

AA BOND CO LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2022

Registered FC number: FC031455

Registered Company number 112992

AA BOND CO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2022

The directors present their annual report and audited financial statements of AA Bond Co Limited ("the Company") for the year ended 31 January 2022.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of AA Intermediate Co Limited.

The principal activity of the Company is that of a financing company. The Class A2, A6, A7, A8 and B3 Notes issued in previous years and £270,000k of Class A9 Notes issued in the current year (see note 11) are listed on the Irish Stock Exchange. £372,249k of the outstanding Class A5 Notes and £569,762k of Class B2 Notes were redeemed during the current year.

Despite the uncertain financial market following the impact of Covid 19 in the prior year, the Company remains in a resilient position to continue to perform its primary activity and management have assessed that this will continue to be the case.

During the current year, the Company issued £270,000k of Class A9 Notes, repaid £372,249k of Class A5 Notes and refinanced the £569,762k outstanding Class B2 Notes. The issue of the Class A9 Notes was not a modification of any existing debt and the associated issue fees were capitalised. Included in finance costs are £1,311k write-off of unamortised issue fees associated with the Class A5 Notes and a £2,389k write-off of unamortised issue fees associated with the Class B2 Notes.

The Company incurred interest on borrowings of £116,959k (2021: £129,185k) in the year to 31 January 2022 and amortisation of issue fees of £8,835k (2021: £9,437k). This was offset by interest receivable from a fellow subsidiary undertaking of £129,499k (2021: £158,518k). Management deem these figures to be the key performance indicators of the Company. Transaction fees of £37,887k associated to the debt financing arrangements have been included within administrative expenses (2021: £nil).

There are currently no plans to alter the principal activity of the Company going forward and the Company expects to continue to be a financing company.

The directors have had regard to the matters set out in Article 74 (1) when performing their duty under section 74 of the Companies (Jersey) Law 1991. The Company is part of the AA Limited group (the Group), the ultimate parent of which is Basing ConsortiumCo Limited during the 2022 financial year. Decisions, policies and procedures that may affect stakeholders were implemented at an AA Limited group level during the year and the Directors oversee the application of these to the Company. For details of how this is accomplished within the AA Limited group, refer to page 46-47 of AA Limited's Annual Report and to whose governance the Company is subject.

RISK MANAGEMENT FRAMEWORK

The Company is part of the AA Limited group. The Board of Basing Topco Limited, the AA investment company controlled by Warburg Pincus and TowerBrook Capital Partners, whose ultimate parent undertaking is Basing ConsortiumCo Limited, is responsible for determining the level of risk that the AA is prepared to take, or that it is willing to accept, in order to achieve its strategic objectives. The levels of risk are articulated through a series of risk appetite statements, and we monitor ourselves closely against the statements through our risk governance and our risk management framework. These controls are monitored by the Risk, Compliance and Internal Audit functions to ensure they are working effectively.

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DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2022

RISK MANAGEMENT FRAMEWORK (continued)

The AA's risk management framework aims to ensure that:

- risks are made visible
- risks are discussed and understood
- risks are owned and managed
- appropriate action is taken
- risks are used for opportunities
- we learn from our risk-taking

The risk management framework is comprised of the five pillars set out below.

Risk culture and governance	The processes and structures to demonstrate that effective risk management, oversight and assurance is being undertaken for all key risks faced by the AA.
Strategy and objectives	The process to ensure that risk is considered as part of strategy and objectives, including the direction it sets for taking, avoiding and considering opportunity from risk.
Risk identification and prioritisation	A set of key risk categories to identify where the AA has, or is likely to have, material risk exposures and the activities we perform to prioritise our actions
Risk management and controls	A set of processes to review and assess the risk and control environment. Risks are assessed on an inherent (no controls), residual (with controls) and target basis to help senior management understand and manage their risk exposures. The AA will be undertaking a comprehensive review of its controls in 2022 as part of its continuous improvement of the risk management framework.
Risk reporting and communication	The information and reporting in place to support senior management in discharging their risk management accountabilities effectively and to help them make informed, risk-based decisions.

