

AA BOND CO LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2025

Registered FC number: FC031455

Registered Company number 112992

AA BOND CO LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2025

The Directors present their annual report and audited financial statements of AA Bond Co Limited ("the Company") for the year ended 31 January 2025.

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 for the AA Limited Group ("Group" or "The AA"). 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, with higher interest rates impacting the cost of refinancing, 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.

Profit for the financial year ended 31 January 2025 is £4k (2024: £4k).

On 22 May 2024 the Company issued £435m of Class A12 Notes with an interest rate of 6.85% and a maturity date of 31 July 2031. On 23 May 2024, £429m of the issue proceeds were used to settle a tender offer of Class A2 Notes.

On 31 July 2024 the outstanding £10m of A2 Notes were redeemed using the remaining £6m of A12 proceeds and existing cash held by the Group.

On 31 July 2024 the Company redeemed £155m of Class B3 Notes at a redemption price of 101.625% using cash received as part of the Stone peak investment into The AA.

On 25 October 2024 the Company redeemed a further £15m of Class B3 Notes at a redemption price of 101.625% using existing cash held.

The Company incurred finance costs of £148m (2024: £145m) consisting of interest on borrowings of £131m (2024: £136m) in the year to 31 January 2025, amortisation of issue fees of £6m (2024: £6m), early repayment penalties and debt management fees of £9m (2024: £1m) and a £2m write-off of unamortised issue fees (2024: £2m). This was offset by interest receivable from a fellow subsidiary undertaking of £148m (2024: £138m) and a gain on below par redemption of loan notes of £nil (2024: £7m). 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 ultimate parent of which is Basing Consortium Co Limited. 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 Group, refer to pages 38-40 of AA Limited's Annual Report 2025 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 43-48 of the AA Limited Annual Report and Accounts 2025.

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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 JANUARY 2025

RISK MANAGEMENT FRAMEWORK (continued)

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.

- First line of defence: the business units and support functions who 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, which is independent from operational management, and accountable for providing advisory support, oversight, and challenge to the first line of defence; and
- Third line of defence: The AA's Internal Audit function, which is accountable for providing independent assurance to the Board by performing ongoing reviews of the first and second lines of defence, as agreed with the Board Audit & Risk Committee.

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

- defined consistently;
- made visible;
- discussed and understood;
- owned and appropriate action taken to manage;
- used to identify opportunities; and
- regularly reviewed to ensure we learn from our risk-taking.

The risk management framework operated by the AA Limited group is comprised of the five pillars set out below.

Risk culture and governance	The processes and structures in place to demonstrate to the AA Limited Board that effective risk management, oversight and assurance is in place for all key risks faced by The AA.
Strategy and objectives	The process to ensure that risk assessment is an integral consideration in strategy and objective-setting, including the direction the AA Limited Board sets for taking, avoiding and considering opportunity from risk.
Risk identification and prioritisation	The process of recognising potential risks or uncertainties, evaluating their likelihood and impact, and prioritising them based on severity, urgency or impact.
Risk management and controls	A set of processes to review and assess the effectiveness of the risk and control environment. Our risk mitigation strategy is based on addressing high priority risks first.
Risk reporting and communication	The information and reporting in place to inform risk-based decision-making, and to support senior management and the Board in discharging their risk management oversight accountabilities effectively.

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

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 Group monitors the recoverability of intercompany balances to ensure that there are sufficient resources to meet each counterparty's obligation.

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DIRECTORS' REPORT (continued)
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RISK MANAGEMENT FRAMEWORK (continued)

Financial Risk

The risk that the geopolitical environment, interest rate costs, inflationary pressures and the rising cost of living has a negative impact on consumer behaviour and on our ability to service debt.

This risk could lead to unfavourable refinancing terms, a shrinking customer base and/or increased cost base all of which could adversely impact the financial performance of the company.

The AA Limited group ringfences its debt within a whole business securitisation (WBS) structure inside the AA Intermediate Co Limited group. AA Intermediate Co Limited is an indirect parent undertaking of the Company and part of the AA Limited group. The viability and financial success of the Company is therefore tied to the viability and financial success of the AA Intermediate Co Limited group.

