

Registered in England and Wales: No. 00229121

## **RAC GROUP LIMITED**

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

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# RAC Group Limited

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# **RAC Group Limited**

## **Company information**

### **Directors:**

J Baker  
D Hobday  
T Mohindra  
R Templeman  
G M Wood

### **Company Secretary:**

L Griffiths

### **Registered office:**

RAC House  
Brockhurst Crescent  
Walsall  
West Midlands  
United Kingdom  
WS5 4AW

### **Company number:**

Registered in England and Wales: No. 00229121

### **Other information:**

The Company is a member of the RAC Group of Companies ("the Group"), which includes RAC Group (Holdings) Limited and its subsidiaries, which during 2022 and 2021 included RAC Midco Limited, RAC Midco II Limited, RAC Bidco Limited, RAC Bond Co plc, RAC Limited, RAC Group Limited, RAC Motoring Services (Holdings) Limited, RAC Motoring Services, RACMS (Ireland) Limited, RAC Financial Services Limited, RAC Insurance Limited, RAC Brand Enterprises LLP, RAC Cars Limited and Risk Telematics UK Limited.

These Financial Statements are presented for the year ended 31 December 2022. Comparatives are presented for the year ended 31 December 2021.

# **RAC Group Limited**

## **Strategic report**

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

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

#### **Basis of preparation**

This business review is addressed to, and written for, the members of the Company with the aim of providing a fair review of the business development and performance during the financial year and the position at the end of the financial year. In providing this review, the aim is to present a view that is both balanced and comprehensive and is consistent with the size and complexity of the business.

#### **Principal activity**

The principal activity of the Company is that of a holding company for its subsidiaries. There were no significant changes in that activity in the year.

#### **Review of the business including major events**

During the year the business has operated in line with expectation and there have been no major events.

#### **Objectives and future developments**

The strategy for the Company is determined by the Directors of the Company's ultimate Parent company, RAC Group (Holdings) Limited and disclosed in the Consolidated Annual Report and Financial Statements of that company [see note 15(c)]. Each of the members of the Group are integral to the Group's performance and therefore this Group wide assessment is relevant to each Company.

#### **Key Performance Indicators ("KPI"s)**

As the principal activity of the Company is that of a holding company, the Directors consider there are no non-financial KPIs to report.

The Company's Directors are also Directors of RAC Group (Holdings) Limited, the ultimate Parent Company. A detailed performance review is included in the Consolidated Annual Report and Financial Statements of that company.

#### **Financial review**

The financial position of the Company at 31 December 2022 is shown in the Statement of financial position on page 9 and with the results shown in the Income statement on page 8

The Company made a profit before tax of £3 million during the year ended 31 December 2022 (2021: Loss of £2 million). The main factors for this result are:

- recharges payable to other Group companies of £7 million (2021: £9 million) in respect of a Management Services Agreement;
- a dividend of £8 million received from its subsidiary, RAC Insurance Limited (2021: £nil)
- recharges receivable from other Group companies of £14 million (2021: £16 million) in respect of a Management Services Agreement;
- finance expenses of £9 million payable on related party debt (2021: £4 million)

# **RAC Group Limited**

## **Strategic report (continued)**

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

The Company's principal risks and uncertainties include Credit & Liquidity risk and Climate and environment risk:

#### **Credit & Liquidity risk**

Management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's.

The Company has not been generally exposed to significant concentrations of credit risk to third parties due to the nature of the principal activity being that of a holding company and the size of individual balances.

Cash and cash equivalents throughout the periods reported on were held with relationship banks. Treasury reviews and shares bank ratings on a monthly basis. The Company's largest cash and cash equivalent counterparty is Deutsche Bank (2021: HSBC). At 31 December 2022 the balance held by this counterparty was £19 million (2021: £19 million).

The Company has set its investment strategy to ensure the Company has sufficient liquid funds to meet its expected obligations as they fall due.

The Company does not have any obligations outside of the Group for which liquidity risk would be significant.

