

Registered in England and Wales: No. 10084638

**RAC BOND CO PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

# 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:**

L Griffiths

### **Auditor:**

Deloitte LLP  
The Hanover Building  
Corporation Street  
Manchester  
United Kingdom  
M4 4AH

### **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 and the International 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 2023 and 2022 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 2023. Comparatives are presented for the year ended 31 December 2022.

# **RAC Bond Co plc**

## **Strategic report**

**For the year ended 31 December 2023**

The Directors present their Strategic report for the year ended 31 December 2023.

### **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 fair, 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 beyond the disclosed statutory income statement and statement of financial position.

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.

### **Principal risks and uncertainties**

#### **Strategy and Business Model**

RAC Bond Co plc, as part of the RAC Group, defines this risk as the risk of direct or indirect adverse effects on the long term sustainability of the company resulting from strategies not being optimally chosen, implemented or adapted to changing long term trends in the market, including those relating to changes in vehicle technology.

The RAC has a clear vision to be the UK's number one for driving services. The strategy that supports this vision is reviewed on a regular basis and defines the key growth drivers for the business.

The Group plans to continue to expand its overall market through further development of its Service Maintenance & Repair (SMR) products and services, to meet the broader driving needs of members. These products will be delivered through the RAC Approved Garage Network and via the RAC's growing fleet of Mobile Mechanics.

In addition, the Group plans to further accelerate the growth of the core business in order to continue to deliver consistent and sustainable EBITDA growth. Growth will also be supported by the continuing development of its digital capabilities, including the myRAC app which members can use to access a range of services at the touch of a button.

These plans will also embrace the opportunities presented by changes in the car industry, including the growth in electric, hybrid, connected and ultimately autonomous vehicles.

The profile of this risk has not materially changed during the year.

# **RAC Bond Co plc**

## **Strategic report (continued)**

**For the year ended 31 December 2023**

### **Principal risks and uncertainties (continued)**

#### **Economic Outlook**

RAC Bond Co plc, as part of the RAC Group, defines this risk as the risk of further negative macro-economic factors impacting on propensity of consumers and corporate partners to purchase breakdown and/or other RAC products and services and the risk of members not renewing their products and services and the membership base potentially shrinking due to the economic situation, as well as the risk of inflation impacting on our overall cost base. These risks could lead to a material drop in profits and cash balances.

Despite the wider economic context in 2023, the Group has continued to achieve profitable growth and the Group has also proved to be extremely resilient during both previous economic downturns and the initial economic downturn arising from COVID-19.

The Group mitigates risks arising from the macro-economic conditions by ensuring that it monitors a range of key economic indicators of member behaviour to ensure that the RAC can respond and adapt quickly to emerging trends and changing requirements of members. Ongoing reviews of the Group strategy also ensure that it remains appropriate in view of prevailing economic conditions.

The Group works closely with all partners and suppliers to manage its cost base and pricing strategy appropriately in the context of inflation. Colleague reward is reviewed annually and increases are applied to ensure that it is appropriate both in the context of inflation and the wider market and we maintain good relationships with the union.

The profile of this risk increased significantly at the beginning of 2023 with a rapidly deteriorating macro environment but has subsequently decreased mainly as a result of actions taken to reduce inflationary impacts by future-proofing key supplier arrangements and key partner contracts to reduce overall exposure.

#### **Group Debt / Servicing of Interest Payments**

This is defined as the risk associated with the debt leverage of the wider Group, including inability to repay or refinance debt at maturity and failure to service debt. This could lead to the business being unable to continue as a going concern.

The RAC is well-placed to manage this risk as it undertakes regular reviews of financing options, with contingency plans in place where appropriate. Stress-testing of scenarios is also completed to model the position and identify any issues. The Group has access to working capital and liquidity facilities which are deemed to provide access to sufficient cash to cover commitments as they fall due.

The profile of this risk has been elevated at various points during the year as difficult bond market conditions prevailed, but despite rising interest rates and market conditions, the Group has successfully undertaken a number of refinancing activities which reduce the level of borrowing and extend the average maturity of its debt.

# **RAC Bond Co plc**

## **Strategic report (continued)**

**For the year ended 31 December 2023**

### **Principal risks and uncertainties (continued)**

#### **Regulatory and Legal Compliance & Change**

RAC Bond Co plc, as part of the RAC Group, defines this risk as the risk of failure to meet legal and regulatory expectations . This could result in legal or regulatory enforcement.

