

**AA BOND CO LIMITED**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2023**

**Registered FC number: FC031455**

**Registered Company number 112992**

# **AA BOND CO LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 JANUARY 2023**

The directors present their annual report and audited financial statements of AA Bond Co Limited ("the Company") for the year ended 31 January 2023.

#### **PRINCIPAL ACTIVITIES 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 A and B Notes in issue are listed on the Irish Stock Exchange plc, trading as Euronext Dublin. Despite a challenging macroeconomic environment, 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 £250m of Class A10 Notes and repaid £250m of Class A6 Notes. The issue of the Class A10 Notes was not a modification of any existing debt and the associated issue fees were capitalised. Included in finance costs is a £1m write-off of unamortised issue fees associated with the Class A6 Notes.

On 6 February 2023 the Company issued £400m of Class A11 Notes at an interest rate of 8.45%. The proceeds of the issuance of the Class A11 Notes were used to redeem £308m of Class A7 Notes for a cash payment of £302m on 7 February 2023 tendered by existing note holders as part of a liability management exercise. A further £10m of Class A7 Notes were purchased from existing bond holders on 3 March 2023 and redeemed. A further £103m of Class A7 Notes were voluntarily repaid on 16 May 2023 and redeemed.

The Company incurred interest on borrowings of £115m (2022: £116m) in the year to 31 January 2023, amortisation of issue fees of £5m (2022: £9m), early repayment penalties of £1m (2022: £nil) and a write-off of unamortised issue fees associated with the Class A6 Notes of £1m (2022: £4m). This was offset by interest receivable from a fellow subsidiary undertaking of £122m (2022: £129m). Management deems these figures to be the key performance indicators of the Company.

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 year ended 31 January 2023. 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 40-41 of AA Limited's Annual Report 2023 and to whose governance the Company is subject.

#### **RISK MANAGEMENT FRAMEWORK**

The Board of AA 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. Further information about the corporate governance arrangements for the AA is set out in the Directors' Report on pages 46-51 of the AA Limited Annual Report and Accounts 2023.

# AA BOND CO LIMITED

## DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 JANUARY 2023

The AA operates a three lines of defence model to ensure that its risks and opportunities are identified, assessed, monitored and managed in line with its stated risk appetite.

The three lines of defence model can be summarised as follows:

- First line of defence: the business units that run the business, they are accountable for the day-to-day management of the AA, which includes identifying and managing their risks.
- Second line of defence: the AA's Group Risk and Compliance function, they are accountable for providing oversight, challenge and advice to the first line.
- Third line of defence: the AA's Internal Audit function, they are accountable for providing assurance to the business by performing independent reviews of the first and second lines of defence.

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.

<b>Risk culture and governance</b>	The processes and structures to demonstrate to the AA Limited Board that effective risk management, oversight and assurance is being undertaken for all key risks faced by the AA.
<b>Strategy and objectives</b>	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.
<b>Risk identification and prioritisation</b>	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.
<b>Risk management and controls</b>	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.
<b>Risk reporting and communication</b>	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.

## AA BOND CO LIMITED

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 JANUARY 2023

#### RISK MANAGEMENT FRAMEWORK (continued)

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

##### *Financial Risk*

The risk that the AA Limited Group has insufficient liquid funds required for the business to operate, is unable to refinance its maturing debt, or unable to do this at affordable cost.

The ability to finance is critical to the ongoing existence and operation of the Group. Credit rating, stakeholder management, financial market conditions and interest rates are all important factors. In particular, financing costs have increased as a result of rising interest rates as the economy sees higher levels of inflation.

Despite a challenging macroeconomic environment, the Group has completed a successful refinancing of its A6 Notes, issuing £250m of A10 Notes in FY23, as well as a partial refinancing of its £550m A7 Notes in FY24 (see the Going Concern section of this report on page 4 for more information) and continues to seek to refinance bonds well ahead of their maturity dates. The Group is highly cash generative and has good levels of available cash as well as a Working Capital Facility of £56m, of which £46m is available for cash drawings allowing it to withstand such macroeconomic challenges.