# RAC Group Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Climate and environment risk

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

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

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

#### Capital management

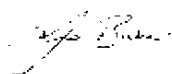
In managing its capital, the Company seeks to:

- i. Match the expected cash inflows from its assets with the expected cash outflows from its liabilities as they fall due;
- ii. Retain financial flexibility by maintaining strong liquidity; and
- iii. Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

#### Section 172(1) Statement

RAC Group Limited is a wholly owned subsidiary of RAC Group (Holdings) Limited and decisions on matters covered in section 172(1) of the Companies Act 2006 are made at group level. Accordingly, RAC Group Limited refers to the section 172(1) statement of RAC Group (Holdings) Limited, which is set out in the 2022 Annual Report and Accounts of RAC Group (Holdings) Limited, an electronic copy of which is available on the website [www.raccompany.co.uk](http://www.raccompany.co.uk). In discharging their responsibilities, in respect of the matters covered in s172(1) (a)–(f), the Directors of the company who are also Directors of RAC Group (Holdings) Limited have applied the group policies to RAC Group Limited by making decisions in relation to capital and risk management in order to implement the RAC 2025 strategy and ensure long term success. This includes ensuring dividends paid by the company are in line with the group dividend policy.

As approved by the Board on 26 April 2023



J Baker  
Director

# **RAC Group Limited**

## **Directors' report**

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

The Directors present their Annual Report on the affairs of RAC Group Limited, together with the unaudited Financial Statements for the year ended 31 December 2022.

#### **Directors**

The names of the current Directors of the Company appear on page 1.

Those who have served in office during the year and up to the date of approval of the Financial Statements have been as follows:

J Baker

D Hobday

T Mohindra [Appointed 1 September 2022]

R Templeman

G M Wood

At 31 December 2022 and 31 December 2021, none of the Directors had any interest in the shares of the Company.

#### **Objectives and future developments**

The strategy for the Group and the Company is determined by the Directors of the Company's ultimate Parent company, RAC Group (Holdings) Limited and disclosed in the Annual Report and Financial Statements of that company.

#### **Results and dividends**

The Company paid Nil interim dividends during the year [2021: £74 million during the year, amounting to 60.74 pence per share]. The Directors do not recommend payment of a final dividend (2021: Nil).

#### **Directors' indemnities**

RAC Group (Holdings) Limited, the Company's ultimate Parent Company, has granted an indemnity to all RAC Company Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This indemnity was first granted in 2011 and the provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of section 236 of the Companies Act 2006. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of the transitional provisions to the Companies Act 2006.

#### **Employees**

All employees of RAC Group are employed and remunerated by RAC Motoring Services, which acts as the employment company for the Group. Disclosures relating to employees engaged in activities for the Company may be found in note 3 to the Financial Statements.

# **RAC Group Limited**

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

### **Going concern**

The financial statements have been prepared on a going concern basis, which assumes that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company made £1 million for the year ended 31 December 2022 (2021: £3 million loss) and at 31 December 2022 had net assets of £120 million (2021: £119 million) and net current liabilities of £272 million (2021: £279 million). The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 4. Details of its cash and cash equivalents are set out in note 8 to the Financial Statements.

The Directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. The Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk are set out in the Strategic Report.

The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 18 month period from the Statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with the terms of its bank debt. The Directors also considered what mitigating actions the Group and Company could take to limit any adverse consequences.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, at least *12 months from the date of signing of this report, and so determine that it is appropriate for the 2022 Company Financial Statements to be prepared on a going concern basis.*

### **Strategic Report**

The Companies Act 2006 requires the Company to prepare a Strategic Report, set out on pages 2 to 4. The Strategic Report includes information about the Company's operations and business model, financial performance throughout the year, likely future developments, key performance indicators, and principal risks.



# **RAC Group Limited**

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

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

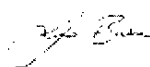
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Events since the Statement of financial position date**

Subsequent to the Statement of financial position date, regulatory approval in respect of the Silver Lake partial acquisition of the Group was received, with completion taking place on 11 March 2022. This does not have a material impact on the Company's financial position as at 31 December 2022.

