
Profit before tax		**1**	**1**
Tax charge	**7**	-	-
Profit for the year		**1**	**1**

All activities relate to continuing operations.

The Company has no comprehensive income other than that included in the results above and therefore a separate Statement of comprehensive income has not been presented.

The accounting policies and notes on pages 19 to 33 are an integral part of these Financial Statements.

RAC Bond Co plc

Registered in England and Wales: No. 10084638

Financial Statements 2021 (continued)

Statement of financial position

As at 31 December 2021

	Note	2021	2020
ASSETS		**£000**	**£000**
Non-current assets			
Other receivables	**9**	898,009	1,107,194
		898,009	1,107,194
Current assets			
Other receivables	**9**	354,719	8,403
Cash and cash equivalents	**8**	95	95
		354,814	8,498
LIABILITIES			
Current liabilities			
Borrowings	**12**	(9,719)	(8,403)
Other payables	**10**	(39)	(40)
		(9,758)	(8,443)
Net current assets		**345,056**	**55**
Non-current liabilities			
Borrowings	**12**	(1,243,009)	(1,107,194)
		(1,243,009)	(1,107,194)
Net assets		**56**	**55**
EQUITY			
Ordinary share capital	**13**	50	50
Retained earnings		6	5
Total equity		**56**	**55**

The accounting policies and notes on pages 19 to 33 are an integral part of these Financial Statements.

Approved by the Board on 1 March 2022

J Baker

J Baker
Chief Financial Officer

RAC Bond Co plc
Financial Statements 2021 (continued)
Statement of changes in equity
For the year ended 31 December 2021

	Ordinary share capital	Retained earnings	Total equity
	£000	£000	£000
Balance at 1 January 2020	**50**	**4**	**54**
Profit for the year	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	-	1	1
Balance at 31 December 2020	**50**	**5**	**55**
Profit for the year	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	-	1	1
Balance at 31 December 2021	**50**	**6**	**56**

The accounting policies and notes on pages 19 to 33 are an integral part of these Financial Statements.

RAC Bond Co plc
Financial Statements 2021 (continued)
Statement of cash flows
For the year ended 31 December 2021

	Note	2021	2020
		£000	£000
Operating activities			
Profit before tax		1	1
Adjustments to reconcile profit before tax to net cash flows:			
Finance income	1	(53,126)	(57,536)
Finance expenses	3	53,126	57,536
Working capital adjustments:			
Decrease in other payables	10	(1)	(17)
Net cash flows used in operating activities		**-**	**(16)**
Investing activities			
Interest received		50,593	56,695
Net cash flows generated from investing activities		**50,593**	**56,695**
Financing activities			
Interest paid		(50,593)	(56,695)
Net cash flows used in financing activities		**(50,593)**	**(56,695)**
Net decrease in cash and cash equivalents		**-**	**(16)**
Cash and cash equivalents brought forward		95	111
Cash and cash equivalents carried forward	8	**95**	**95**

The accounting policies and notes on pages 19 to 33 are an integral part of these Financial Statements.

RAC Bond Co plc

Accounting policies

(A) Corporate information

RAC Bond Co plc is a public limited company incorporated and domiciled in the United Kingdom, registered in England & Wales which is limited by shares. The registered office is located at RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW.

Information on related party relationships of RAC Bond Co plc is provided in note 16.

The Financial Statements of RAC Bond Co plc for the year ended 31 December 2021 were approved for issue by the Board on 1 March 2022.

(B) Basis of preparation

The Financial Statements of the Company have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for goods and services. The Financial Statements of the Company have been prepared in accordance with UK-adopted international accounting standards. The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

The Financial Statements are presented in pounds sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these Financial Statements are in thousands of pounds sterling ("£000").

Application of new Standards

The following new and amended IFRSs are effective for the 2021 Financial Statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

At 31 December 2021, the Company 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:

- IFRS 3 Reference to conceptual framework [1]
- Annual improvements to IFRS standard 2018-2020 [1]
- Amendment to IAS 1 and IFRS practice statement 2 [1]
- Amendment to IFRS 4 [1]
- Amendment to IAS 12 and 8 [1]

1 Effective for annual periods commencing on or after 1 January 2022

The adoption of these Standards has not had any material impact on the disclosures or on the amounts reported in the Company's Financial Statements.

Going concern

The Directors have assessed the financial position and the future 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 8 and 12 to the 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 14 to the Financial Statements.

RAC Bond Co plc
Accounting policies (continued)

(B) Basis of preparation (continued)

Going concern (continued)

The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 month period from the Statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with terms of its borrowings.