The profile of this risk has changed through FY25 with inflation trending towards expected levels albeit with underlying inflationary pressures persisting. The Group continues to diversify its product offering and invest in innovation to adapt and respond to changing consumer behaviours. The Group has continued to work with its suppliers and third-party partners to manage its cost base and mitigate the impact of a high inflationary environment.

The Company successfully refinanced £439m of A2 notes in FY25 and due to positive Group performance, and the Stonepeak investment in the AA Group, was also able to repurchase and cancel £170m of B3 Notes in the year. 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.

DIRECTORS

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

M Neville (resigned on 29 May 2024)

M Wing (appointed on 29 May 2024)

H Whitaker

T O Mackay

COMPANY SECRETARY

Ogier Global Company Secretary (Jersey) Limited

DIVIDENDS

The Company has not paid a dividend in the year (2024: £nil) and the Directors do not propose the payment of a final dividend (2024: £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 activities 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.

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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 JANUARY 2025

GOING CONCERN (continued)

The majority of the Company's borrowings are long term in nature, and the Company continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its Class A2 Notes which had a maturity date of 31 July 2025. As at 31 January 2025, the full £500m of A2 Notes have already been redeemed, through the issue of £435m Class A12 Notes on 22 May 2024, with the remainder repaid and cancelled using available cash.

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity date of 31 January 2026. On 31 July 2024 the Company used cash received as part of the Stonepeak investment into The AA to redeem £155m of Class B3 Notes. On 25 October 2024, the Company redeemed a further £15m of Class B3 Notes. As at the reporting date, £110m of Class B3 Notes remained outstanding. The Company expects to redeem the remainder of B3 Notes ahead of maturity using cash held by the business.

The Group may only make payments against the balance of Class B3 Notes if its senior leverage ratio is below 5.5x. As at the reporting date the ratio was 5.3x allowing the Group to redeem £62m of the outstanding in B3 Notes on 14 May 2025. In the event this ratio increases above 5.5x at the next measurement date (31 July 2025), alternative financing arrangements have been secured via a committed facility with Basing TopCo Limited, an indirect parent of the Group. See Note 13 for further details. Under this arrangement the Group may borrow up to £60m for the purposes of redeeming any remaining Class B3 Notes. This cash would not be subject to the payment restrictions imposed by the senior leverage ratio. The Directors have made appropriate enquiries and are satisfied that Basing TopCo Limited, through its own committed facility with its investors, has access to sufficient liquidity to provide the funding as required.

At the statement of financial position date, the Group had £165m held under Senior Term Facilities in a fellow Group undertaking due to mature on 10 March 2026. On 19 March 2025, the Group successfully refinanced these facilities. The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. See Note 13 for details.

After the Class B3 Notes the Company has no other debt maturing until the Class A8 Notes on 31 July 2027.

For the Company's longer-term viability, it remains a key assumption of the Directors that the Company continues to have ready access to public debt markets to enable these borrowings to be refinanced at affordable rates of interest. Deleveraging the business remains a central long-term aim of the business.

The Company Directors consider the going concern period as twelve months from the date of signing these financial statements and have reviewed detailed monthly cash flow forecasts for the Group over this period. In addition, the Directors have considered and confirm there are no significant or material events that have been identified beyond the going concern period that may cast significant doubt upon the continuing use of the going concern basis. The forecasts incorporate severe but plausible downside scenarios relating to business performance and covenant thresholds. The Directors have concluded that the Company has sufficient funds to continue trading for this period and the foreseeable future without significant curtailment of operations. Therefore, the financial statements have been prepared using the going concern basis.

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.

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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 JANUARY 2025

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

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 appropriate Directors' and officers' liability insurance cover. The Company also grants indemnities to each of its Directors to the extent permitted by law. Qualifying third-party indemnity provisions were in force during the year ended 31 January 2025 and remain in force, in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company.