The principal risks and uncertainties facing the Company are considered to be:

Financial Risk/Debt Leverage Risk

This is the risk that the Group is unable to manage its debt or that the Company is unable to repay or refinance its debt at an acceptable price.

The Group's senior management oversees the management of financial risks, supported by the Group Treasury function. The Group Treasury function ensures that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

We have sufficient recurring cash flows which support the current capital structure, and which will enable us to reduce leverage over the long term in line with our stated strategy. During the year, the Company issued £270,000k of Class A9 Notes, repaid £372,249k of Class A5 Notes and refinanced the £569,762k outstanding Class B2 Notes. The Group will continue to seek to refinance its maturities within good time of their scheduled maturities, including the refinancing of £250,000k of A6 notes which are due to mature in July 2023.

AA BOND CO LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 JANUARY 2022

RISK MANAGEMENT FRAMEWORK (continued)

Financial Risk/Debt Leverage Risk (continued)

The viability and financial success of the Company is tied to the viability and financial success of the Group. For more detail see the AA Limited group's Financial Review on pages 27-30 of its Annual Report.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk in relation to the intercompany balance due from a fellow subsidiary undertaking. The AA Limited group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

The external debt is subject to covenants compliance which are discussed in note 11.

The above principal risks of the Company are considered to be aligned to those of the Group given the performance as a non-trading holding Company is dependent on that of the Group.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were as follows:

M Neville	
H Whitaker	
T O Mackay	(appointed 15 November 2021)
K Dangerfield	(resigned 12 November 2021)

COMPANY SECRETARY

Ogier Global Company Secretary (Jersey) Limited	(appointed 1 August 2021)
Mourant secretaries (Jersey) Limited	(resigned 31 July 2021)

DIVIDENDS

The Company has not paid a dividend in the year (2021: £nil) and the directors do not propose the payment of a final dividend (2021: £nil).

INDEPENDENT AUDITORS

Pursuant to Article 113 (5) of the Companies (Jersey) Law 1991, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

GOING CONCERN

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activity and review of the business" and "Risk management framework" sections on pages 1 to 3.

The Company has adequate financial resources due to the Company's own net current asset position. AA Bond Co Limited is a wholly owned subsidiary of the AA Limited group, hence the going concern status of the Company is linked to the wider AA Limited group.

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DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 JANUARY 2022

GOING CONCERN (continued)

As a result, the Company directors have reviewed projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In July 2021, the AA Limited group completed a highly successful refinancing of its outstanding A5 notes, issuing £270,000k of A9 notes at a coupon of 3.25% with a 7x oversubscribed order book. The AA Limited group will continue to seek to refinance its maturities within good time of their scheduled maturities, including the refinancing of £250,000k of A6 notes which are due to mature on 31 July 2023. It is expected that market conditions in the coming months will be more challenging than in the past with significant macroeconomic concerns around interest rates and inflation as well as substantial geopolitical risk. However, despite these concerns, the AA Limited group still expects to be able to access markets at a suitable time and refinance its debt at affordable prices.

The Company directors have confirmed with the AA Limited group directors these points along with the projected cash flows, for a period of at least one year from the date of approval of these financial statements and have concluded that they have confidence that the AA Limited group will have sufficient funds to continue trading during this period and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 71 of the AA Limited group's Annual Report. For the AA Limited group's longer-term viability, it remains a key assumption of its directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. However, as noted above, the refinancing of the Class A6 Notes, due on 31 July 2023, is not committed at the date of issue of these financial statements. In the event the refinancing is not successful, the Company would not be able to continue as a going concern. This has been reviewed by the directors of the Company in the context of its status as a subsidiary of the AA Intermediate Co Limited group. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern for a period in excess of a year from the date of issue of these financial statements.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Jersey law and United Kingdom Accounting Standards, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records that 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 (Jersey) Law, 1991.

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DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

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.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and 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 Company's auditors are aware of that information.

DIRECTORS' INDEMNITY

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors and officers. The Company has also granted indemnities to its directors and officers against all losses and liabilities incurred in the discharge of their duties, to the extent permitted by law. This is a qualifying third-party indemnity provision and was in force throughout the financial year and at the date of approval of the financial statements.