To mitigate these risks, RAC has a robust training and competency scheme in operation across all areas of the business and provides regular training and briefings to its employees to ensure a compliant culture exists throughout the business. In addition, the Group has clear processes and procedures in place in order to identify and monitor any emerging risks and to ensure that controls are in place to minimise the risk of any legal/compliance failure or breach.

The Group has a number of regulatory and compliance specialists to ensure that the regulatory and legislative requirements are adhered to who monitor the specific requirements of RAC Bond Co plc. Legislative and regulatory developments are monitored and assessed so that any changes are made well in advance of their implementation.

The profile of this risk has remained broadly stable during the year.

# **RAC Bond Co plc**

## **Strategic report (continued)**

**For the year ended 31 December 2023**

### **Principal risks and uncertainties (continued)**

#### **Section 172(1) Statement**

RAC Bond Co plc is an indirect wholly owned subsidiary of RAC Group (Holdings) Limited. The Board meets as and when required to consider any material matters or group proposals which have a material impact on the Company. With regard to Section 172(1), as the purpose of the Company is to act as a funding vehicle through the issuance of bonds and on-lending the proceeds to RAC Limited, therefore the Company has limited stakeholders compared to that of its ultimate parent RAC Group (Holdings) Limited. The Company does not have any employees and its operations have a limited impact in respect of the environment or on local communities, and ESG matters are considered in the wider Group context. More details of the Group's ESG strategy can be found in the relevant pages of RAC Group (Holdings) Limited Annual Report and Financial Statements which are available at [raccorporate.co.uk](http://raccorporate.co.uk).

The Bonds issued by the Company are highly regulated financial instruments and are admitted to trading on the Euronext, Dublin or International Stock Exchange. During the year the board approved the redemption of its sub-class A1 notes and in September 2023 approved the issuance of new Class A3 Bonds. The Board engaged with existing and new investors through both face to face and digital investor meetings. The Board is aware of its regulatory obligations in respect of its listed financial instruments and has complied with all its relevant reporting and filing obligations during the year. The Board also approved the Annual Report and Financial Statements.

As a wholly owned subsidiary, the Company is aligned to the RAC Group strategy for the longer term and the Group's 2028 vision. The Company applies the same high standards of business conduct and ethics, as seen across the RAC Group, which protect the RAC's brand and its reputation and applies the Group's Code of Conduct. The Company also applies Group policies which are applicable to its operations. Further information on the Group's governance arrangements and disclosures in relation to the Group decisions and their impact on stakeholders are available in the RAC Group (Holdings) Limited S172(1) statement and Governance Report, both of which are set out in the 2023 Annual Report and Financial Statements of RAC Group (Holdings) Limited. An electronic copy of the report is available on the website [raccorporate.co.uk](http://raccorporate.co.uk).

As approved by the Board on 27 February 2024



J Baker  
Director

# **RAC Bond Co plc**

## **Directors' report**

### **For the year ended 31 December 2023**

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 2023.

#### **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 2023 of £1 thousand (2022: profit £1 thousand). The Company's results for the year ended 31 December 2023 are set out on page 16. The Directors do not recommend the payment of a dividend (2022: £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**

As at 31 December 2023 the Company has cash and cash equivalents of £49,499 thousand (2022: £95 thousand) and net current assets £50,058 thousand (2022: £57 thousand).

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



# **RAC Bond Co plc**

## **Directors' report (continued)**

**For the year ended 31 December 2023**

### **Going concern (continued)**

The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 18-month period from the Statement of financial position date. The Directors considered a range of potential trading and market-related risks, including regulatory change, roadside demand and usage change, plus mitigating actions and how these may impact on cash flow, facility headroom and the Group's ability to comply with the terms of its borrowings.

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 2023 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 (2022: nil). 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.

### **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 July 2024 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 5. 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 2023**

### **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 of the financial reporting framework 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.

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

As approved by the Board on 27 February 2024



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 2023 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 16.