ON BEHALF OF THE BOARD



Michael Wing

DIRECTOR

15 MAY 2025

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 2025 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, including 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 2025; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("ISAs") and applicable law. Our responsibilities under ISAs (UK) and ISAs 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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subjective judgements, for example in respect of accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

- Recoverability of amounts owed by group undertakings
- Recognition and measurement of Borrowings

Materiality

- Overall materiality: £19.0m (2024: £34.3m) based on 1% of Total Assets.
- Performance materiality: £14.3m (2024: £25.7m).

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.

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</i></p> <p>Refer to Note 2.2 and 2.3b to the financial statements for the Directors' disclosures of the judgements and estimates, and related accounting policies respectively; and Note 7. This represents a key audit matter due to the size of the intercompany receivables balance (£1,904m) and the complexity of the intercompany arrangements within the AA Limited group. The Company is a wholly owned subsidiary of AA Intermediate Co Limited, and therefore neither a parent nor child of any other entities within the WBS group. There is a risk that the counterparty is unable to repay sufficient amounts in order to service the debt (interest), 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 obtained an understanding of the impairment process for amounts owed by Group undertakings. 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 balance sheet 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. We have therefore performed a similar assessment of recoverability on those balances and considered our wider work over the future cashflow forecasts of the Group and corresponding assumptions, and whether any contradictory evidence exists. 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 and measurement of Borrowings</i></p> <p>Refer to Note 2.2 and 2.3b to the financial statements for the Directors' disclosures of the judgements and estimates, and related accounting policies respectively; and Note 9. This represents a key audit matter because</p>	<p>We obtained an understanding of the process for the recognition and measurement of Borrowings. We focused our testing on the completeness and valuation of the liability at year end. We have recalculated the valuation at</p>

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the balance (£1,904m) 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 various stages through 2024, the entity refinanced the A2 Notes as part of issuing the A12 Notes, and partially extinguished a portion of the B3 Notes held. The accounting related to extinguishment or modification involves a level of judgement.

amortised cost. We obtained third party confirmation of the total outstanding loan principal as at 31 January 2025, and the fair value at that date. We considered the accounting applied for the issuance of the Class A12 Notes and the corresponding redemptions of the Class A2 Notes, and the repurchase of a portion of B3 notes, during the year. We considered the corresponding refinancing transactions to each meet the definition of an "extinguishment" under IFRS 9 and, as such, the remaining unamortised debt issue costs for the corresponding portion of the Notes was expensed immediately. Costs directly associated with the issuance of the A12 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.

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>	£19.0m (2024: £34.3m).
<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

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sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £14.3m (2024: £25.7m) 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 £0.95m (2024: £1.7m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- We 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 performed arithmetic testing over the cash flow model to ensure that this is appropriate and 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 undertook 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 this accurately describes the Directors' considerations in this area.

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

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.

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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.

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) and 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.

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 estimates. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit, internal compliance and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.

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- Challenging significant accounting assumptions and judgements individually and collectively for indications of management bias.
- Designing risk filters to search for journal entries, such as those posted with unusual account combinations and testing those journals highlighted (if any).
- Incorporating elements of unpredictability into the audit procedures performed.
- Reviewing the disclosures in the Annual Report against the specific legal requirements, for example within the Directors' Report.

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 in accordance with ISAs (UK) is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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 management.
- Conclude on the appropriateness of management's 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.

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- 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.

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
16 May 2025

AA BOND CO LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2025

	Note	2025 £m	2024 £m
OPERATING INCOME/(COSTS)			
Finance income	4	148	145
Finance costs	5	<u>(148)</u>	<u>(145)</u>
OPERATING PROFIT AND PROFIT BEFORE TAX		-	-
Income tax expense	6	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>-</u>	<u>-</u>

Profit before tax for the financial year ended 31 January 2025 is £5k (2024: £5k). Profit and total comprehensive income for the financial year ended 31 January 2025 is £4k (2024: £4k).

The accompanying notes are an integral part of this Statement of Comprehensive Income.