##### *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.

#### 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

#### COMPANY SECRETARY

Ogier Global Company Secretary (Jersey) Limited

#### DIVIDENDS

The Company has not paid a dividend in the year (2022: £nil) and the directors do not propose the payment of a final dividend (2022: £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.

## AA BOND CO LIMITED

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 JANUARY 2023

#### 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 ("Group"), hence the going concern status of the Company is linked to the wider Group, which provides the cash required to meet the scheduled debt interest payments and principal repayments. The Company directors have reviewed projected cash flows of the 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.

The Company continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of £129m of A7 Notes which have a maturity date of 31 July 2024. As at the date of approval of these financial statements, £421m of the original £550m A7 Notes has already been refinanced.

The Company directors have confirmed these points with the AA Limited group directors and have reviewed the projected cash flows of the AA Limited group for a period of at least one year from the date of approval of these financial statements. The Company directors have concluded, with the AA Limited directors, that they have confidence that the Company and the AA Limited group will have sufficient funds to continue trading during this period and the foreseeable future 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 50-51 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 A7 notes, due on 31 July 2024, is currently in progress at the date of issue of these financial statements (see Note 15). In the event the refinancing is not successful, the Company may not be able to continue as a going concern as the Company may not be able to meet the debt repayment. 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.

However, after making appropriate enquiries and considering the uncertainty described above, the Company's directors have, at the time of approving these financial statements, a reasonable expectation that the AA Limited group and the Company have adequate resources to continue in operational existence for the foreseeable future and, as a consequence, consider that it is appropriate to adopt the going concern basis in preparing 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**

**DIRECTORS' REPORT (continued)  
FOR THE YEAR ENDED 31 JANUARY 2023**

**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. 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  
26 MAY 2023

Registered Office: 3<sup>rd</sup> 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, the financial statements give a true and fair view of the financial position of AA Bond Co Limited (the "Company") as at 31 January 2023, and of its financial performance for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 101: "Reduced Disclosure Framework" ("FRS 101") and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### What we have audited

The Company's financial statements comprise:

- the Statement of Financial Position as at 31 January 2023;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### 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 has borrowings and forms part of the corresponding debt security group for which the refinancing of the Class A7 Notes, due on 31 July 2024, 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.

## AA BOND CO LIMITED

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

- We have obtained management's going concern assessment for the Company.
- We checked the consistency of the Board-approved 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 have performed arithmetic testing over the cash flow model to ensure that this is appropriate and have completed a lookback test to consider the previous forecasting inaccuracies for the Group. 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.
- 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 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 plc, trading as 'Euronext Dublin'.

#### 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 (£3,319m, 2022: £3,195m) (Note 9 and Note 2.2)
- Recognition, measurement and disclosure of financial liabilities (£2,160m, 2022: £2,156m) (Note 11 and Note 2.3)

Materiality

- Overall materiality: £33.19m (2022: £31.96m) based on 1% of total assets.
- Performance materiality: £24.89m (2022: £23.90m).

#### 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. In particular, we considered 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. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## AA BOND CO LIMITED

### 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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of amounts owed by group undertakings (£3,319m, 2022: £3,195m) (Note 9 and Note 2.2)</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 is unable to repay sufficient amounts to service the debt and eventually repay the overall balance over the long term or for the underlying businesses to underperform resulting in an inability to refinance the current debt facilities in advance of required repayment dates.</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. 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 (£2,160m, 2022: £2,156m) (Note 11 and Note 2.3)</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 July 2022, the entity refinanced the A6 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 2023, and we assessed the fair value of the loan balances at that date. We considered the accounting applied for the issuance of the Class A10 Notes and redemption of the Class A6 Notes in July 2022. We considered the refinancing transaction of the A6 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 A10 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>

## AA BOND CO LIMITED

### 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.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements.

### 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.

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

<i>Overall Company materiality</i>	£33.19m (2022: £31.96m).
<i>How we determined it</i>	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% (2022: approximately 75%) of overall materiality, amounting to £24.89m (2022: £23.90m) 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 £1.66m (2022: £1.60m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# AA BOND CO LIMITED

## Reporting on other information

The other information comprises all of the information in the Annual Report and Audited Financial Statements (the "Annual Report") but does not include 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, 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 United Kingdom Accounting Standards, comprising FRS 101, the requirements of Jersey law 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.