ON BEHALF OF THE BOARD



M NEVILLE
DIRECTOR
24 May 2022

Registered Office: 3rd, Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG

Independent auditors' report to the members of AA Bond Co Limited

Report on the audit of the financial statements

Opinion

In our opinion, AA Bond Co Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 January 2022; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is a subsidiary of AA Intermediate Co Limited and forms part of the corresponding debt security group for which the refinancing of the Class A6 Notes, due on 31 July 2023, is not committed at the date of issue of these financial statements. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We checked the consistency of the cash flows for the next 12 months used in the going concern assessment with trading performance of the wider Group over the last financial year and in the period since. We obtained and tested the directors' sensitivity calculations based on these cash flows. We challenged the cash flows these sensitivity calculations were based on and agreed with the directors' conclusion. We found the key cash flow assumptions to be consistent with recent trading experience.
- We have undertaken procedures to ensure the Company is part of the AA Intermediate Co Limited debt security group.

AA BOND CO LIMITED

- We have obtained management's going concern assessment for the Company.
- We vouched the cash on hand and available facilities in the directors' going concern assessment to our year end audit work and gave due consideration to the Company's loan note maturity dates.
- We read the going concern disclosure in note 1 and the disclosures in the Directors' Report and validated they accurately describe the directors' considerations in this area.

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

Our audit approach

Context

AA Bond Co Limited is a financing company which holds loan notes which are listed on the Irish Stock Exchange.

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

- Material uncertainty related to going concern
- Recoverability of amounts owed by group undertakings (£3,196m, 2021: £3,425m) (Note 9)
- Recognition, measurement and disclosure of financial liabilities (£2,156m, 2021: £2,821m) (Note 11 and Note 2.2)

Materiality

- Overall materiality: £31.96m (2021: £37.0m) based on 1% of total assets.
- Performance materiality: £23.9m (2021: £27.8m).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Covid -19, which was a key audit matter last year, is no longer included because of the reduced risk of material misstatement of the financial statements as a consequence of COVID-19. Otherwise, the key audit matters below are consistent with last year.

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Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of amounts owed by group undertakings (£3,196m, 2021: £3,425m) (Note 9)</i></p> <p>This represents a key audit matter due to the size of the intercompany receivables balance and the complexity of the intercompany arrangements within the AA Limited group. There is a risk that the counterparty may be unable to repay the balance, resulting in an inability to service the listed debt.</p>	<p>We have agreed the carrying amount to the audited AA Limited group intercompany reconciliation and have confirmed that the balance has been recorded as a liability in the trial balance of the counterparty. We tested the recoverability of this balance by confirming the net current asset position of the counterparty to evaluate the likelihood of default. The counterparty's ability to settle the balance is itself dependent on amounts owed to the counterparty by other AA group companies and we have therefore performed a similar assessment of recoverability on those balances. We challenged management's assessment that the Expected Credit Loss on receivables, which are not immediately recoverable is immaterial. We checked the consistency of the cash flows for the wider Group over the last financial year and in the period since. Based on the work performed above, we are satisfied with the recoverability of the carrying value of amounts owed by group undertakings.</p>
<p><i>Recognition, measurement, and disclosure of financial liabilities (£2,156m, 2021: £2,821m) (Note 11 and Note 2.2)</i></p> <p>This represents a key audit matter because the balance is significant within the AA Bond Co Limited financial statements, and the purpose of the Company is to hold and issue the listed debt. Furthermore, in March 2021, the Company refinanced the B2 Notes held and, in July 2021, refinanced the A5 Notes held. The accounting related to extinguishment or modification involves a level of judgement.</p>	<p>We focused our testing on the completeness and valuation of the liability at year end. We have recalculated the valuation at amortised cost. We obtained third party confirmation of the total outstanding loan principal as at 31 January 2022, and the fair value at that date. We considered the accounting applied for the issuance of the Class B3 Notes and redemption of the Class B2 Notes in March 2021 and the issuance of the Class A9 Notes and the redemption of the Class A5 Notes in July 2021. We considered the refinancing transactions of the B2 Notes and A5 Notes to meet the definition of an "extinguishment" under IFRS 9 and, as such, the remaining unamortised debt issue costs for these Notes were expensed immediately. Costs directly associated with the issuance of the B3 and A9 Notes were capitalised and are being amortised over the life of the loan note. In addition to assessing the Company's compliance with IFRS 9, we reviewed the financial statement disclosures and were satisfied with the nature and extent of the disclosures provided. We found no material misstatements from our testing.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