AA BOND CO LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2025

	Note	2025 £m	2024 £m
NON-CURRENT ASSETS			
Trade and other receivables	7	1,795	2,073
CURRENT ASSETS			
Trade and other receivables	7	<u>109</u>	<u>1,356</u>
		109	1,356
TOTAL ASSETS		<u>1,904</u>	<u>3,429</u>
CURRENT LIABILITIES			
Trade and other payables	8	-	(1,356)
Borrowings	9	<u>(109)</u>	<u>-</u>
		(109)	(1,356)
NON-CURRENT LIABILITIES			
Borrowings	9	<u>(1,795)</u>	<u>(2,073)</u>
TOTAL LIABILITIES		<u>(1,904)</u>	<u>(3,429)</u>
NET ASSETS		<u><u>-</u></u>	<u><u>-</u></u>
EQUITY			
Called up share capital	11	-	-
Retained earnings		<u>-</u>	<u>-</u>
TOTAL EQUITY		<u><u>-</u></u>	<u><u>-</u></u>

These financial statements from pages 13-24 were approved by the board of Directors on 15 May 2025 and signed on its behalf by:



Michael Wing

DIRECTOR

15 MAY 2025

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
FOR THE YEAR ENDED 31 JANUARY 2025

	Share capital £m	Retained earnings £m	Total equity £m
At 1 February 2023	-	-	-
Profit for the financial year	-	-	-
At 31 January 2024	-	-	-
Profit for the financial year	-	-	-
At 31 January 2025	-	-	-

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

AA BOND CO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 activities 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 majority of the Company's borrowings are long term in nature, and the Company continues to seek to refinance its debt within good time of its scheduled maturity, including the refinancing of its Class A2 Notes which had a maturity date of 31 July 2025. As at 31 January 2025, the full £500m of A2 Notes have already been redeemed, through the issue of £435m Class A12 Notes on 22 May 2024, with the remainder repaid and cancelled using available cash.

The outstanding Class B3 Notes of £280m at 31 January 2024 have a maturity date of 31 January 2026. On 31 July 2024 the Company used cash received as part of the Stonepeak investment into The AA to redeem £155m of Class B3 Notes. On 25 October 2024, the Company redeemed a further £15m of Class B3 Notes. As at the reporting date, £110m of Class B3 Notes remained outstanding. The Company expects to redeem the remainder of B3 Notes ahead of maturity using cash held by the business.

The Group may only make payments against the balance of Class B3 Notes if its senior leverage ratio is below 5.5x. As at the reporting date the ratio was 5.3x allowing the Group to redeem £62m of the outstanding in B3 Notes on 14 May 2025. In the event this ratio increases above 5.5x at the next measurement date (31 July 2025), alternative financing arrangements have been secured via a committed facility with Basing TopCo Limited, an indirect parent of the Group. See Note 13 for further details. Under this arrangement the Group may borrow up to £60m for the purposes of redeeming any remaining Class B3 Notes. This cash would not be subject to the payment restrictions imposed by the senior leverage ratio. The Directors have made appropriate enquiries and are satisfied that Basing TopCo Limited, through its own committed facility with its investors, has access to sufficient liquidity to provide the funding as required.

At the statement of financial position date, the Group had £165m held under Senior Term Facilities in a fellow Group undertaking due to mature on 10 March 2026. On 19 March 2025, the Group successfully refinanced these facilities. The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. See Note 13 for details.

After the Class B3 Notes the Company has no other debt maturing until the Class A8 Notes on 31 July 2027.

For the Company's longer-term viability, it remains a key assumption of the Directors that the Company continues to have ready access to public debt markets to enable these borrowings to be refinanced at affordable rates of interest. Deleveraging the business remains a central long-term aim of the business.

The Company Directors consider the going concern period as twelve months from the date of signing these financial statements and have reviewed detailed monthly cash flow forecasts for the Group over this period. In addition, the Directors have considered and confirm there are no significant or material events that have been identified beyond the going concern period that may cast significant doubt upon the continuing use of the going concern basis. The forecasts incorporate severe but plausible downside scenarios relating to business performance and covenant thresholds. The Directors have concluded that the Company has sufficient funds to continue trading for this period and the foreseeable future without significant curtailment of operations. Therefore, the financial statements have been prepared using the going concern basis.