The RAC Bidco Limited Group's and Company's business activities, together with the factors likely to affect their future development, performance and position are set out in the Strategic Report in the Annual Report and Consolidated Financial Statements of RAC Bidco Limited. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

As at 31 December 2021 the Company has net current assets of £345,056 thousand (2020: £55 thousand). This largely reflects £345 million receivable from RAC Midco Limited, a fellow Group company in respect of funds held in escrow for the Class B2 issuance.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, at least 12 months from the date of this report, and so determine that it is appropriate for the 2021 Financial Statements to be prepared on a going concern basis.

(C) Revenue recognition

Revenue

Revenue is related to interest income and is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable in accordance with IFRS 9 Financial Instruments.

Other income

Other income, including administrative income, is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(D) Borrowings

Borrowings are recognised initially at their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the Statement of financial position date.

(E) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand.

RAC Bond Co plc
Accounting policies (continued)

(F) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All financial assets are recognised initially at the fair value of consideration given plus transaction costs. After initial measurement, such financial assets are subsequently measured at the amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The resulting amortisation is included in finance income in the Income statement.

(i) Impairment of financial assets

An impairment is recognised on financial assets 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 Income statement in other operating expenses.

(G) Income taxes

Income taxes include current taxes. Income taxes are charged/credited to the Income statement except where they relate to items charged/credited directly to other comprehensive income or equity. In this instance, the income taxes are also charged/credited directly to 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.

Current income 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.

(H) 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 these shares are recognised when they have been approved by shareholders.

RAC Bond Co plc
Accounting policies (continued)

(l) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements in conformity with UK adopted international accounting standards requires the Company to make estimates and judgements using assumptions that affect items reported in the Statement of financial position, and 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. 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 Company's accounting policies

There are no critical judgements, that the Directors have made in the process of applying the Company's accounting policies on the amounts recognised in the Financial Statements.

(ii) Key sources of estimation uncertainty

There are no key assumptions concerning the future nor any other key sources of estimation uncertainty at the Statement of financial position date.

RAC Bond Co plc
Notes to the Financial Statements

1 Revenue

	2021	2020
	£000	£000
Interest receivable from related parties (note 16(a)(iii))	51,909	56,203
Other finance income (note 16(a)(iii))	1,217	1,333
	53,126	**57,536**

2 Administrative income

	2021	2020
	£000	£000
Administrative income (note 16(a)(iii))	1	1
	1	**1**

3 Finance expenses

	2021	2020
	£000	£000
Interest payable to third parties	(51,909)	(56,203)
Other finance expense	(1,217)	(1,333)
	(53,126)	**(57,536)**

4 Auditor remuneration

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

	2021	2020
	£000	£000
Audit services		
Audit of Financial Statements	25	20
Total remuneration payable to Deloitte LLP	**25**	**20**

Audit fees are borne and paid by RAC Motoring Services, a fellow Group company. Non-audit fees payable to Deloitte LLP were £nil.

5 Employee information

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

6 Directors

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

Disclosures relating to Directors' remuneration can be found in the Annual Report and Financial Statements of RAC Group (Holdings) Limited.

Fees totalling £7 thousand (2020: £7 thousand) were paid to third parties for services of the Non-Executive Director. These were recharged to RAC Limited.

7 Tax

(a) Tax charged to the Income statement

The total tax charge comprises:

	2021	2020
	£000	£000
Current tax:		
For the period	-	-
Total tax charged to the Income statement	**-**	**-**

Secondary tax legislation ensures that for companies that meet the definition of a 'securitisation company', corporation tax will be calculated by reference to the retained profit of the securitisation company required to be retained under the agreement that governs the company.

The Directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by the relevant tax legislation and that no incremental unfunded tax liabilities arose.

(b) Tax reconciliation

The charge for the period can be reconciled to the profit in the Income statement as follows:

	2021	2020
	£000	£000
Profit before tax	1	1
Tax calculated at standard UK corporation tax rate of 19% (2020: 19%)	-	-
Total tax charged to the Income statement (note 7(a))	**-**	**-**

The headline rate of UK corporation tax is currently 19%. In accordance with the Spring Budget 2021 the main rate of corporation tax will remain at 19% for the accounting periods up to and including the years ending 31 March 2023.

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 statement of financial position date.

For accounting periods ending on or after 1 April 2023 the main rate of corporation tax will increase to 25%. Therefore, deferred tax balances from the substantively enacted date of 24 May 2021 have been reflected at the increased 25% corporation tax rate they are expected to be realised or settled.

8 Cash and cash equivalents

Cash and cash equivalents at 31 December 2021 comprises £95 thousand of cash at bank and in hand (2020: £95 thousand).

9 Other receivables

	2021	2020
	£000	**£000**
Receivables from related parties (note 16(a)(i))	1,252,728	1,115,597
Total	**1,252,728**	**1,115,597**
Expected to be recoverable within one year	354,719	8,403
Expected to be recoverable in more than one year	898,009	1,107,194
Total	**1,252,728**	**1,115,597**

The balances above of £1,252,728 thousand (2020: £1,115,597 thousand) 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 2021 (2020: £nil).