As approved by the Board on 26 April 2023



J Baker  
Director

# RAC Group Limited

## Financial Statements 2022

### Income statement

For the year ended 31 December 2022

	Note	2022	2021
		£m	£m
Investment income	1	23	16
Administrative expenses		(11)	(13)
<b>Operating profit</b>		<b>12</b>	<b>3</b>
Net finance expenses	5	(9)	(5)
Profit/(Loss) before tax		3	(2)
Tax charge	6	(2)	(1)
<b>Profit/(Loss) for the year</b>		<b>1</b>	<b>(3)</b>

All activities relate to continuing operations.

The Company has no other comprehensive income other than that included in the results above and therefore a separate Statement of comprehensive income has not been presented.

The accounting policies and the notes on pages 11 to 27 are an integral part of these Financial Statements.

# RAC Group Limited

Registered in England and Wales: No. 00229121

## Financial Statements 2022 (continued)

### Statement of financial position

As at 31 December 2022

	Note	2022	2021
		£m	£m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	7	655	655
Deferred tax asset	10	2	2
Other receivables	9	10	10
		<u>667</u>	<u>667</u>
<b>Current assets</b>			
Other receivables	9	324	178
Current tax receivable	10	29	-
Cash and cash equivalents	8	107	81
		<u>460</u>	<u>259</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	11	(724)	(529)
Current tax payable	10	(8)	(9)
		<u>(732)</u>	<u>(538)</u>
<b>Net current liabilities</b>		<u>(272)</u>	<u>(279)</u>
<b>Non-current liabilities</b>			
Employee benefit liability	14(c)(iv)	(1)	(1)
Other payables	11	(274)	(268)
		<u>(275)</u>	<u>(269)</u>
<b>Net assets</b>		<u>120</u>	<u>119</u>
<b>EQUITY</b>			
Ordinary share capital	12	31	31
Other reserves	13	1	1
Retained earnings		88	87
<b>Total equity</b>		<u>120</u>	<u>119</u>

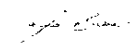
The accounting policies and the notes on pages 11 to 27 are an integral part of these Financial Statements.

For the year ended 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The Directors have not required the Company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of Financial Statements.

Approved by the Board on 26 April 2023

J Baker, Chief Financial Officer



**RAC Group Limited**  
**Financial Statements 2022 (continued)**  
**Statement of changes in equity**  
For the year ended 31 December 2022

	Ordinary share capital	Other Reserves	Retained earnings	Total equity
Note	£m	£m	£m	£m
<b>Balance at 1 January 2021</b>	<b>31</b>	<b>1</b>	<b>90</b>	<b>122</b>
Loss for the year	-	-	(3)	(3)
Other comprehensive income	-	-	-	-
Total comprehensive expense	-	-	(3)	(3)
Dividends paid	2	-	-	-
<b>Balance at 31 December 2021</b>	<b>31</b>	<b>1</b>	<b>87</b>	<b>119</b>
Profit for the year	-	-	1	1
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1	1
Dividends paid	2	-	-	-
<b>Balance at 31 December 2022</b>	<b>31</b>	<b>1</b>	<b>88</b>	<b>120</b>

The accounting policies and the notes on pages 11 to 27 are an integral part of these Financial Statements.

# RAC Group Limited

## Accounting policies

### (A) Corporate information

The Company is a private limited liability company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England & Wales. The principal activity of the Company is that of a holding company for its subsidiaries. The registered office is located at RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW.

Information on related party relationships of the Company is provided in note 15.

The Financial Statements of RAC Group Limited for the year ended 31 December 2022 were approved for issue by the Board on 26 April 2023

### (B) Basis of preparation

The Financial Statements of the Company have been prepared on the historical cost basis, except for certain employee benefits that are measured at fair value, as explained in the accounting policies. Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued the FRC.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of UK-adopted international accounting standards but has made amendments where necessary in order to comply with the Companies Act 2006. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard as detailed below.

The principal accounting policies adopted in the preparation of these Financial Statements are also set out below.

