

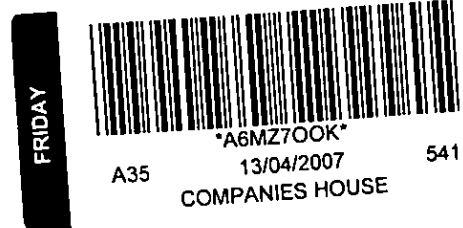
**Company Registration No: 02568507**

**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2006**

**Group Secretariat  
The Royal Bank of Scotland Group plc  
3 Princess Way  
Redhill  
Surrey  
RH1 1NP**



## **UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

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**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

E J G Smith  
C P Sullivan

**SECRETARY**

P A Hutchings

**REGISTERED OFFICE**

Churchill Court  
Westmoreland Road  
Bromley  
Kent  
BR1 1DP

**AUDITORS**

Deloitte & Touche LLP  
London

**Registered in England and Wales**

## **UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2006

### **ACTIVITIES AND BUSINESS REVIEW**

#### **Activity**

The Company's principal activity during the year was the provision of motor vehicle repair services to the general insurance companies owned by The Royal Bank of Scotland Group plc

The Company is a member of The Royal Bank of Scotland Group which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. The directors have reviewed these policies and consider them to be appropriate. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from the Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's web site at [www.rbs.com](http://www.rbs.com)

#### **Review of the year**

The directors are satisfied with the development of the Company's activities during the year. The company will be guided by its immediate parent company in seeking further opportunities for growth. A dividend of £5,425,307 was paid during the year ended to 31 December 2006 (2005: £nil)

The Company's financial performance is presented in the Income Statement on page 6. At the end of the year, the financial position showed total assets of £32,799,095 (2005: £26,969,096) and equity of £1,643,776 (2005: £3,315,043)

The Company is funded by facilities from members of the Royal Bank of Scotland Group. It seeks to minimise its exposure to external financial risks and further information is disclosed in note 2.

### **DIRECTORS AND SECRETARY**

The present directors and secretary, who have served throughout the year, except where noted below, are listed on page 1.

From 1 January 2006 to date the following changes have taken place:

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
E J G Smith	17 January 2006	
M P Flaherty		5 April 2006
R P Nash		1 June 2006
R D Houghton		22 January 2007
C P Sullivan	22 January 2007	

The directors note with sadness the death of Mr P J Atkinson, Joint Company Secretary on 21 January 2006.

### **DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Act 1985 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards, as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance, and cash flows of the Company. 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' report and financial statements comply with the requirement of the Companies Act 1985. 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.

**DIRECTORS' REPORT (Continued)**

Each of the directors of the Company holding office at the date of approval of this report confirm that

(2) so far as each of the directors are aware they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

## DIRECTORS' INDEMNITIES

In terms of Section 309C of The Companies Act 1985 (as amended), Mr M P Flaherty, Mr R D Houghton, Mr E J G Smith and Mr C P Sullivan had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

**No director had an interest in the shares of the Company**

The following directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and connected persons are

	As at 1 January 2006	Granted during the period Options	Exercised during the period Price (p)	Options	Price (p)	As at 31 December 2006
E J G Smith	62,132	16,334	1852	-	-	78,466

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 December 2006

The interests of Mr R D Houghton in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of RBS Insurance Group Limited

Other than as disclosed, none of the directors in office at 31 December 2006 held any interests in the share or loan capital of the Company or any other group company at any time during the year

## POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below

In the year ending 31 December 2007, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy is to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**DIRECTORS' REPORT (Continued)**

**ELECTIVE RESOLUTIONS**

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually

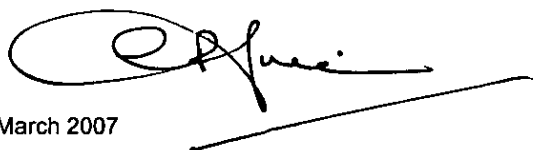
**AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors

Approved by the Board of Directors  
and signed on behalf of the Board

Director

29 March 2007

A handwritten signature in black ink, appearing to be 'R. P. Jones', is written over a horizontal line. The signature is cursive and stylized.

## **UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

We have audited the financial statements of UK Assistance Accident Repair Centres Limited for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the accounting policies and the related notes 2 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As described in the directors' report, the company's directors are responsible for the preparation of the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the directors' report.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

29 March 2007

**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £	2005 £
Revenue	3	102,592,134	92,557,423
Cost of sales	4	(79,173,573)	(73,582,543)
<b>Gross profit</b>		<b>23,418,561</b>	<b>18,974,880</b>
Other operating income	5	14,350	10,247
Administration expenses	6	(17,476,368)	(16,638,894)
<b>Operating profit</b>		<b>5,956,543</b>	<b>2,346,233</b>
Investment income	7	235,978	57,679
Finance costs	8	(587,732)	(44,789)
<b>Profit before tax</b>		<b>5,604,789</b>	<b>2,359,123</b>
Tax charge	9	(1,850,749)	(626,191)
<b>Profit for the year</b>	10	<b>3,754,040</b>	<b>1,732,932</b>

The profit for the year was entirely attributable to equity shareholders of the Company

The notes on pages 10 to 25 form part of these financial statements



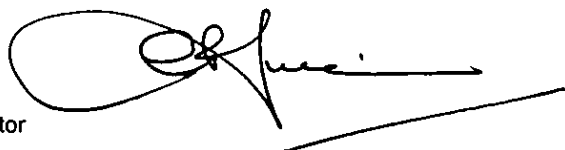
**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2006**