10 Other payables

	2021	2020
	£000	**£000**
Amounts due to related parties (note 16(a)(ii))	39	40
Total	**39**	**40**
Expected to be payable within one year	39	40

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

11 Financial liabilities

	2021	2020
Financial liabilities at amortised cost	**£000**	**£000**
Other payables (note 10)	39	40
Borrowings (note 12)	1,252,728	1,115,597
Total financial liabilities	**1,252,767**	**1,115,637**

RAC Bond Co plc

Notes to the Financial Statements (continued)

12 Borrowings

Analysis of borrowings

	Bonds				Total
	Class A1 Notes	Class A2 Notes	Class B1 Notes	Class B2 Notes	
Interest rate	4.565%	4.870%	5.000%	5.250%	
At 31 December 2021					
Fair value (£000)	302,089	604,603	-	348,027	1,254,719
Amounts due within one year (£000)	2,089	4,603	-	3,027	9,719
Amounts due in more than one year (£000)	299,713	598,698	-	344,598	1,243,009
Book value (£000)	**301,802**	**603,301**	**-**	**347,625**	**1,252,728**
At 31 December 2020					
Fair value (£000)	302,092	604,603	211,708	-	1,118,403
Amounts due within one year (£000)	2,092	4,603	1,708	-	8,403
Amounts due in more than one year (£000)	299,499	598,398	209,297	-	1,107,194
Book value (£000)	**301,591**	**603,001**	**211,005**	**-**	**1,115,597**

In May 2016, RAC Bidco Limited Group, the Company's immediate parent undertaking, completed a Whole Business Securitisation ("WBS"). Under the WBS, the Company entered into agreements to issue listed bonds on the Irish Stock Exchange. The bonds comprise three tranches: Class A1 Notes and Class A2 Notes (together "Class A Notes"), and Class B1 Notes. £300 million of Class A1 Notes were issued at a coupon of 4.565%, and have an initial period to 6 May 2023, after which interest will be charged at 5.065% per annum. £600 million of Class A2 Notes were issued at a coupon of 4.870%, and have an initial period to 6 May 2026, after which interest will be charged at 5.370% per annum. In July 2017, £275 million of Class B1 Notes were issued at a coupon of 5.000% and have an initial period to 6 November 2022, after which interest will be charged at 4.500% per annum. On 9 November 2020, £65 million of Class B1 Notes were repurchased for a tender value of 99.50 percent of the principal amount, the remaining £210 million were repurchased at par on 30 July 2021. On 4 November 2021, the Company issued £345 million of Class B2 Notes with a coupon of 5.250%, with an initial period to 4 November 2027 after which interest will be charged at 4.750% per annum.

Interest is payable on the bonds semi-annually on 6 May and 6 November.

Fees related to the issuance of the Class A Notes of £4,500 thousand and to the Class B2 notes of £417 thousand, incurred on inception of the debt, have been capitalised and are being amortised over the life of the bonds to which they relate. As the proceeds have been on-lent to RAC Limited, a fellow Group company, these associated debt issue costs along with an additional £7,500 thousand have been charged to RAC Limited. The fees have been capitalised and will be amortised in RAC Limited over the remaining life of the bonds to which they relate, in accordance with IFRS 9 Financial Instruments.

12 Borrowings (continued)

Fees relating to the issuance of the Class B2 Notes of £402 thousand, incurred on inception of the debt, have been capitalised and will be amortised over the life of the bonds once funds are released to the Company.

The Class A Notes and Class B Notes are secured by way of first ranking security in respect of the undertakings and assets of RAC Bidco Limited and certain of its subsidiaries, including RAC Bond Co plc.

The Class A1 Notes and Class A2 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 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 Notes respectively.

13 Ordinary share capital

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

	2021	2020
	£000	**£000**
Allotted, called-up and fully paid:		
50,000 ordinary shares of £1.00 each	50	50
	50	**50**

14 Risk management

The Group operates a risk management framework, which is the collection of processes and tools that have been put in place 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 reports and the governance and oversight infrastructure.

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 statement of financial position 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 risks faced by the Company 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.

14 Risk management (continued)

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 legal 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 legal 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; and
- 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; and
- 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 Company's current borrowing facilities are disclosed in note 12.

(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.

The Company has no material foreign currency balances as at the Statement of financial position date and therefore is not exposed to movements in foreign currency exchange rates.

The Company's borrowings have fixed interest rates and therefore the Company is not exposed to fluctuations in interest rates.

Interest rate movements on trade payables, trade receivables and other financial instruments do not present a material exposure to the Statement of financial position.

(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.