### Application of new and revised International Financial Reporting Standards ("IFRSs")

The following new and amended IFRSs are effective and relevant for these Financial Statements. The adoption of these Standards has not had any material impact on the disclosures or on the amounts reported in the Company's Financial Statements.

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

At 31 December 2022, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the UK:

- IFRS 17 and Amendments to IFRS 17<sup>1</sup>
- Amendments to IAS 1 and IFRS Practice Statement 2<sup>1</sup>
- Amendment to IAS 12 and 8<sup>1</sup>
- Amendment to IFRS 16<sup>2</sup>

1 Effective for annual periods commencing on or after 1 January 2023

2 Effective for annual periods commencing on or after 1 January 2024

### Disclosure exemptions applied

- (i) The requirements of IFRS 7 Financial Instruments: Disclosures and IAS 1 paragraphs 134 to 136
- (ii) The requirements of IAS 7 Statement of Cash Flows
- (iii) The requirements of IAS 24 Related Party Disclosure
- (iv) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

# **RAC Group Limited**

## **Accounting policies (continued)**

### **(B) Basis of preparation (continued)**

The Financial Statements are presented in pounds sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these Financial Statements are in millions of pounds sterling ("£m").

The Company is exempt from preparing group financial statements by virtue of Section 400 of the Companies Act 2006, as it is a subsidiary of an EU parent, RAC Group (Holdings) Limited (note 15(c)). The Financial Statements present information about the Company as an individual company and not about its group.

#### **Going concern**

The financial statements have been prepared on a going concern basis, which assumes that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company made a profit of £1 million for the year ended 31 December 2022 (2021: £3 million loss) and at 31 December 2022 had net assets of £120 million (2021: £119 million) and net current liabilities of £272 million (2021: £279 million). The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 4. Details of its cash and cash equivalents are set out in note 8 to the Financial Statements.

The Directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. The Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk are set out in the Strategic Report.

The Directors' assessment included a review of the Company's financial forecasts, financial instruments and hedging arrangements for the 18 month period from the Statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with the terms of its bank debt. The Directors also considered what mitigating actions the Group and Company could take to limit any adverse consequences.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, at least 12 months from the date of signing of this report, and so determine that it is appropriate for the 2022 Company Financial Statements to be prepared on a going concern basis.

### **(C) Investments in subsidiaries**

Subsidiaries are those entities (including special purpose entities) in which the Company, directly or indirectly, has power to exercise control. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

In the Statement of financial position, investments in subsidiaries are stated at cost less any impairment.

# **RAC Group Limited**

## **Accounting policies (continued)**

### **(D) Revenue recognition**

#### **Other income**

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of this income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **Dividend income**

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefit will flow to the Company and the amount can be reliably measured).

### **(E) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### **(F) Financial Assets**

Financial Assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All financial assets are recognised initially at the fair value of consideration given plus transaction costs. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The resulting amortisation is included in income in the Income statement.

#### **(i) Impairment of financial assets**

An impairment is recognised on financial assets if there is considered to be expected credit losses. The amount of expected credit losses is calculated using the simplified approach as allowable under IFRS 9 and is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the Income statement in finance costs for loans and in other operating expenses for other receivables.

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

Cash and cash equivalents consist of cash at banks and in hand and deposits held at call with banks. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

# **RAC Group Limited**

## **Accounting policies (continued)**

### **(H) Provisions and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, up to the amount of the provision, but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable yet still possible or the amount cannot be reliably estimated.

### **(I) Income taxes**

Income taxes include both current and deferred taxes. Income taxes are charged/credited to the Income statement except where they relate to items charged/credited directly to other comprehensive income or equity. In this instance, the income taxes are also charged/credited directly to other comprehensive income or equity respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not provided for the initial recognition of goodwill, nor the initial recognition of assets or liabilities that affect neither the accounting profit nor taxable profit or loss other than in a business combination.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which assets can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred income tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and there is an intention to settle on a net basis.