We scope the audit, based on materiality, by financial statement line item. As there are no branches or other locations no scoping by location is required.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

AA BOND CO LIMITED

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£31.96m (2021: £37.0m).
<i>How we determined it</i>	1% of total assets (2021: 1% of total assets)
<i>Rationale for benchmark applied</i>	The Company is a financing company and issues loan notes on behalf of the AA Limited group. All interest costs are recharged to another group company, therefore we believe that total assets is the most appropriate benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £23.90m (2021: £27.80m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £1.60m (2021: £1.85m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

AA BOND CO LIMITED

Auditors' 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 auditors' 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. 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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK, EU, and Jersey regulatory requirements and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies (Jersey) Law 1991. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase profit and the potential for management bias in accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, internal compliance, internal legal counsel and enquiries of the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud;
- Challenging significant accounting judgements for indications of management bias, specifically the accounting for the refinancing under IFRS 9;
- Designing risk filters to search for journal entries, such as those posted with unusual account combinations or posted by members of senior management with a financial reporting oversight role, and testing those journals highlighted (if any); and
- Incorporating elements of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Company, or proper 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 no exceptions to report arising from this responsibility.



Nicholas Smith
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
Southampton
24 May 2022

AA BOND CO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY

	Note	2022 £'000	Restated* 2021 £'000
OPERATING (COSTS)/INCOME			
Administrative expenses	4	(37,887)	(297)
Other income	5	37,887	297
Release from intercompany loan	11	28,896	-
Forgiveness of intercompany loan	11	(28,896)	-
Finance income	6	129,499	158,518
Finance costs	7	(129,494)	(158,513)
OPERATING PROFIT AND PROFIT BEFORE TAX		5	5
Income tax expense	6	(1)	(1)
PROFIT FOR THE FINANCIAL YEAR		4	4

There is no income and expenditure other than that passing through the income statement, therefore no separate statement of comprehensive income is presented.

The accompanying notes are an integral part of this income statement.

*2021 finance income and costs have been restated to be presented within operating profit.

AA BOND CO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY

	Note	2022 £'000	2021 £'000
NON-CURRENT ASSETS			
Trade and other receivables	9	2,156,432	2,182,989
CURRENT ASSETS			
Trade and other receivables	9	1,039,483	1,241,877
Proceeds of Class B3 Notes issuance held in escrow	11	-	280,000
		<u>1,039,483</u>	<u>1,521,877</u>
TOTAL ASSETS		<u>3,195,915</u>	<u>3,704,866</u>
CURRENT LIABILITIES			
Trade and other payables	10	(1,039,445)	(884,303)
Current tax payable		(2)	(1)
Borrowings	11	-	(637,541)
		<u>(1,039,447)</u>	<u>(1,521,845)</u>
NON-CURRENT LIABILITIES			
Borrowings	11	(2,156,432)	(2,182,989)
TOTAL LIABILITIES		<u>(3,195,879)</u>	<u>(3,704,834)</u>
NET ASSETS		<u>36</u>	<u>32</u>
EQUITY			
Called up share capital	12	-	-
Retained earnings		36	32
TOTAL EQUITY		<u>36</u>	<u>32</u>

These financial statements were approved by the board of directors and signed on its behalf by:



M NEVILLE
DIRECTOR

24 MAY 2022

AA Bond Co Limited

Registered number:112992

The accompanying notes are an integral part of this statement of financial position.