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 is a wholly owned subsidiary of AA Intermediate Co Limited and is included in the consolidated financial statements of the AA Limited, which are publicly available. The Company has therefore 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 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 following amendments were applicable to the Company from 1 February 2024:

- Amendments to IAS 1, ‘Presentation of financial statements’ on non-current liabilities with covenants.

As a result of the adoption of the amendment, the Company provided new disclosures relating to the covenant requirements of its borrowings (see Note 9).

A number of new accounting standards, amendments and interpretations have been issued and will be effective for years beginning on or after 1 February 2025. These are set out below (effective dates are UK effective dates for periods beginning on or after this date).

- Annual Improvements to IFRS Accounting Standards – Amendments to:
 - IFRS 9 Financial Instruments (effective date 1 January 2026);
- IFRS 18 Presentation and Disclosure in Financial Statements (effective date 1 January 2027).

2.2 Critical accounting estimates and judgements

Management have exercised judgement in applying the Company’s accounting policies and in making critical estimates. The underlying assumptions on which these judgements are based are reviewed on an ongoing basis. Management considers that there are no principal estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

The following are other principal estimates and assumptions made by the Group, but which management believes do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Refinancing transactions

Management must determine whether refinancing transactions are accounted for under IFRS 9 as an extinguishment or a modification. This assessment is made separately for each transaction based on the terms of the new debt instrument compared to the one it is replacing (see Notes 4, 5 and 9).

Intercompany receivables

The assessment of credit loss allowances for intercompany receivables requires judgement to assess the collectability of intercompany balances. There is also estimation uncertainty in respect to the expected credit loss rates applied to such balances, which may differ to the actual outcome.

AA BOND CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.3 Material 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.

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.

Credit loss allowances for intercompany receivables are determined by assessing the ability of fellow subsidiaries to settle balances payable to other Group entities. If there is an indication that a subsidiary cannot settle their liabilities a provision for the expected unrecoverable amount is recognised.

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 Statement of Comprehensive Income over the term of the instrument using the effective interest method. Remaining issue costs on debt are written off to the Statement of Comprehensive Income 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 includes interest received from a fellow subsidiary undertaking under the IBLA, which permits the Company to recharge its expenses, and gains recognised on below par redemptions of loan notes.

d) Finance costs

Finance costs comprise interest payable, amortisation of debt issue fees, debt maintenance and early repayment fees and debt issue fees written off.

AA BOND CO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 AUDITORS' REMUNERATION

Auditors' remuneration in respect of the audit of the Company's financial statements for the year ended 31 January 2025 amounted to £36k (2024: £35k). In addition, fees for non-audit services provided by the Company's auditors were £190k (2024: £189k), relating to audit-related assurance services. Fees for audit and non-audit services are settled on behalf of the Company by AA Corporation Limited, a fellow subsidiary.

4 FINANCE INCOME

	2025	2024
	£m	£m
Interest receivable from fellow subsidiary undertakings	148	138
Gain on below par redemption of loan notes	-	7
	<u>148</u>	<u>145</u>

In the prior year, the Group redeemed £308m of A7 Loan Notes using £302m cash proceeds and repurchased £61m of A2 Loan Notes using £60m of available cash. This resulted in gains on below par redemptions of £6m and £1m respectively.

5 FINANCE COSTS

	2025	2024
	£m	£m
Interest on external borrowings	131	136
Amortisation of debt issue fees	6	6
Debt management fees and early repayment penalties	9	1
Unamortised debt issue fees written off following repayment of borrowings	2	2
	<u>148</u>	<u>145</u>

During the current year, in order to redeem its Class A2 Notes, the Company issued £435m of Class A12 Notes. The issues of the Class A12 Notes were not a modification of any existing debt and the associated issue fees were capitalised. The Company also redeemed £170m of Class B3 Notes using a combination of cash received as part of the Stonepeak investment into The AA Group and existing cash held. See Note 9 for more details.