# **RAC Group Limited**

## **Accounting policies (continued)**

### **(J) Employee benefits**

#### **Pension obligations and other post-retirement benefit obligations**

The Company provides medical benefits scheme on a discretionary basis for certain pensioners and their dependants in the UK. No assets are set aside in separate funds to provide for the future liability.

The discount rate is the assumption that has the largest impact on the value of the liabilities. The effect of a 1% decrease in the discount rate would increase liabilities and service costs by £50 thousand and £nil respectively (2021: 1% decrease in discount rate increase liabilities and service cost by £88 thousand and £nil respectively).

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest) are recognised immediately in the Statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Costs charged to the Income statement comprise the current service cost (the increase in pension obligation resulting from employees' service in the current period, together with the schemes' administration expenses), past service cost (resulting from changes to benefits with respect to previous years' service), and gains or losses on curtailment (when the employer materially reduces the number of employees covered by the scheme) or on settlements (when a scheme's obligations are transferred from RAC Group Limited).

Past service costs are recognised in the Income statement on the earlier of the date of the plan amendment or curtailment, and the date that RAC Group Limited recognises restructuring related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administrative expenses' in the Income statement:

- service costs comprising current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and
- net interest expense or income.

#### **Termination benefits**

The Company provides termination benefits. All termination costs are charged to the Income statement when constructive obligation to such costs arises.

# **RAC Group Limited**

## **Accounting policies (continued)**

### **(K) Share capital and dividends**

#### **Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accordingly, all financial instruments are treated as financial liabilities or assets unless:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

#### **Dividends**

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

### **(L) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Financial Statements in conformity with FRS 101 requires the Company to make estimates and judgements using assumptions that affect items reported in the Statement of financial position and Income statement and the disclosure of contingent assets and liabilities at the reporting date. Estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Actual results may differ from those estimates, possibly significantly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Set out below are items where management have taken a judgement or which management consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

#### **(i) Critical judgements in applying the Company's accounting policies**

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

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

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of financial position date that would have a material effect on the amounts recognised in the Financial Statements.

# RAC Group Limited

## Notes to the Financial Statements

### 1 Investment income

	2022	2021
	£m	£m
Dividends received from subsidiaries	9	-
Management charge received	14	16
<b>Total investment income</b>	<b>23</b>	<b>16</b>

### 2 Dividends

The Company paid £nil ordinary interim dividends during the year (2021: £nil during the year). The Directors do not recommend payment of a final dividend (2021: £nil).

### 3 Employee information

The monthly average number of persons employed during the year was:

	2022	2021
	Number	Number
Support	53	44
	<b>53</b>	<b>44</b>

Total staff costs were:

	2022	2021
	£m	£m
Wages and salaries	3	3
Social security costs	1	1
	<b>4</b>	<b>4</b>

These costs were charged within administrative expenses.

All employees have their employment contracts with RAC Motoring Services, a fellow Group company.

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 4 Directors

Executive Directors of the Company are remunerated as employees by RAC Motoring Services, a fellow Group company. Management recharges for the wider executive group, which includes the executive Directors of the Company, have been charged to the main trading subsidiaries of the Group. It is not deemed practical to separate the remuneration of the executive Directors from the wider management recharges.

Disclosures relating to Directors' remuneration can be found in the Annual Report and Financial Statements of RAC Group (Holdings) Limited.

### 5 Net finance expenses

	2022	2021
	£m	£m
Interest payable - related parties	9	4
Interest payable - third parties	-	1
	<b>9</b>	<b>5</b>

All of the interest payable relates to financial liabilities held at amortised cost.