### 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 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.

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.

## AA BOND CO LIMITED

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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.

## Report on other legal and regulatory requirements

### Company Law exception reporting

Under the Companies (Jersey) Law 1991 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
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.



Nicholas Smith

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants

Southampton

26 May 2023

# AA BOND CO LIMITED

## INCOME STATEMENT

### FOR THE YEAR ENDED 31 JANUARY

	Note	2023 £m	2022 £m
<b>OPERATING (COSTS)/INCOME</b>			
Administrative expenses	4	-	(38)
Other income	5	-	38
Release from intercompany loan		-	29
Forgiveness of intercompany loan		-	(29)
Finance income	6	122	129
Finance costs	7	(122)	(129)
<b>OPERATING PROFIT AND PROFIT BEFORE TAX</b>		-	-
Income tax expense	8	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		-	-

Profit before tax for the financial year ended 31 January 2023 is £5k (2022: £5k). Profit for the financial year ended 31 January 2023 is £4k (2022: £4k).

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.

**AA BOND CO LIMITED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 JANUARY**

	Note	2023 £m	2022 £m
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	2,160	2,156
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	1,159	1,039
		<u>1,159</u>	<u>1,039</u>
<b>TOTAL ASSETS</b>		<u><b>3,319</b></u>	<u>3,195</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	(1,159)	(1,039)
		<u>(1,159)</u>	<u>(1,039)</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	11	(2,160)	(2,156)
<b>TOTAL LIABILITIES</b>		<u><b>(3,319)</b></u>	<u>(3,195)</u>
<b>NET ASSETS</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>EQUITY</b>			
Called up share capital	13	-	-
Retained earnings		<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u><u>-</u></u>	<u><u>-</u></u>

These financial statements from pages 13–24 were approved by the board of directors on 26 May 2023 and signed on its behalf by:



M NEVILLE  
DIRECTOR

26 MAY 2023

AA Bond Co Limited

Registered number: 112992

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

## AA BOND CO LIMITED

### STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Retained earnings £m	Total equity £m
At 1 February 2021	-	-	-
Profit for the financial year	-	-	-
<b>At 31 January 2022</b>	-	-	-
Profit for the financial year	-	-	-
<b>At 31 January 2023</b>	-	-	-

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

# AA BOND CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRESENTATION OF FINANCIAL STATEMENTS

AA Bond Co Limited is a public company, limited by shares, and is incorporated and domiciled in Jersey. The financial statements are prepared in Sterling and are rounded to the nearest £m.

#### 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 ("Group"), hence the going concern status of the Company is linked to the wider Group, which provides the cash required to meet the scheduled debt interest payments and principal repayments. The Company directors have reviewed projected cash flows of the 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.

The Company continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of £129m of A7 Notes which have a maturity date of 31 July 2024. As at the date of approval of these financial statements, £421m of the original £550m A7 Notes has already been refinanced.

The Company directors have confirmed these points with the AA Limited group directors and have reviewed the projected cash flows of the AA Limited group for a period of at least one year from the date of approval of these financial statements. The Company directors have concluded, with the AA Limited directors, that they have confidence that the Company and the AA Limited group will have sufficient funds to continue trading during this period and the foreseeable future 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 50-51 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 A7 notes, due on 31 July 2024, is currently in progress at the date of issue of these financial statements (see Note 15). In the event the refinancing is not successful, the Company may not be able to continue as a going concern as the Company may not be able to meet the debt repayment. 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.

However, after making appropriate enquiries and considering the uncertainty described above, the Company's directors have, at the time of approving these financial statements, a reasonable expectation that the AA Limited group and the Company have adequate resources to continue in operational existence for the foreseeable future and, as a consequence, consider that it is appropriate to adopt the going concern basis in preparing 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 STATEMENTS (continued)

### 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 IFRS 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 2023, 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 principal 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 prior 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 STATEMENTS (continued)

### 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*

Debt is initially recognised in the statement of financial position at fair value less transaction costs incurred directly in connection with the issue of the instrument. Debt issue fees in respect of the instrument, 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 2023 amounted to £32k (2022: £32k). In addition, fees for non-audit services provided by the Company's auditors were £215k (2022: £130k), relating to audit-related assurance services.