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STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 February 2020	-	28	28
Profit for the financial year	-	4	4
At 31 January 2021	-	32	32
Profit for the financial year	-	4	4
At 31 January 2022	-	36	36

The accompanying notes are an integral part of this statement of changes in equity.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

1 PRESENTATION OF FINANCIAL STATEMENTS

AA Bond Co Limited is a public company, incorporated and domiciled in Jersey.

The financial statements are prepared in Sterling and are rounded to the nearest £1,000.

Going concern

The Company's business activities, future developments and its exposure to financial risks are described in the "Principal activity and review of the business" and "Risk management framework" sections on pages 1 to 3.

The Company has adequate financial resources due to the Company's own net current asset position. AA Bond Co Limited is a wholly owned subsidiary of the AA Limited group, hence the going concern status of the Company is linked to the wider AA Limited group. As a result, the Company directors have reviewed projected cash flows of the AA Limited group for a period of at least one year from the date of signing of these financial statements and have concluded, with the AA Limited directors, that the Company has sufficient funds to continue trading during this period and the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In July 2021, the AA Limited group completed a highly successful refinancing of its outstanding A5 notes, issuing £270,000k of A9 notes at a coupon of 3.25% with a 7x oversubscribed order book. The AA Limited group will continue to seek to refinance its maturities within good time of their scheduled maturities, including the refinancing of £250,000k of A6 notes which are due to mature on 31 July 2023. It is expected that market conditions in the coming months will be more challenging than in the past with significant macroeconomic concerns around interest rates and inflation as well as substantial geopolitical risk. However, despite these concerns, the AA Limited group still expects to be able to access markets at a suitable time and refinance its debt at affordable prices.

The Company directors have confirmed with the AA Limited group directors these points along with the projected cash flows, for a period of at least one year from the date of approval of these financial statements and have concluded that they have confidence that the AA Limited group will have sufficient funds to continue trading during this period and will be able to secure financing so as to be able to continue to meet its liabilities as they fall due. For more detail see page 71 of the AA Limited group's Annual Report. For the AA Limited group's longer-term viability, it remains a key assumption of its directors that the AA Limited group continues to have ready access to public debt markets to enable its borrowings to be refinanced in due course. However, as noted above, the refinancing of the Class A6 Notes, due on 31 July 2023, is not committed at the date of issue of these financial statements. In the event the refinancing is not successful, the Company would not be able to continue as a going concern. This has been reviewed by the directors of the Company in the context of its status as a subsidiary of the AA Intermediate Co Limited group. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern for a period in excess of a year from the date of issue of these financial statements.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

2 ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and Companies (Jersey) Law 1991. The financial statements are prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- IAS 1 paragraphs 10(d) and 10(f),
- IAS 1 paragraph 16 (statement of compliance with all IFRS),
- IAS 1 paragraph 38A (requirement for minimum of two primary statements, including cash flow statements),
- IAS 1 paragraph 111 (cash flow statement information),
- IAS 1 paragraphs 134-136 (capital management disclosures),
- IAS 7 'Statement of cash flows',
- IAS 8 paragraphs 30 and 31 (new accounting standards that have been issued but are not yet effective),
- The requirements in IAS 24, 'Related party disclosures' to disclose all related party transactions entered into between two or more members of a group,
- IAS 24 'Related party disclosures' (key management compensation),

New standards, amendments and IFRIS IC interpretations

The Company did not identify any new accounting standards coming into effect in the current year with a material impact on the financial statements. A number of new accounting standards, amendments and interpretations have been issued and will be effective for years beginning after 1 February 2022, however the Company has not identified any with an expected material effect on the financial statements.

2.2 Critical accounting estimates and judgements

Management have exercised judgement in applying the Company's accounting policies. The principle judgements involving a higher degree of judgement and complexity, where the assumptions are significant to the financial statements, relate to how refinancing transactions are accounted for under IFRS 9 (see notes 7 and 11). There were no critical accounting estimates in preparing these financial statements.

The assessment of credit loss allowances for intercompany receivables requires judgement to assess the collectability of intercompany balances.