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 6 Tax

#### (a) Tax charged to the Income statement

The total tax charge comprises:

	2022	2021
	£m	£m
<b>Current tax:</b>		
For the year	1	1
Adjustment in respect of prior years	1	1
Total current tax	2	2
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
Effect of changes in tax rates	-	(1)
Adjustment in respect of prior years	-	-
Total deferred tax	-	(1)
<b>Total tax charged to the Income statement</b>	<b>2</b>	<b>1</b>

#### (b) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

	2022	2021
	£m	£m
Profit before tax	3	(3)
Tax calculated at standard UK corporation tax rate of 19.00% (2021: 19.00%)	1	(1)
Non taxable dividends	(2)	-
Non deductible expenses	2	1
Adjustment in respect of prior years	1	1
<b>Total tax charged to the Income statement (note 6(a))</b>	<b>2</b>	<b>1</b>

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 7 Investments in subsidiaries

#### (a) Movement in the Company's investments in subsidiaries

	2022	2021
Cost and net book value	£m	£m
At 1 January and 31 December	655	655

#### (b) Information about subsidiaries

The Company had the following directly or indirectly held investments in subsidiaries:

Company	Type of business	Class of share	Proportion held
<b>Directly held:</b>			
RAC Motoring Services (Holdings) Limited	Holding company	Ordinary	100%
RAC Insurance Limited	General Insurance business	Ordinary	100%
RAC Financial Services Limited	Insurance intermediary	Ordinary	100%
RAC Cars Limited	Online retail services	Ordinary	100%
Risk Telematics UK Limited	Software development	Ordinary	100%
<b>Indirectly held:</b>			
RAC Motoring Services	Roadside assistance	Ordinary	100%
RACMS (Ireland) Limited (incorporated in Ireland)	Dormant	Ordinary	100%
RAC Brand Enterprises LLP	Licensing and management of intangible assets	Members' capital	100%

All subsidiaries are registered in England and Wales and operate in the United Kingdom, except RACMS (Ireland) Limited which is registered in Ireland. All subsidiaries, except RACMS (Ireland) Limited, have the same registered office as the Company, which is disclosed on page 1. The registered office of RACMS (Ireland) Limited is 5th Floor, 40 Mespil Road, Dublin 2.

### 8 Cash and cash equivalents

Cash and cash equivalents at 31 December 2022 comprises £107 million (2021: £81 million) of cash at bank and in hand.

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 9 Other receivables

	2022	2021
	£m	£m
Amounts due from related parties	335	188
<b>Total</b>	<b>335</b>	<b>188</b>
Expected to be recoverable within one year	324	178
Expected to be recoverable in more than one year	10	10
<b>Total</b>	<b>334</b>	<b>188</b>

Receivables of £334 million (2021: £188 million) are measured at amortised cost net of any impairment losses which are based on a loss allowance for expected credit losses. No material impairment losses have been recognised in 2022 (2021: £nil). Amounts due from related parties attract interest income of between 0% and 1.5%.

### 10 Tax assets and liabilities

	2022	2021
	£m	£m
Current tax receivable	29	-
Current tax payable	(8)	(9)
Deferred tax asset	2	2
	23	(7)

#### Deferred tax

The net deferred tax asset arose on the following items:

	2022	2021
	£m	£m
Other temporary differences	2	2
Net deferred tax asset at 31 December	2	2

There was an increase in the deferred tax asset of £40 thousand in the year (2021: £506 thousand). The deferred tax asset will be released on repayment of capital from RAC Brand Enterprises LLP to the members.

Current tax receivable include amounts to be settled by group relief of £21 million (2021: £nil) within one year.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019 and clarifies the accounting for uncertainties in income taxes. IFRIC 23 has been considered in regard to all uncertain tax positions for the RAC group of companies. There are no uncertain tax positions identified that would require measurement under IFRIC 23. A corporation tax payment of £29million was made by RAC to HMRC in December 2022, on a without prejudice basis, resulting in a release of the £26 million provision held in 2021.

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 10 Tax assets and liabilities (continued)

Based on professional advice, companies within the Group claimed tax deductions in their returns for several years and reduced its tax payments accordingly. HMRC have indicated that they do not agree with the Group's interpretation of the relevant tax legislation. The Group has provided HMRC with all information requested in support of the deductions claimed, and discussions continue in order to reach a conclusion on the differing interpretations. It cannot currently be reliably estimated how long it will take to reach an agreed resolution of this issue.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The Company has an unrecognised deferred tax asset of £7 million (2021: £6 million) in respect of interest disallowed under the corporate interest restriction rules.