### 4 ADMINISTRATIVE EXPENSES

	2023 £m	2022 £m
Transaction fees related to debt financing arrangements	-	38
	<u>-</u>	<u>38</u>

**AA BOND CO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5 OTHER INCOME**

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Administrative expenses recharged to AA Senior Co Limited	-	38
	<b>-</b>	<b>38</b>

**6 FINANCE INCOME**

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Interest receivable from fellow subsidiary undertakings	122	129
	<b>122</b>	<b>129</b>

**7 FINANCE COSTS**

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Interest on external borrowings	115	116
Amortisation of debt issue fees	5	9
Early repayment penalties	1	-
Unamortised debt issue fees written off following repayment of borrowings	1	4
<b>Total finance costs</b>	<b>122</b>	<b>129</b>

During the year, the Company issued £250m of Class A10 Notes and repaid £250m of Class A6 Notes. The issue of the Class A10 Notes was not a modification of any existing debt and the associated issue fees were capitalised (Note 11).

The Company incurred finance costs of £1m associated with early repayment penalty following the repayment of the Class A6 Notes.

Included in finance costs is a £1m write-off of unamortised issue fees associated with the Class A6 Notes.

## AA BOND CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 8 INCOME TAX EXPENSE

The major components of the income tax expense are:

	2023 £m	2022 £m
<b>Current tax:</b>		
- Current income tax charge	-	-
<b>Total income tax expense</b>	<u>-</u>	<u>-</u>

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

	2023 £m	2022 £m
Profit before tax	<u>-</u>	<u>-</u>
Profit before tax at rate of 19.0% (2022: 19.0%)	-	-
<b>Income tax expense reported in the income statement</b>	<u>-</u>	<u>-</u>

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

	2023 £m	2022 £m
<b>Amounts receivable after one year</b>		
Amounts owed by group undertakings	<u>2,160</u>	<u>2,156</u>
	<u>2,160</u>	<u>2,156</u>

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.

	2023 £m	2022 £m
<b>Amounts receivable within one year</b>		
Amounts owed by group undertakings	<u>1,159</u>	<u>1,039</u>
	<u>1,159</u>	<u>1,039</u>

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

**AA BOND CO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10 TRADE AND OTHER PAYABLES**

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Amounts owed to group undertakings	<u><b>1,159</b></u>	<u>1,039</u>
	<u><b>1,159</b></u>	<u>1,039</u>

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

**11 BORROWINGS**

	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	Total at 31 January 2023 £m	Total at 31 January 2022 £m
Class A2 Notes	31 July 2025	6.27%	500	(1)	1	<b>500</b>	500
Class A6 Notes	31 July 2023	2.75%	-	-	-	-	249
Class A7 Notes	31 July 2024	4.88%	550	(8)	6	<b>548</b>	546
Class A8 Notes	31 July 2027	5.50%	325	(3)	1	<b>323</b>	323
Class A9 Notes	31 July 2028	3.25%	270	(4)	1	<b>267</b>	266
Class A10 Notes	31 July 2029	7.38%	250	(2)	-	<b>248</b>	-
Class B3 Notes	31 January 2026	6.50%	280	(10)	4	<b>274</b>	272
		<u><b>5.59%</b></u>	<u><b>2,175</b></u>	<u><b>(28)</b></u>	<u><b>13</b></u>	<u><b>2,160</b></u>	<u>2,156</u>

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

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
<b>Current</b>		
Borrowings	-	-
<b>Non-current</b>		
Borrowings	<b>2,160</b>	2,156
	<u><b>2,160</b></u>	<u>2,156</u>

At 31 January 2023 there are no current borrowings.

At 31 January 2023, all borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 5.59% has been calculated using the interest rate and principal values on 31 January 2023.