2.3 Significant accounting policies

a) Taxation

Tax on the profit or loss for the year comprises current tax. 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.

b) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. They are classified according to the substance of the contractual arrangements entered into. The Company recognises loss allowances for expected credit losses (ECLs) on relevant financial assets.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

2 ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

b) Financial assets and financial liabilities (continued)

Trade and other receivables and trade and other payables

Trade and other receivables due within one year or after more than one year which are subject to an Issuer/Borrower Loan Agreement (IBLA) are therefore subject to the same terms as the Company's Borrowings. Trade and other receivables due within one year which are not subject to an IBLA are not interest bearing and are recognised initially at fair value and are subsequently held at amortised cost.

Trade and other payables due within one year are not interest bearing and are recognised initially at fair value and are subsequently held at amortised cost.

Borrowings

Borrowings are initially recognised in the statement of financial position at fair value less transaction costs incurred directly in connection with the issue of the instrument and are subsequently held at amortised cost. Finance costs in respect of the instruments, including premiums and discounts on issue, are capitalised at inception and charged to the income statement over the term of the instrument using the effective interest method. Remaining issue costs on debt are written off to the income statement when the debt is extinguished.

An exchange with an existing lender of debt instruments with substantially different terms, or a substantial modification of the terms of an existing financial liability or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

c) Finance income

Interest receivable relates to interest received from a fellow subsidiary undertaking under the IBLA which permits the Company to recharge its expenses.

d) Finance costs

Finance costs comprise interest payable and amortisation of debt issue fees.

3 AUDITORS' REMUNERATION

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2022 amounted to £32k (2021: £23k). In addition, fees for non-audit services provided by the Company's auditors were £130k (2021: £469k), relating to audit-related assurance services.

4 ADMINISTRATIVE EXPENSES

	2022	2021
	£'000	£'000
Transaction fees related to debt financing arrangements	37,632	-
Other administrative expenses	255	297
	37,887	297

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

5 OTHER INCOME

	2022	2021
	£'000	£'000
Administrative expenses recharged to AA Senior Co Limited	37,887	297
	<u>37,887</u>	<u>297</u>

6 FINANCE INCOME

	2022	2021
	£'000	£'000
Interest receivable from fellow subsidiary undertakings	129,499	158,518
	<u>129,499</u>	<u>158,518</u>

7 FINANCE COSTS

	2022	2021
	£'000	£'000
Interest on external borrowings	116,959	129,185
Amortisation of debt issue fees	8,835	9,437
Debt repayment premium	-	6,338
Debt issue fees immediately written off following repayment of borrowings	-	4,462
Unamortised debt issue fees written off following repayment of borrowings	3,700	9,091
Total finance costs	<u>129,494</u>	<u>158,513</u>

During the year, the Company issued £270,000k of Class A9 Notes, repaid £372,249k of Class A5 Notes and refinanced the £569,762k outstanding Class B2 Notes (see note 11). The issue of the Class A9 Notes was not a modification of any existing debt and the associated issue fees were capitalised.

Included in finance costs are £1,311k write-off of unamortised issue fees associated with the Class A5 Notes and a £2,389k write-off of unamortised issue fees associated with the Class B2 Notes.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

8 INCOME TAX EXPENSE

The major components of the income tax expense are:

	2022 £'000	2021 £'000
Current tax:		
- Current income tax charge	1	1
Total income tax expense	1	1

Reconciliation of income tax expense to profit before tax multiplied by UK's corporation tax rate:

	2022 £'000	2021 £'000
Profit before tax	5	5
Profit before tax at rate of 19.0% (2021: 19.0%)	1	1
Income tax expense reported in the income statement	1	1

The Company is incorporated in Jersey but not resident in Jersey as its business is centrally managed and controlled in the UK. It is therefore tax resident in the UK. The March 2021 budget announced that the main corporation tax rate will increase from 19.0% to 25.0% in April 2023.

9 TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Amounts receivable after one year		
Amounts owed by group undertakings	2,156,432	2,182,989
	2,156,432	2,182,989

The Company has entered into a number of Issuer/Borrower Loan Agreements (IBLAs) with AA Senior Co Limited. As a result of these agreements, the proceeds from the loan notes issued by the Company were loaned to AA Senior Co Limited. The terms of these intercompany loans reflect the terms and costs of the loan notes held by the Company. The element of the amounts owed by group undertakings which relate to the IBLAs are per the borrowings note, see note 11.