The Company has unrecognised capital losses of £136 million (2021: £136 million) to carry forward indefinitely against future capital gains in the Company. No asset has been recognised as there are no capital gains expected in the foreseeable future.

The headline rate of UK corporation tax is currently 19%. In accordance with the Spring Budget 2022 the main rate of corporation tax will remain at 19% for the accounting periods up to and including the years ending 31 March 2023. For accounting periods ending on or after 1 April 2023 the main rate of corporation tax will increase to 25%. Therefore, deferred tax balances from the substantively enacted date of 24 May 2022 have been reflected at the increased 25% corporation tax rate they are expected to be realised or settled.

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

### 11 Other payables

	2022	2021
	£m	£m
Amounts due to related parties	993	791
Other payables	5	6
<b>Total</b>	<b>998</b>	<b>797</b>
Expected to be payable within one year	724	529
Expected to be payable in more than one year	274	268
<b>Total</b>	<b>998</b>	<b>797</b>

All payables are financial liabilities and carried at amortised cost which is considered to be a reasonable approximation of the relevant fair value. Amounts due to related parties incur interest charges of between 0.5% and 2.0% above LIBOR.



# RAC Group Limited

## Notes to the Financial Statements (continued)

### 12 Ordinary share capital

	2022	2021
	£m	£m
Allotted, called up and fully paid:		
122,590,168 ordinary shares of £0.25 each	31	31
	31	31

### 13 Other reserves

	Capital redemption reserve
	£m
Balance at 31 December 2022 and 31 December 2021	1

### 14 Employee benefit obligations

This note describes the RAC Group Limited's employee benefit arrangement for its employees and explains how the obligations to this scheme are calculated.

#### (a) Introduction

The RAC Group Limited operates the following employee benefit scheme:

#### Post-Retirement Medical Benefits Scheme ("PRMB Scheme")

Under the PRMB Scheme the RAC Bidco Limited Group provides medical benefits on a discretionary basis for certain pensioners and their dependants in the UK which is administered by Aviva Health UK Limited who are authorised and regulated by the FCA. The number of pensioners entitled to this benefit at 31 December 2022 was 94 (2021: 94).

#### (b) Charges to the Income statement

During the year, £18 thousand (2021: £15 thousand) was charged to the RAC Group Limited's Income statement in respect of the PRMB Scheme.

#### (c) Employee benefit scheme assumptions and disclosures

Disclosures under IAS 19 Employee Benefits are given below and on the following pages for the PRMB Scheme.

#### (i) Assumptions on the liabilities of the Scheme

##### The projected unit credit method

The inherent uncertainties affecting the measurement of the liabilities of the Scheme require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash outflows from the Scheme using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowances for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to economic conditions, and changes in these assumptions can materially affect the measurement of the employee liability obligations.

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 14 Employee benefit obligations (continued)

#### (c) Employee benefit scheme assumptions and disclosures (continued)

##### (i) Assumptions on the liabilities of the Scheme (continued)

###### Valuations and assumptions

The valuation used for accounting under IAS 19 has been based on the most recent full actuarial valuation, updated to take account of that standard's requirements in order to assess the liabilities of the Scheme at 31 December 2022. This update was made by the Scheme actuaries. The Scheme's assets are stated at their fair values as at 31 December 2022.

The main actuarial assumptions used to calculate the PRMB Scheme liabilities under IAS 19 are:

	2022	2021
	%	%
Inflation rate	3.20	3.50
Pension increases	3.20	3.50
Deferred pension increases	3.20	3.50
Discount rate	5.10	1.80

The discount rate is the assumption that has the largest impact on the value of the liabilities. The effect of a 1% decrease in the discount rate would increase liabilities and service costs by £50 thousand and £nil respectively (2021: 1% decrease in discount rate increase liabilities and service cost by £88 thousand and £nil respectively).