The financial reporting framework that has been applied in their preparation is applicable law and 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Summary of our audit approach

<b>Key audit matters</b>	The key audit matter that we identified in the current year was the recoverability of the intercompany receivables, including the ability of the company to repay bond holders when due. Within this report, the key audit matter is identified as follows: <ul style="list-style-type: none"><li>• Similar level of risk</li></ul>
<b>Materiality</b>	The materiality that we used in the current year was £12.0m which represents 1.0% of the external debt of the company.
<b>Scoping</b>	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.
<b>Significant changes in our approach</b>	There were no significant changes in our audit 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. The group performs a single going concern assessment to reflect how the group business is managed. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- 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;
- Assessing management's stress and scenario testing including reverse stress testing;
- Evaluating whether the future forecasts and assumptions were used consistently between the group's going concern evaluation, goodwill impairment assessment and assessment of the recoverability of the intercompany debtors of the company. This included assessing the impacts of inflation and climate related risks, and the steps management will take in the event that economic and other factors deteriorate;
- Assessing compliance with financial covenants on the listed debt and the senior term facility; and
- Evaluating the appropriateness of disclosures in the financial statements relating to going concern.

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

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

# 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.

<b>Recoverability of the intercompany receivable, including the ability of the company to repay bond holders when due.</b>	
Key audit matter description	<p>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 Ltd, a fellow subsidiary and intermediate parent company of the group of trading companies within the RAC Group (Holdings) Limited group (the "RAC trading group").</p> <p>The outstanding loan obligation is included in other receivables as a significant intercompany receivable between the company and RAC Ltd. This amounts to £1.2bn at 31 December 2023 (2022: £1.1bn). The Directors assess expected credit losses (ECLs) at each reporting date to reflect changes in credit risk since initial recognition in line with a requirement of IFRS 9 Financial Instruments.</p> <p>The Directors rely 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 (ECLs) on the intercompany receivable.</p> <p>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.</p> <p>Directors' accounting policies are detailed in accounting policy in note E 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 9 discloses the outstanding balance as at year end.</p>
How the scope of our audit responded to the key audit matter	<p>We challenged the appropriateness of the 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.</p> <p>We evaluated the historical accuracy of forecasts made by directors 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.</p> <p>We inspected management's accounting paper and assessed the appropriateness of the expected credit loss 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.</p>
Key observations	Based on the work performed we concluded that recoverability of the intercompany receivable, including the ability of the company to repay bond holders when due is appropriate and the intercompany receivable are appropriately stated.

# RAC Bond Co plc

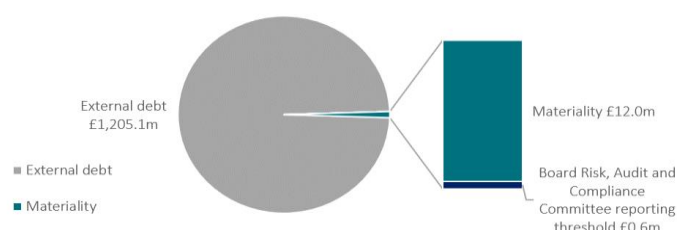
## Independent auditor's report to the Members of RAC Bond Co plc (continued)

### 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	£12.0m (2022: £12.5m)
Basis for determining materiality	Our determined materiality has been determined at 1.0% (2022: 1.0%) of the external debt balance held by the company.
Rationale for the benchmark applied	The purpose of the company is to issue bonds and lend to fellow companies within the group and 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 2023 audit (2022: 70%).

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.

### Error reporting threshold

We agreed with the Board Risk and Audit Committee that we would report to the Committee all audit differences in excess of £0.6m (2022: £0.6m), 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

#### Scoping

Our audit was scoped by obtaining an understanding of the entity 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.

#### Our consideration of the control environment

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

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

# RAC Bond Co plc

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# 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)**

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.

#### ***Identifying and assessing potential risks related to irregularities***

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

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors, internal audit, the Board Risk, Audit and Compliance Committee about their own identification and assessment of the risks of irregularities including those that are specific to the company's sector;
- 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 specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks 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 Listing Rules for the company's listed bonds, 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.

#### ***Audit response to risks identified***

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board Risk and Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; 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 and Audit 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 eight years, covering the years ending 31 December 2016 to 31 December 2023.