Included in finance costs is a £2m write-off of unamortised issue fees associated with the B3 Notes and £9m early repayment penalties and other debt management fees following repayment of the A2 and B3 Notes.

AA BOND CO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 TAX

The major components of the income tax expense are:

	2025	2024
	£m	£m
Current tax:		
- Current income tax charge	-	-
Total income tax expense	<u>-</u>	<u>-</u>

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

	2025	2024
	£m	£m
Profit before tax	<u>-</u>	<u>-</u>
Profit before tax at rate of 25% (2024: 24%)	-	-
Income tax expense reported in the Statement of Comprehensive Income	<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.

Pillar two

The Company is subject to the global minimum top-up tax under Pillar Two legislation and the first year to which top-up taxes could apply is the year from 1 February 2024 to 31 January 2025. The Company has not recognised a current tax expense related to the top-up tax (2024: £nil).

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two as provided in the amendments to IAS 12 issued in May 2023.

The Company is monitoring developments as Pillar Two is fully implemented in relevant territories, and as further guidance is published.

7 TRADE AND OTHER RECEIVABLES

	2025	2024
	£m	£m
Amounts receivable after one year		
Amounts owed by Group undertakings	<u>1,795</u>	<u>2,073</u>
	<u>1,795</u>	<u>2,073</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 (Note 9).

	2025	2024
	£m	£m
Amounts receivable within one year		
Amounts owed by Group undertakings	<u>109</u>	<u>1,356</u>
	<u>109</u>	<u>1,356</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)

8 TRADE AND OTHER PAYABLES

	2025	2024
	£m	£m
Amounts payable within one year		
Amounts owed to Group undertakings	-	1,356
	-	1,356

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

9 BORROWINGS

						Net borrowings at 31 January 2025	Net borrowings at 31 January 2024
	Expected maturity date	Interest rate	Principal £m	Issue costs £m	Amortised issue costs £m	£m	£m
Class A2 Notes	31-Jul-25	6.27%	-	-	-	-	439
Class A8 Notes	31-Jul-27	5.50%	325	(3)	2	324	323
Class A9 Notes	31-Jul-28	3.25%	270	(4)	2	268	268
Class A10 Notes	31-Jul-29	7.38%	385	(16)	4	373	370
Class A11 Notes	31-Jan-28	8.45%	400	(4)	2	398	397
Class A12 Notes	31-Jul-31	6.85%	435	(3)	-	432	-
Class B3 Notes	31-Jan-26	6.50%	110	(10)	9	109	276
		6.54%	1,925	(40)	19	1,904	2,073

The Company's borrowings are presented in both current & non-current liabilities.

	2025	2024
	£m	£m
Current liabilities		
Borrowings	109	-
Non-current liabilities		
Borrowings	1,795	2,073
	1,904	2,073

At 31 January 2025, all borrowings have fixed interest rates. The weighted average interest rate for all borrowings of 6.54% has been calculated using the interest rate and principal values on 31 January 2025.

On 22 May 2024 the Company issued £435m of Class A12 Notes with an interest rate of 6.85% and a maturity date of 31 July 2031. On 23 May 2024, £429m of the issue proceeds were used to settle a tender offer of Class A2 Notes.

On 31 July 2024 the outstanding £10m of A2 Notes were redeemed using the remaining £6m of A12 proceeds and existing cash held by the Group.

On 31 July 2024 the Company redeemed £155m of Class B3 Notes at a redemption price of 101.625% using cash received as part of the Stonepeak investment into The AA Group.

On 25 October 2024 the Company redeemed a further £15m of Class B3 Notes at a redemption price of 101.625% using existing cash held.

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. Interest rate swaps are recognised in the statement of financial position at fair value at the year end.

AA BOND CO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9 BORROWINGS (continued)

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 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 A8 Notes, Class A9 Notes, Class A10 Notes and Class A12 Notes this period is 6 months. For the Class A11 Notes this period is 3 months. There is no premium to pay on redemption of the Class B3 Notes.