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:

	2021	2020
	£000	£000
Other receivables (note 9)	1,252,728	1,115,597
Cash and cash equivalents (note 8)	95	95
	1,252,823	**1,115,692**

14 Risk management (continued)

(a) Treasury (continued)

(ii) Credit risk (continued)

Management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's.

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 Company is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits. Cash and cash equivalents throughout the periods reported on were held with institutions who are A rated. The Company's largest cash and cash equivalent counterparty is Barclays (2020: Barclays). At 31 December 2021 the balance held by this counterparty was £95 thousand (2020: £95 thousand).

(iii) Liquidity risk

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

The Group has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due. The Company maintains significant committed borrowing facilities from a range of highly rated investors to mitigate this risk further (see note 12).

The risk is measured through review of forecast liquidity each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements. The Group also monitors covenants on a regular basis to ensure there are no breaches, which would lead to an "Event of Default". There have been no breaches of covenants during the reported period.

The following table shows the Company's contractual maturity of borrowings, including estimated interest, analysed by duration:

	2021	2020
	£000	£000
Bonds		
Less than 1 month	3,645	4,537
1 to 3 months	6,937	8,634
3 months to 1 year	32,333	40,244
1 to 5 years	1,347,357	719,183
5 to 10 years	-	610,007
Total borrowings	**1,390,272**	**1,382,605**

RAC Bond Co plc
Notes to the Financial Statements (continued)

14 Risk management (continued)

(b) Strategic and operational risk

The strategy (including operational risks) for the Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and disclosed in the Annual Report and Financial Statements of that company.

(c) Capital risk management

The Company's capital structure consists of borrowings amounting to £1,245 thousand and equity of £50 thousand. The company is not subject to any externally imposed capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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 Group actively engages with external bodies to share the benefit of its expertise in supporting responses to emerging risks as well as challenging developments that could be damaging to its business and the industry as a whole.

15 Reconciliation of financial liabilities

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

	2021	2020
	£000	£000
As at 1 January	1,115,597	1,179,919
Class B1 Note Repurchase	(210,000)	(65,000)
Class B2 Note Issuance (net of debt issue costs)	344,598	-
Movement in interest accruals	1,316	(655)
Other finance expense (note 3)	1,217	1,333
At 31 December	**1,252,728**	**1,115,597**

RAC Bond Co plc

Notes to the Financial Statements (continued)

16 Related party transactions

(a) The Company had the following transactions with related parties in 2021 and 2020:

(i) Amounts due from related parties

	2021	2020
	£000	**£000**
Other Group companies - loan	907,728	1,115,597
Other Group companies - Class B2 issuance proceeds	345,000	-
	1,252,728	**1,115,597**

Amounts due from Group companies - loan represent the bond proceeds and associated interest that have been on-lent to RAC Limited, a fellow Group company. The associated fees have also been transferred to RAC Limited. Interest accrues on the bonds at the coupon rate totalling £51,909 thousand in the year to 31 December 2021 (£56,203 thousand in the period to 31 December 2020).

(ii) Amounts due to related parties

	2021	2020
	£000	**£000**
Other Group companies - current account	39	40
	39	**40**

(iii) Transactions with related parties

Transactions included within the Income statement that have taken place during the reported period are as follows:

	2021	2020
	£000	**£000**
Accrued interest receivable from group companies	51,909	56,203
Other finance income received from group companies	1,217	1,333
Administrative income	1	1
	53,127	**57,537**

Audit fees of £25 thousand (2020: £20 thousand) were borne and paid by RAC Motoring Services, a fellow Group company

(b) Key management compensation

The Executive Directors and key management of the Company are the same as for RAC Group (Holdings) Limited. Information on key management compensation may be found in the Annual Report and Financial Statements of RAC Group (Holdings) Limited. It is not practicable to determine the proportion of management compensation which are attributed to the services of the Company.

Fees totalling £7 thousand (2020: £7 thousand) were paid to third parties for services of the Non-Executive Director. These were recharged to RAC Limited.

RAC Bond Co plc

Notes to the Financial Statements (continued)

16 Related party transactions (continued)

(c) Key management interests

No key management personnel held equity stakes in the Company at 31 December 2021 (2020: nil).

At no time during the reporting period 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 Company's immediate Parent Company is RAC Bidco Limited, registered in England and Wales.

(e) Ultimate controlling entity

The ultimate controlling entity, and largest level at which UK adopted international accounting standards Financial Statements are prepared, is RAC Group (Holdings) Limited. The smallest level at which consolidated IFRS financial statements are prepared is RAC Bidco Limited. The Annual Report and Financial Statements of both companies are available on application to the Company Secretary, RAC Group (Holdings) Limited, RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom,

17 Events after the Reporting Period

Subsequent to the Statement of Financial Position date, regulatory approval in respect of the Silver Lake transaction was received with completion expected for 11 March 2022. This does not have a material impact on the Company's financial position as at 31 December 2021.