##### *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.



David Heaton (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom  
27 February 2024

**RAC Bond Co plc**  
**Financial Statements 2023**  
**Income statement**  
**For the year ended 31 December 2023**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
Revenue	<b>1</b>	56,937	61,995
Administrative income	<b>2</b>	1	1
Finance expenses	<b>3</b>	(56,937)	(61,995)
<b>Profit before tax</b>		<b>1</b>	<b>1</b>
Tax charge	<b>7</b>	-	-
<b>Profit for the year</b>		<b>1</b>	<b>1</b>

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 20 to 33 are an integral part of these Financial Statements.

# RAC Bond Co plc

Registered in England and Wales: No. 10084638

## Financial Statements 2023 (continued)

### Statement of financial position

As at 31 December 2023

	Note	2023 £000	2022 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other receivables	9	1,144,298	1,243,925
		1,144,298	1,243,925
<b>Current assets</b>			
Other receivables	9	12,610	9,668
Cash and cash equivalents	8	49,499	95
		62,109	9,763
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	12	(12,051)	(9,668)
Other payables	10	-	(38)
		(12,051)	(9,706)
<b>Net current assets</b>		<b>50,058</b>	<b>57</b>
<b>Non-current liabilities</b>			
Borrowings	12	(1,194,298)	(1,243,925)
		(1,194,298)	(1,243,925)
<b>Net assets</b>		<b>58</b>	<b>57</b>
<b>EQUITY</b>			
Ordinary share capital	13	50	50
Retained earnings		8	7
<b>Total equity</b>		<b>58</b>	<b>57</b>

The accounting policies and notes on pages 20 to 33 are an integral part of these Financial Statements.

Approved by the Board on 27 February 2024

J Baker  
Chief Financial Officer

**RAC Bond Co plc**  
**Financial Statements 2023 (continued)**  
**Statement of changes in equity**  
**For the year ended 31 December 2023**

	Ordinary share capital	Retained earnings	Total equity
	£000	£000	£000
<b>Balance at 1 January 2022</b>	<b>50</b>	<b>6</b>	<b>56</b>
Profit for the year	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	-	1	1
<b>Balance at 31 December 2022</b>	<b>50</b>	<b>7</b>	<b>57</b>
Profit for the year	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	-	1	1
<b>Balance at 31 December 2023</b>	<b>50</b>	<b>8</b>	<b>58</b>

The accounting policies and notes on pages 20 to 33 are an integral part of these Financial Statements.

**RAC Bond Co plc**  
**Financial Statements 2023 (continued)**  
**Statement of cash flows**  
**For the year ended 31 December 2023**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
<b>Operating activities</b>			
Profit before tax		1	1
Adjustments to reconcile profit before tax to net cash flows:			
Finance income	<b>1</b>	(56,937)	(61,995)
Finance expenses	<b>3</b>	56,937	61,995
Working capital adjustments:			
Decrease in other receivables		471	-
Decrease in other payables	<b>10</b>	(38)	(1)
<b>Net cash flows generated from operating activities</b>		<b>434</b>	<b>-</b>
<b>Investing activities</b>			
Interest received		54,182	60,541
<b>Net cash flows generated from investing activities</b>		<b>54,182</b>	<b>60,541</b>
<b>Financing activities</b>			
Net proceeds/(payment) from bond issuance		(51,030)	345,000
Net redemption/(issue) of Intercompany Bonds		100,000	(345,000)
Interest paid		(54,182)	(60,541)
<b>Net cash flows used in financing activities</b>		<b>(5,212)</b>	<b>(60,541)</b>
<b>Net increase in cash and cash equivalents</b>		<b>49,404</b>	<b>-</b>
Cash and cash equivalents brought forward		95	95
<b>Cash and cash equivalents carried forward</b>	<b>8</b>	<b>49,499</b>	<b>95</b>

The accounting policies and notes on pages 20 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 2023 were approved for issue by the Board on 27 February 2024.

### (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 and relevant for these Financial Statements. The adoption of these Standards has not had any material impact on the disclosures or on the amounts reported in the Financial Statements.

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

At 31 December 2023, 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:

- Amendment to IAS 1 and IFRS practice statement 2 <sup>1</sup>
- Amendment to IAS 8, IAS 12 and IAS 21 <sup>1</sup>

<sup>1</sup> Effective for annual periods commencing on or after 1 January 2024

#### Going concern

As at 31 December 2023 the Company has net current assets of £50,058 thousand (2022: £57 thousand).