	2022 £'000	2021 £'000
Amounts receivable within one year		
Prepayment	11	-
Amounts owed by group undertakings	1,039,472	1,241,877
	1,039,483	1,241,877

Amounts owed by group undertakings within one year are unsecured, have no repayment terms and bear no interest

10 TRADE AND OTHER PAYABLES

	2022 £'000	2021 £'000
Amounts owed to group undertakings	1,039,384	874,655
Accruals	47	9,648
Other taxation and social security	14	-
	1,039,445	884,303

Amounts owed to group undertakings are unsecured, have no repayment terms and bear no interest.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

11 BORROWINGS

	Expected maturity date	Interest rate	Principal £'000	Issue costs £'000	Amortised issue costs £'000	Total at 31 January 2022 £'000	Total at 31 January 2021 £'000
Class A2 Notes	31 July 2025	6.27%	500,000	(819)	602	499,783	499,721
Class A5 Notes	31 January 2022	2.88%	-	-	-	-	367,050
Class A6 Notes	31 July 2023	2.75%	250,000	(3,774)	2,838	249,064	248,438
Class A7 Notes	31 July 2024	4.88%	550,000	(8,140)	4,775	546,635	545,288
Class A8 Notes	31 July 2027	5.50%	325,000	(3,114)	828	322,714	322,299
Class A9 Notes	31 July 2028	3.25%	270,000	(3,677)	278	266,601	-
Class B2 Notes	31 July 2022	5.50%	-	-	-	-	567,243
Class B3 Notes	31 January 2026	6.50%	280,000	(10,467)	2,102	271,635	270,491
		5.05%	2,175,000	(29,991)	11,423	2,156,432	2,820,530

The Company's borrowings are presented in current and non-current liabilities as below:

	2022 £'000	2021 £'000
Current		
Borrowings	-	637,541
Non-current		
Borrowings	2,156,432	2,182,989
	2,156,432	2,820,530

At 31 January 2022 there are no current borrowings.

At 31 January 2021, the current borrowing of £637,541k comprised:

- £367,050k carrying value of £372,249k Class A5 Notes for which the expected maturity date was 31 January 2022
- £270,491k carrying value of £280,000k Class B3 Notes (see below)

At 31 January 2021, the £280,000k Class B3 Notes were contingent on the completion of the acquisition and as such were presented as a current liability at the year end. This matched the presentation as a current asset of the £280,000k proceeds of Class B3 Notes issuance held in escrow (see below). On 10 March 2021 these funds were released from escrow and combined with an equity contribution of £261,000k from Basing BidCo Limited in order to prepay and redeem the Class B2 Notes.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

11 BORROWINGS (continued)

The Class A5 notes were redeemed on 1 November 2021.

	2022	2021
	£'000	£'000
<hr/>		
Current assets		
Proceeds of Class B3 Notes issuance held in escrow	-	280,000
<hr/>		

At 31 January 2022, all borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 5.05% has been calculated using the interest rate and principal values on 31 January 2022.

On 29 January 2021, AA Bond Co Limited issued £280,000k of Class B3 Notes. The gross proceeds of the issuance of the Class B3 Notes were held in escrow for the benefit of the Class B3 Noteholders until the completion of the acquisition. On 10 March 2021, these funds were released from escrow and combined with an equity contribution of £261,000k from Basing BidCo Limited, the acquiring company, in order to prepay and redeem the Class B2 Notes.

In March 2021 the Company redeemed £28,896k of B2 notes from AA Limited, with whom the intercompany payable was then subsequently released resulting in a gain of £28,896k. Following this, the Company released AA Senior Co Limited from the £28,896k due to the Company under the terms of the IBLA resulting in a cost of £28,896k. As a result, all £569,762k of outstanding Class B2 Notes were redeemed as part of this refinancing and following the extinguishment, £2,389k of associated unamortised fees were written off.

