

Registered in England and Wales: No. 10084638

**RAC BOND CO PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

# 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:**

C Jones

### **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 2022 and 2021 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 2022. Comparatives are presented for the year ended 31 December 2021.

# **RAC Bond Co plc**

## **Strategic report**

**For the year ended 31 December 2022**

The Directors present their Strategic report for the year ended 31 December 2022.

### **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**

#### **Liquidity risk**

The Company has set its 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.

# **RAC Bond Co plc**

## **Strategic report (continued)**

**For the year ended 31 December 2022**

### **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.

#### **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 result 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.

# RAC Bond Co plc

## Strategic report (continued)

For the year ended 31 December 2022

### Principal risks and uncertainties (continued)

#### Climate and environmental risk

The Group defines climate risk as the potential adverse impact of 'Transitional' and 'Physical' climate change risks on RAC's strategy, financial targets, business model and/or, operations/sites. Environmental risk is defined as the risk of RAC damaging the environment in which it operates.

The Group mitigates climate risk through the regular assessment of the material risks to the business presented by climate change. The Group continues to develop its ESG Strategy which is overseen by the Group ESG committee and plans to put in place a decarbonisation plan with associated strategy, targets and timelines during 2023. The Group also continues to implement and embed regulatory requirements in relation to climate change risk management, namely the Taskforce for Climate Related Financial Disclosures ("TCFD") requirements and the PRA 'Financial risks from climate change' requirements.

As a motoring organisation we are also aware of our environmental impact, with roadside operations being our highest contributor to carbon emissions. We have attained ISO14001 accreditation across the whole of our operation and use a risk management process to identify and address environmental issues resulting from our business.

#### 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 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 issue of bonds and on-lending the proceeds to RAC Limited, 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. During the year, the Board approved the annual report and accounts, the appointment of two directors, and the appointment of a Company's secretary. As a wholly owned subsidiary, the Company is aligned to the RAC Group strategy for the longer term and the Group's 2027 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. 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 2022 Annual Report and Financial Statements of RAC Group (Holdings) Limited. An electronic copy of which is available on the website [www.raccorporate.co.uk](http://www.raccorporate.co.uk).

As approved by the Board on 2 March 2023

  
J Baker  
Director

# **RAC Bond Co plc**

## **Directors' report**

### **For the year ended 31 December 2022**

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 2022.

#### **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 2022 of £1 thousand (2021: profit £1 thousand). The Company's results for the year ended 31 December 2022 are set out on page 15. The Directors do not recommend the payment of a dividend (2021: £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 2022 the Company has net current assets of £57 thousand (2021: net current assets of £345 million).

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.

# **RAC Bond Co plc**

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

**For the year ended 31 December 2022**

### **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 2022 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 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**

The appointment of the auditor for the year ending 31 December 2023, will be proposed to the Board at the July 2023 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 2022**

### **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 2 March 2023



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 2022 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, 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 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 receivable, 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 £7.2m which represents 0.6% 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. 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.
- 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

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 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").</p> <p>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 2022 (2021: £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 IFRS9 Financial Instruments.</p> <p>Directors rely on the same forecasts and assumptions considered in their evaluation of going concern for the RAC trading group 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 and the impact of the impairment on the company's ability to meet its debt obligations when they fall due.</p> <p>Directors' accounting policies are detailed in accounting policy in note 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.</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 underpin 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 reviewed Management's accounting paper and assessed the appropriateness of the expected credit loss methodology for the intercompany receivable against the requirements of IFRS 9 and whether there was a significant increase in credit risk since initial recognition.</p>
Key observations	We concluded that the intercompany receivable is appropriately stated.

# RAC Bond Co plc

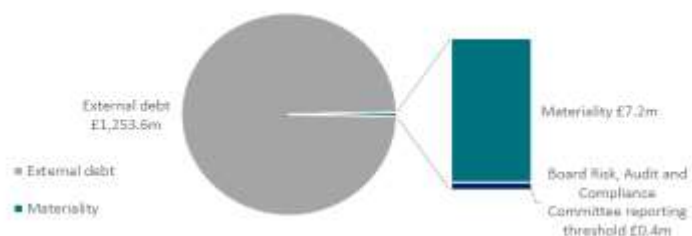
## Independent auditor's report to the Members of RAC Bond Co plc (continued)

### 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	£7.2m (2021: £7.2m)
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% (2021: 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 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 2022 audit (2021: 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, Audit and Compliance Committee that we would report to the Committee all audit differences in excess of £0.4m (2021: £0.4m), 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 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.

#### Our consideration of the control environment

We have not taken reliance over automated IT controls in the current year which is consistent with the prior year. With the involvement of our IT specialist, we obtained an understanding of the general IT controls but we did not take a controls reliance approach. We also performed an understanding of relevant business process and relevant controls that address the risk of material misstatement in financial reporting.