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.

# **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 18-month period from the Statement of financial position date. The Directors considered a range of potential trading and market-related risks, including regulatory change, roadside demand and usage change, plus mitigating actions and how these may impact on cash flow, facility headroom and the Group's ability to comply with the terms of its borrowings.

The 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.

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 2023 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) 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.

# **RAC Bond Co plc**

## **Accounting policies (continued)**

### **(E) 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.

### **(F) Cash and cash equivalents**

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

### **(G) 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.



# **RAC Bond Co plc**

## **Accounting policies (continued)**

### **(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.

### **(I) 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) Key sources of estimation uncertainty**

There are no key sources of estimation uncertainty for RAC Bond Co.

#### **(ii) 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.

# RAC Bond Co plc

## Notes to the Financial Statements

### 1 Revenue

	2023	2022
	£000	£000
Interest receivable from related parties (note 16(a)(iii))	56,564	61,079
Other finance income (note 16(a)(iii))	373	916
	<b>56,937</b>	<b>61,995</b>

### 2 Administrative income

	2023	2022
	£000	£000
Administrative income (note 16(a)(iii))	1	1
	<b>1</b>	<b>1</b>

### 3 Finance expenses

	2023	2022
	£000	£000
Interest payable to third parties	(56,564)	(61,079)
Other finance expense	(373)	(916)
	<b>(56,937)</b>	<b>(61,995)</b>

### 4 Auditor remuneration

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

	2023	2022
	£000	£000
<b>Audit services</b>		
Audit of Financial Statements	31	29
<b>Total remuneration payable to Deloitte LLP</b>	<b>31</b>	<b>29</b>

Audit fees are borne and paid by RAC Motoring Services, a fellow Group company. Non-audit fees payable to Deloitte LLP were £nil (2022: £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.

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 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 (2022: £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:

	2023	2022
	£000	£000
Current tax:		
For the period	-	-
<b>Total tax charged to the Income statement</b>	<b>-</b>	<b>-</b>

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:

	2023	2022
	£000	£000
Profit before tax	1	1
Tax calculated at standard UK corporation tax rate of 19% (2022: 19%)	-	-
<b>Total tax charged to the Income statement (note 7(a))</b>	<b>-</b>	<b>-</b>

The main rate of corporation tax for companies with profits under £50,000 is 19% (2022: 19%).

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

Therefore, deferred tax balances have been reflected at the increased 19% corporation tax rate they are expected to be realised or settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 8 Cash and cash equivalents

Cash and cash equivalents at 31 December 2023 comprises £49,499 thousand of cash at bank and in hand (2022: £95 thousand).

### 9 Other receivables

	2023	2022
	£000	£000
Receivables from related parties (note 16(a)(i))	1,156,908	1,253,593
<b>Total</b>	<b>1,156,908</b>	<b>1,253,593</b>
Expected to be recoverable within one year	12,610	9,668
Expected to be recoverable in more than one year	1,144,298	1,243,925
<b>Total</b>	<b>1,156,908</b>	<b>1,253,593</b>

The balances above of £1,156,908 thousand (2022: £1,253,593 thousand) are measured at amortised cost net of any impairment losses which are based on a loss allowance for expected credit losses, which is considered to be a reasonable approximation basis of the relevant fair value. No impairment losses have been recognised in 2023 (2022: £nil).

### 10 Other payables

	2023	2022
	£000	£000
Amounts due to related parties (note 16(a)(ii))	-	38
<b>Total</b>	<b>-</b>	<b>38</b>
Expected to be payable within one year	-	38

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

	2023	2022
	£000	£000
<b>Financial liabilities at amortised cost</b>		
Other payables (note 10)	-	38
Borrowings (note 12)	1,206,349	1,253,593
<b>Total financial liabilities</b>	<b>1,206,349</b>	<b>1,253,631</b>