###### Mortality assumptions of the Scheme

Mortality assumptions are significant in measuring the RAC Group Limited's obligations under the defined benefit schemes, particularly given the maturity of these obligations in this Scheme. The mortality tables and average life expectancy used at 31 December 2022 for Scheme members are as follows:

	Normal retirement age (NRA)	Life expectancy (pension duration) at NRA of a male		Life expectancy (pension duration) at NRA of a female	
		Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
SAPS S2 tables, including allowances for future improvements	65.0	88.1	89.8	89.7	91.2
		(23.1)	(24.8)	(24.7)	(26.2)

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 14 Employee benefit obligations (continued)

#### (c) Employee benefit scheme assumptions and disclosures (continued)

##### (i) Assumptions on the liabilities of the Scheme (continued)

###### Mortality assumptions of the Scheme (continued)

The assumptions are based on commonly used mortality tables, which have been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption. The assumptions above include an allowance for future mortality improvements, based on the actuarial profession's medium cohort projection table. The effect on the Scheme if life expectancy was one year higher would increase the Schemes' liabilities by £71 thousand (2021: £100 thousand).

##### (ii) Employee defined benefit expense

During the year the total employee defined benefit expense for the Schemes comprise £18 thousand (2021: £15 thousand) in respect of net interest expense recognised in the income statement and £208 thousand gain (2021: £52 thousand gain) recognised in other comprehensive income.

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since 1 January 2004 (the date of transition to IFRS) was £5 million loss at 31 December 2022 (2021: £5 million loss).

##### (iii) Experience gains and losses

The following table shows the experience gains and losses of the Schemes over the past five years:

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Fair value of the Scheme assets at the end of the year	-	-	-	-	-
Restriction on asset recognised	-	-	-	-	-
Present value of the Schemes' liabilities at the end of the year	(1)	(1)	(1)	(1)	(2)
<b>Net deficit in the Schemes</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>

Estimated employer contributions for the financial year ending 31 December 2022 are £81 thousand in respect of the Defined Benefit scheme.

# RAC Group Limited

## Notes to the Financial Statements (continued)

### 14 Employee benefit obligations (continued)

#### (c) Employee benefit scheme assumptions and disclosures (continued)

##### (iv) Schemes' deficit

The present value of the Schemes' obligations and the fair value of the plan assets are as follows:

	2022	2021
	£m	£m
Present value of defined benefit obligations	(1)	(1)
<b>Net deficit in the Schemes</b>	<b>(1)</b>	<b>(1)</b>

Amounts recognised in the Statement of financial position at 31 December are:

	2022	2021
	£m	£m
Deficits included in non-current liabilities	(1)	(1)
<b>Net deficit in the Schemes</b>	<b>(1)</b>	<b>(1)</b>

The deficits in the non-current liabilities wholly relate to unfunded schemes.

##### (v) Movement in the Scheme deficits and surplus comprise:

	2022		2021	
	Scheme liabilities	Net deficit	Scheme liabilities	Net deficit
	£m	£m	£m	£m
<b>Balance at 1 January</b>	(1)	(1)	(1)	(1)
Remeasurement losses:				
Actuarial gain arising from change in assumptions	-	-	-	-
<b>Balance at 31 December</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>

# **RAC Group Limited**

## **Notes to the Financial Statements (continued)**

### **15 Related party transactions**

#### **(a) Key management interests**

No key management personnel held equity stakes in the business at 31 December 2022 or 31 December 2021.

At no time during the periods did any Director hold a material interest in any contract of significance with any Group company other than an indemnity provision between each Director and a Group company and service contracts between each director and a Group company.

#### **(b) Immediate Parent Company**

The Company's immediate Parent Company is RAC Limited, registered in England and Wales.

#### **(c) Ultimate controlling entity**

The ultimate controlling entity and largest level at which consolidated IFRS Financial Statements are prepared is RAC Group (Holdings) Limited. Its Consolidated Annual Report and Financial Statements are available on application to the Company Secretary, RAC Group (Holdings) Limited, RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW (registered office).

The smallest level at which consolidated IFRS Financial Statements are prepared is RAC Bidco Limited (registered office as above).