All of the Company's 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. Below this ratio the Group is restricted from making payments against other debt types or from moving cash out of the AA Intermediate Co Limited group via dividend. A default event would not occur unless the ratio fell below 1.10x, at which point the Class A Notes would become immediately due and payable.

The actual Class A free cash flow to debt service ratio as at 31 January 2025 was 2.7x (2024: 2.7x) and management are satisfied that the risk of a default event occurring is remote.

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 2025 was 5.3x (2024: 5.7x). The Class B3 Notes impose additional restrictions on certain payments and dividend flows.

On 22 May 2024, S&P Global Ratings upgraded the credit rating of the Group's Class A Notes from BBB- to BBB and reaffirmed the Class B3 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).

	2025	2024
	£m	£m
Loan notes		
Carrying value	1,904	2,073
Fair value measurement using quoted market prices	1,960	2,085

10 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 assets 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.

AA BOND CO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Directors review and agree 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 interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2025	2024
	£m	£m
Fixed rate instruments		
Financial liabilities	<u>1,904</u>	<u>2,073</u>
Net exposure to fixed rate instruments	<u>1,904</u>	<u>2,073</u>

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 amounts owed by Group undertakings at each reporting date is the carrying amount.

At 31 January 2025 no provision was recognised against amounts owed by Group undertakings (2024: £nil).

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.

The table below analyses the maturity of the Company's financial liabilities on a contractual undiscounted cash flow basis and includes any associated debt service costs. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date.

At 31 January 2025:

	Less than 1 year £m	1 - 2 years £m	2-5 years £m	Over 5 years £m	Total £m
Loans and borrowings	236	119	1,596	480	2,431
	236	119	1,596	480	2,431

At 31 January 2024:

	Less than 1 year £m	1 - 2 years £m	2-5 years £m	Over 5 years £m	Total £m
Loans and borrowings	135	836	1,197	399	2,567
Amounts owed to Group undertakings	1,356	-	-	-	1,356
	1,491	836	1,197	399	3,923

AA BOND CO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Company considers its capital to be represented by Net Debt. The Senior Debt has interest cover covenants attached to it. Compliance with these covenants is managed at an overall Group level. Refer to pages 93-94 of the AA Limited's Annual Report 2025. The Group was in compliance with all covenants throughout the year and as at 31 January 2025.

11 CALLED UP SHARE CAPITAL

	2025	2024
	£	£
Allotted, called up and fully paid		
2 (2024: 2) ordinary shares of £1	2	2

The Company did not pay any dividends in the year (2024: £nil). The Company did not propose a final dividend (2024: £nil).

12 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 Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG.

The parent of the largest group to consolidate these financial statements is AA Limited whose registered office is Level 3, Plant, Basing View, Basingstoke, Hampshire, RG21 4HG

At 31 January 2025, 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.

13 EVENTS AFTER THE REPORTING PERIOD

Liquidity, Senior Term and Working Capital Facilities

On 10 February 2025, the Group renewed its £200m Liquidity Facility with an effective date of 5 March 2025. The facility remains undrawn.

On 19 March 2025, the Group successfully refinanced its £165m Senior Term Facility and £56m Working Capital facility ahead of their 10 March 2026 maturity date. The Group has entered into a new £95m Senior Term Facility and a new £70m fixed rate Private Placement, both with maturity dates in March 2030. The new Senior Term Facility has a margin of 2.50% above SONIA and has been hedged through an interest rate swap.

A new Working Capital Facility for £56m has also been put in place at a margin of 2.50% above SONIA and is available until March 2030.

B3 redemption

On 14 May 2025, the Company redeemed a further £62m of Class B3 Notes at par.

Financing arrangement

On 1 April 2025 the Group entered into a financing arrangement with Basing TopCo Limited, an indirect parent of AA Limited. Under this arrangement the Group may borrow up to £60m for the sole purpose of redeeming Class B3 Notes, to the extent any remain outstanding on the 31 January 2026 maturity date. At the date of signing of these financial statements no amounts have been drawn