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 12 Borrowings

#### Analysis of borrowings

	Bonds				Total
	Class A1 Notes	Class A2 Notes	Class A3 Notes	Class B2 Notes	
Interest rate	4.565%	4.870%	8.250%	5.250%	
<b>At 31 December 2023</b>					
Fair value (£000)	-	666,499	345,473	411,644	1,423,615
Amounts due within one year (£000)	-	4,603	4,521	2,927	12,051
Amounts due in more than one year (£000)	-	599,298	250,000	345,000	1,194,298
<b>Book value (£000)</b>	<b>-</b>	<b>603,901</b>	<b>254,521</b>	<b>347,927</b>	<b>1,206,349</b>
<b>At 31 December 2022</b>					
Fair value (£000)	306,246	692,913	-	427,940	1,254,668
Amounts due within one year (£000)	2,138	4,603	-	2,927	9,668
Amounts due in more than one year (£000)	299,927	598,998	-	345,000	1,243,925
<b>Book value (£000)</b>	<b>302,065</b>	<b>603,601</b>	<b>-</b>	<b>347,927</b>	<b>1,253,593</b>

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. £300 million of Class A1 Notes were issued at a coupon of 4.565%, and had an initial period to 6 May 2023, after which interest would be charged at 5.065% per annum. The Class A1 Notes were redeemed on 9 May 2023. £600 million of Class A2 Notes were issued at a coupon of 4.870%, and have an initial period to 6 May 2026, after which interest will be charged at 5.370% per annum. On 4 November 2021, the Company issued £345 million of Class B2 Notes on the International Stock Exchange with a coupon of 5.250%, with an initial period to 4 November 2027 after which interest will be charged at 5.750% per annum. On 13 October 2023, the Company issued £250 million of Class A3 Notes with a coupon of 8.250%, with an initial period to 6 November 2028 after which interest will be charged at 8.750% per annum.

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.

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 12 Borrowings (continued)

The Class A2 Notes and Class A3 Notes (together "Class A Debt") are subject to one financial covenant, being the ratio of free cash flow to Class A Debt service charges. The Class B2 Notes 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.

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.

### 13 Ordinary share capital

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

	2023	2022
	£000	£000
<b>Allotted, called-up and fully paid:</b>		
50,000 ordinary shares of £1.00 each	50	50
	<b>50</b>	<b>50</b>

### 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.

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 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:

	2023	2022
	£000	£000
Other receivables (note 9)	1,156,908	1,253,593
Cash and cash equivalents (note 8)	49,499	95
	<b>1,206,407</b>	<b>1,253,688</b>

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 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 Deutsche Bank (2022: Barclays). At 31 December 2023 the balance held by this counterparty was £49,409 thousand (2022: £95 thousand).

Receivables are subject to impairment using the expected credit loss model. IFRS 9 is applied in using the simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for receivables. To assess expected credit losses, specific counterparty considerations are taken into account, as well as macro-economic factors. The company has not seen a significant increase in credit risk for the amounts due from related parties since its initial recognition.

#### (iii) Liquidity risk

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

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 Treasury department to determine whether there are sufficient credit facilities to meet forecast requirements. The Company 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:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Bonds</b>		
Less than 1 month	5,760	3,645
1 to 3 months	11,043	6,937
3 months to 1 year	51,065	23,328
1 to 5 years	1,347,001	1,313,447
5 to 10 years	-	-
<b>Total borrowings</b>	<b>1,414,869</b>	<b>1,347,357</b>



# 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 £1,206 million and equity of £58 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:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
As at 1 January	1,253,593	1,252,728
Class A1 Note Repurchase	(300,000)	-
Class A3 Note Issuance	250,000	-
Movement in interest accruals	2,384	(51)
Other finance expense (note 3)	373	916
<b>At 31 December</b>	<b>1,206,349</b>	<b>1,253,593</b>

# 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 2023 and 2022:**

(i) Amounts due from related parties

	2023	2022
	£000	£000
Other Group companies - loan	1,156,908	1,253,593
	<b>1,156,908</b>	<b>1,253,593</b>

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 £56,564 thousand in the year to 31 December 2023 (2022: £61,079 thousand).

(ii) Amounts due to related parties

	2023	2022
	£000	£000
Other Group companies - current account	-	38
	<b>-</b>	<b>38</b>

(iii) Transactions with related parties

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

	2023	2022
	£000	£000
Accrued interest receivable from group companies	56,564	61,079
Other finance income received from group companies	373	916
Administrative income	1	1
	<b>56,938</b>	<b>61,996</b>

Audit fees of £31 thousand (2022: £29 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 (2022: £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 2023 (2022: 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, WS5 4AW.