In accordance with the terms of the acquisition, Basing BidCo Limited stated its intention to provide an additional £100,000k of funds to be used, together with an issue by the Company of £270,000k in new Class A9 Notes, to redeem in full the £372,249k of Class A5 Notes. On 21 July 2021, £270,000k of Class A9 Notes were issued at an interest rate of 3.25%.

£3,677k of new issue premium associated with the issue of the Class A9 Notes was capitalised. The proceeds of these notes were held in escrow until 1 November 2021 when they were released and used, along with the further equity injection of £100,000k, to redeem the £372,249k of outstanding Class A5 Notes. Following the extinguishment of the Class A5 Notes, £1,311k of associated unamortised fees were written off.

In order to show the Company net borrowings, the notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings.

All of the Class A Notes are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited and its subsidiaries. The Class A facility security over the AA Intermediate Co Limited group's assets ranks ahead of the Class B3 Notes. The Class B3 Notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. AA Mid Co Limited can only pay a dividend when certain Net Debt to Trading EBITDA and cash flow criteria are met. Any voluntary early repayments of the Class A Notes would incur a make-whole payment of all interest due to expected maturity date, except the Class A6, Class A7, Class A8, and Class A9 Notes which can be settled without penalty within, two months, three months, six months and six months respectively of the expected maturity date. The Class B3 Notes would attract a make-whole payment if they were to be redeemed before 31 January 2023, thereafter any voluntary repayment would be made at a fixed premium until 31 January 2025 after which there would be no premium to pay on redemption. All of the Company loan notes are listed on the Irish Stock Exchange.

In order to comply with the requirements of the Class A Notes, the AA Intermediate Co Limited Group is required to maintain the Class A free cash flow to debt service ratio in excess of 1.35x.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENT

11 BORROWINGS (continued)

The actual Class A free cash flow to debt service ratio as at 31 January 2022 was 3.1x (2021: 2.5x). Following redemption of the Group's Class B2 Notes on 10 March 2021, the Group no longer has to comply with any Class B free cash flow to debt service ratio requirements.

The Class A Notes only permit the release of cash providing the Senior Leverage ratio after payment is less than 5.5x and providing there is sufficient excess cash flow to cover the payment. The actual Senior Leverage ratio as at 31 January 2022 was 6.2x (2021: 6.5x). The Class B Notes restrictions only permit the release of cash providing the Fixed Charge Coverage ratio after payment is more than 2:1 and providing that the aggregate payments do not exceed 50% of the accumulated consolidated net income. The actual Fixed Charge Coverage ratio as at 31 January 2022 was 2.7x (2021: 2.4x).

The Class A and Class B Notes therefore place restrictions on the Group's ability to upstream cash from the key trading companies to pay external dividends and finance activities unconstrained by the restrictions embedded in the debts. On 20 July 2021, S&P Global Ratings reaffirmed the credit rating of the Group's Class A Notes at BBB- and the Class B2 Notes at B+.

Fair value

The Company's borrowings are financial liabilities with carrying values and the difference between the carrying values and fair values is shown below. The fair value is measured using quoted market prices in an actively traded market for identical assets or liabilities (falling under the 'Level 1' fair value category).

	2022	2021
	£'000	£'000
Loan notes		
Carrying value	2,156,432	2,820,530
Fair value measurement using quoted market prices	2,273,579	3,007,000

12 CALLED UP SHARE CAPITAL

	2022	2021
	£	£
Allotted, called up and fully paid		
2 (2021: 2) ordinary shares of £1	2	2

The Company did not pay any dividends in the year (2021: £nil).

13 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of AA Intermediate Co Limited, a company registered in England and Wales, UK.

The parent of the smallest group to consolidate these financial statements is AA Intermediate Co Limited whose registered office is Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA.

At 31 January 2022, the ultimate controlling party and parent undertaking is Basing Consortium Co Limited, whose registered office is 3rd Floor 44 Esplanade, St Helier, JE4 9WG, Jersey. Copies of the consolidated AA Limited and AA Intermediate Co Limited financial statements are available from the website www.theaacorporate.com/investors.