# RAC Bond Co plc

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

### *Our consideration of climate-related risks*

As part of our audit, we have considered the impact of climate change on the group's operations and its impact on their financial statements. The group continues to implement and embed regulatory requirements in relation to climate change risk management, namely the Taskforce for Climate Related Financial Disclosures ('TCFD') and BEIS requirements including the Prudential Risk Authority (PRA) 'Financial risks from climate change' requirements. The group has voluntarily adopted many of the recommendations as detailed on pages 6 of the strategic report.

Our audit work involved challenging the risks identified and considered in the group climate risk assessment. We have read the disclosures in relation to climate change made in the other information within the annual report and ascertained whether the disclosures are materially consistent with the financial statements and our knowledge from our audit. We did not identify any material inconsistencies as a result of these procedures.

### **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 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
- 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, 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 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 the Irish Stock Exchange Plc (Euronext Dublin) 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.

#### ***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*

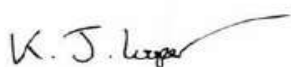
Following the recommendation of the Board Risk, Audit and Compliance Committee, we were appointed by the Board of Directors on 12 October 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 31 December 2016 to 31 December 2022.

##### *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



Kieren Cooper, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, UK

2 March 2023



**RAC Bond Co plc**  
**Financial Statements 2022**  
**Income statement**  
**For the year ended 31 December 2022**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
Revenue	<b>1</b>	61,995	53,126
Administrative income	<b>2</b>	1	1
Finance expenses	<b>3</b>	(61,995)	(53,126)
<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 19 to 33 are an integral part of these Financial Statements.

# RAC Bond Co plc

Registered in England and Wales: No. 10084638

## Financial Statements 2022 (continued)

### Statement of financial position

As at 31 December 2022

	Note	2022 £000	2021 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other receivables	9	1,243,925	898,009
		<u>1,243,925</u>	<u>898,009</u>
<b>Current assets</b>			
Other receivables	9	9,668	354,719
Cash and cash equivalents	8	95	95
		<u>9,763</u>	<u>354,814</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	12	(9,668)	(9,719)
Other payables	10	(38)	(39)
		<u>(9,706)</u>	<u>(9,758)</u>
<b>Net current assets</b>		<u>57</u>	<u>345,056</u>
<b>Non-current liabilities</b>			
Borrowings	12	(1,243,925)	(1,243,009)
		<u>(1,243,925)</u>	<u>(1,243,009)</u>
<b>Net assets</b>		<u>57</u>	<u>56</u>
<b>EQUITY</b>			
Ordinary share capital	13	50	50
Retained earnings		7	6
<b>Total equity</b>		<u>57</u>	<u>56</u>

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

Approved by the Board on 2 March 2023



J Baker  
Chief Financial Officer

**RAC Bond Co plc**  
**Financial Statements 2022 (continued)**  
**Statement of changes in equity**  
**For the year ended 31 December 2022**

	Ordinary share capital	Retained earnings	Total equity
	£000	£000	£000
<b>Balance at 1 January 2021</b>	<b>50</b>	<b>5</b>	<b>55</b>
Profit for the year	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	-	1	1
<b>Balance at 31 December 2021</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>

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

**RAC Bond Co plc**  
**Financial Statements 2022 (continued)**  
**Statement of cash flows**  
**For the year ended 31 December 2022**

	<b>Note</b>	<b>2022</b>	<b>2021</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>	(61,995)	(53,126)
Finance expenses	<b>3</b>	61,995	53,126
Working capital adjustments:			
Decrease in other payables	<b>10</b>	(1)	(1)
<b>Net cash flows used in operating activities</b>		<b>-</b>	<b>-</b>
<b>Investing activities</b>			
Interest received		60,541	50,593
<b>Net cash flows generated from investing activities</b>		<b>60,541</b>	<b>50,593</b>
<b>Financing activities</b>			
Proceeds from bond issuance	<b>12</b>	345,000	-
Issue of Intercompany Bonds notes	<b>12</b>	(345,000)	-
Interest paid		(60,541)	50,593
<b>Net cash flows used in financing activities</b>		<b>(60,541)</b>	<b>50,593</b>
<b>Net decrease in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents brought forward		95	95
<b>Cash and cash equivalents carried forward</b>	<b>8</b>	<b>95</b>	<b>95</b>

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 2022 were approved for issue by the Board on 2 March 2023.

### (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 2022 Financial Statements.

- Amendments to IAS 16, IFRS 3, IAS 37 and Annual Improvements to IFRS Standards 2018-2020

At 31 December 2022, 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 17 and Amendments to IFRS 17 <sup>1</sup>
- Amendments to IAS 1 and IFRS Practice Statement 2 <sup>1</sup>
- Amendment to IAS 12 and 8 <sup>1</sup>
- Amendment to IFRS 16 <sup>2</sup>

<sup>1</sup> Effective for annual periods commencing on or after 1 January 2023

<sup>2</sup> Effective for annual periods commencing on or after 1 January 2024

#### Going concern

As at 31 December 2022 the Company has net current assets of £57 thousand (2021: net current assets of £345 million).