On 13 July 2022 AA Bond Co Limited issued £250m of Class A10 Notes at an interest rate of 7.38%. £2m of issuance fees associated with the issue of the Class A10 Notes were capitalised and will be amortised over the term of the debt up to the date of maturity. The proceeds of the issuance of the Class A10 Notes were used to redeem the Class A6 Notes. The A6 redemption was done at a make-whole premium of £1m and was completed on 14 July 2022.

## AA BOND CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 11 BORROWINGS (continued)

In order to show the Group net borrowings, the Notes and the issue costs have been offset. Issue costs are shown net of any premium on the issue of borrowings. Interest rate swaps are recognised in the statement of financial position at fair value at the period end.

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 debt covenant 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 the expected maturity date, although most classes of Notes can be settled without penalty within a period before the expected maturity date. For the Class A7 Notes this period is three months, for the Class A8 Notes, Class A9 Notes and Class A10 Notes this period is six months. Any voluntary repayment on the Class B3 Notes would be made at a fixed premium until 31 January 2025 after which there would be no premium to pay on redemption. No redemption of the Class B3 Notes occurred during the period.

All of the Group loan Notes are listed on the Irish Stock Exchange plc, trading as Euronext Dublin.

In order to comply with the requirements of the Class A Notes, the Group is required to maintain the Class A free cash flow to debt service ratio in excess of 1.35x. The actual Class A free cash flow to debt service ratio as at 31 January 2023 was 2.9x (2022: 3.1x).

The Class A Notes only permit the release of cash from the AA Intermediate Co Limited group of companies 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 2023 was 5.8x (2022: 6.2x). The Class B3 Notes restrictions only permit the release of cash providing a number of criteria are met including that 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 at 31 January 2023 was 2.6x (2022: 2.7x).

The Class A and Class B3 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 13 July 2022, S&P Global Ratings reaffirmed the credit rating of the Group's Class A Notes at BBB- and the Class B3 Notes at B+. In February 2023, further changes were made to the Group's financing profile. See note 37 for further details.

#### 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).

	2023 £m	2022 £m
<b>Loan notes</b>		
Carrying value	2,160	2,156
Fair value measurement using quoted market prices	2,022	2,274

## AA BOND CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial are other receivables.

The Company is exposed to market risk, credit risk, and liquidity risk. The Company's senior management oversees the management of these risks, supported by the Group Treasury function. The Group Treasury function ensures that the Company's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group Treasury function. It is the Company's policy not to trade in derivatives for speculative purposes.

The Directors review and agrees policies for managing each of these risks, which are summarised below.

##### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices set by the market. The key market risk that the Company is exposed to is future interest rate rises with respect to borrowings. The Company has policies and limits approved by the Board for managing the interest rate risk exposure. The Company's policy is to fully hedge all of its exposure to variable interest rates.

##### 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 its financial assets and other receivables.

The Company's maximum exposure to credit risk for the components of the statement of financial position at each reporting date is the carrying amount.

##### Liquidity risk

Liquidity risk is the risk that the Company either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Company's liquidity is managed through the IBLA agreement with AA Senior Co Limited.

#### 13 CALLED UP SHARE CAPITAL

	2023	2022
	£	£
Allotted, called up and fully paid		
2 (2022: 2) ordinary shares of £1	<u>2</u>	<u>2</u>

The Company did not pay any dividends in the year (2022: £nil). The Company did not propose a final dividend (2022: £nil).

## AA BOND CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 14 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.

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

At 31 January 2023, 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](http://www.theaacorporate.com/investors).

#### 15 EVENTS AFTER THE REPORTING PERIOD

##### A11 Loan Note issue

On 6 February 2023 the Company issued £400m of Class A11 Notes at an interest rate of 8.45%. The proceeds of the issuance of the Class A11 Notes were used to redeem £308m of Class A7 Notes for a cash payment of £302m on 7 February 2023 tendered by existing note holders as part of a liability management exercise. A further £10m of Class A7 Notes were purchased from existing bond holders on 3 March 2023 and redeemed. A further £103m of Class A7 Notes were voluntarily repaid on 16 May 2023 and redeemed.