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 2022 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.

# **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.



# **RAC Bond Co plc**

## **Accounting policies (continued)**

### **(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) 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

	2022	2021
	£000	£000
Interest receivable from related parties (note 16(a)(iii))	61,079	51,909
Other finance income (note 16(a)(iii))	916	1,217
	<b>61,995</b>	<b>53,126</b>

### 2 Administrative income

	2022	2021
	£000	£000
Administrative income (note 16(a)(iii))	1	1
	<b>1</b>	<b>1</b>

### 3 Finance expenses

	2022	2021
	£000	£000
Interest payable to third parties	(61,079)	(51,909)
Other finance expense	(916)	(1,217)
	<b>(61,995)</b>	<b>(53,126)</b>

### 4 Auditor remuneration

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

	2022	2021
	£000	£000
<b>Audit services</b>		
Audit of Financial Statements	29	25
<b>Total remuneration payable to Deloitte LLP</b>	<b>29</b>	<b>25</b>

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.

# 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 (2021: £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:

	2022	2021
	£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:

	2022	2021
	£000	£000
Profit before tax	1	1
Tax calculated at standard UK corporation tax rate of 19% (2021: 19%)	-	-
<b>Total tax charged to the Income statement (note 7(a))</b>	<b>-</b>	<b>-</b>

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.

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 8 Cash and cash equivalents

Cash and cash equivalents at 31 December 2022 comprises £95 thousand of cash at bank and in hand (2021: £95 thousand).

### 9 Other receivables

	2022	2021
	£000	£000
Receivables from related parties (note 16(a)(i))	1,253,593	1,252,728
<b>Total</b>	<b>1,253,593</b>	<b>1,252,728</b>
Expected to be recoverable within one year	9,668	354,719
Expected to be recoverable in more than one year	1,243,925	898,009
<b>Total</b>	<b>1,253,593</b>	<b>1,252,728</b>

The balances above of £1,253,593 thousand (2021: £1,252,728 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 2022 (2021: £nil).

### 10 Other payables

	2022	2021
	£000	£000
Amounts due to related parties (note 16(a)(ii))	38	39
<b>Total</b>	<b>38</b>	<b>39</b>
Expected to be payable within one year	38	39

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

	2022	2021
	£000	£000
<b>Financial liabilities at amortised cost</b>		
Other payables (note 10)	38	39
Borrowings (note 12)	1,253,593	1,252,728
<b>Total financial liabilities</b>	<b>1,253,631</b>	<b>1,252,767</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 B2 Notes	
Interest rate	4.565%	4.870%	5.250%	
<b>At 31 December 2022</b>				
Fair value (£000)	302,138	604,603	347,927	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>347,927</b>	<b>1,253,593</b>
<b>At 31 December 2021</b>				
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
<b>Book value (£000)</b>	<b>301,802</b>	<b>603,301</b>	<b>347,625</b>	<b>1,252,728</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. 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.

# RAC Bond Co plc

## Notes to the Financial Statements (continued)

### 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:

	2022	2021
	£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:

	2022	2021
	£000	£000
Other receivables (note 9)	1,253,593	1,252,728
Cash and cash equivalents (note 8)	95	95
	<b>1,253,688</b>	<b>1,252,823</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 Barclays (2021: Barclays). At 31 December 2022 the balance held by this counterparty was £95 thousand (2021: £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 Treasurer 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>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Bonds</b>		
Less than 1 month	3,645	3,645
1 to 3 months	6,937	6,937
3 months to 1 year	23,328	32,333
1 to 5 years	1,313,447	1,347,357
5 to 10 years	-	-
<b>Total borrowings</b>	<b>1,347,357</b>	<b>1,390,272</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 £1,245 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:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
As at 1 January	1,252,728	1,115,597
Class B1 Note Repurchase	-	(210,000)
Class B2 Note Issuance (net of debt issue costs)	-	344,598
Movement in interest accruals	(51)	1,316
Other finance expense (note 3)	916	1,217
<b>At 31 December</b>	<b>1,253,593</b>	<b>1,252,728</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 2022 and 2021:

##### (i) Amounts due from related parties

	2022	2021
	£000	£000
Other Group companies - loan	1,253,593	907,728
Other Group companies - Class B2 issuance proceeds	-	345,000
	<b>1,253,593</b>	<b>1,252,728</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 £61,079 thousand in the year to 31 December 2022 (£51,909 thousand in the period to 31 December 2021).

##### (ii) Amounts due to related parties

	2022	2021
	£000	£000
Other Group companies - current account	38	39
	<b>38</b>	<b>39</b>

##### (iii) Transactions with related parties

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

	2022	2021
	£000	£000
Accrued interest receivable from group companies	61,079	51,909
Other finance income received from group companies	916	1,217
Administrative income	1	1
	<b>61,996</b>	<b>53,127</b>

Audit fees of £29 thousand (2021: £25 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 (2021: £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 2022 (2021: 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,