	Notes	2006 £	2005 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	<u>7,644,028</u>	<u>8,361,355</u>
<b>Current assets</b>			
Inventories	13	1,540,920	1,300,422
Loans and receivables	14	12,706,196	14,648,378
Cash and cash equivalents	15	<u>10,907,951</u>	<u>2,658,941</u>
		<u>25,155,067</u>	<u>18,607,741</u>
<b>Total assets</b>		<b><u>32,799,095</u></b>	<b><u>26,969,096</u></b>
<b>EQUITY</b>			
Share capital	16	2	2
Retained earnings	17	<u>1,643,774</u>	<u>3,315,041</u>
<b>Total equity</b>		<b><u>1,643,776</u></b>	<b><u>3,315,043</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	485,475	510,785
Government grants and deferred income	19	<u>193,500</u>	<u>110,917</u>
		<u>678,975</u>	<u>621,702</u>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	20	16,150,787	1,211,220
Trade and other payables and deferred income	21	12,571,503	20,973,218
Current tax liabilities		<u>1,754,054</u>	<u>847,913</u>
		<u>30,476,344</u>	<u>23,032,351</u>
<b>Total liabilities</b>		<b><u>31,155,319</u></b>	<b><u>23,654,053</u></b>
<b>Total equity and liabilities</b>		<b><u>32,799,095</u></b>	<b><u>26,969,096</u></b>

The financial statements were approved by the Board of Directors and authorised for issue on **29** March 2007. They were signed on its behalf by

Director



The notes on pages 10 to 25 form part of these financial statements

**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Share capital £	Retained earnings £	Total £
Balance as at 1 January 2005		2	1,582,109	1,582,111
Profit for the year	10	-	1,732,932	1,732,932
Balance as at 31 December 2005	16,17	2	3,315,041	3,315,043
Profit for the year	10	-	3,754,040	3,754,040
Dividends	11	-	(5,425,307)	(5,425,307)
Balance as at 31 December 2006	16,17	2	1,643,774	1,643,776

The above were entirely attributable to equity shareholders of the Company

The notes on pages 10 to 25 form part of these financial statements

**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £	2005 £
Profit for the year		3,754,040	1,732,932
Adjustments for			
Investment revenues	7	(235,978)	(57,679)
Finance costs	8	587,732	44,789
Tax charge	9	1,850,749	626,191
Depreciation of property, plant and equipment	12	1,511,482	1,683,832
<b>Operating cash flows before movements in working capital</b>		<b>7,468,025</b>	<b>4,030,065</b>
Net increase in inventories		(240,498)	(72,038)
Net (increase)/decrease in prepayments		(145,201)	2,319
Net decrease/(increase) in trade and other receivables		254,633	(195,947)
Net decrease in inter-company balances - trading		(6,731,688)	(930,054)
Net increase in inter-company balances - loans		-	229,230
Net increase in other operating liabilities		245,306	1,452,770
<b>Cash generated from operations</b>		<b>850,577</b>	<b>4,516,345</b>
Taxes paid		(969,918)	(708,739)
<b>Net cash (used by)/generated from operating activities</b>		<b>(119,341)</b>	<b>3,807,606</b>
<b>Cash flows from investing activities</b>			
Interest received	7	235,978	57,679
Proceeds on disposal of property, plant and equipment		-	8,954
Purchases of property, plant and equipment	12	(794,155)	(1,243,134)
<b>Net cash used by investing activities</b>		<b>(558,177)</b>	<b>(1,176,501)</b>
<b>Cash flow from financing activities</b>			
Dividends paid		(5,425,307)	-
Repayments of borrowings		(7,995,402)	-
Proceeds from borrowings		22,346,573	-
<b>Net cash generated from financing activities</b>		<b>8,925,864</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,248,346</b>	<b>2,631,105</b>
Cash and cash equivalents at the beginning of the year	15	2,658,941	27,836
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>10,907,287</b>	<b>2,658,941</b>

The notes on pages 10 to 25 form part of these financial statements

## **UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

#### **1 ACCOUNTING POLICIES**

##### **1.1 Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with EU IAS regulation. The financial statements also comply with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis.

##### **1.2 Revenue recognition**

The Company's revenue comprises vehicle repair services provided to related parties as well as other third party customers. Income in respect of repairs to vehicles is recognised upon completion of the service. The price is determined using market rates for the services and materials used after discounts and sales taxes have been deducted where applicable. All income arises in the United Kingdom.

##### **1.3 Property, plant and equipment**

Items of property, plant and equipment are stated at historical cost less accumulated depreciation (see below) and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

- Freehold and long leasehold buildings - 50 years
- Vehicles - 5 years
- Computer and other equipment, including property adaptation costs - 4 to 15 years

##### **1.4 Impairment of property, plant and equipment**

At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the assets that have not been reflected in the estimation of future cash flows.

If the recoverable amount of a tangible asset is less than its carrying value, an impairment loss is recognised immediately in the income statement and the carrying value of the asset reduced by the amount of the loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase.

## UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 1 ACCOUNTING POLICIES (Continued)

##### 1.5 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases

Rentals payable under operating leases are recognised in the income statement on a straight line basis over the term of the lease

Incentives received as an inducement to enter into an operating lease are spread on a straight line basis over the lease term

##### 1.6 Financial assets

**Loans and receivables** – financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. These are carried in the balance sheet at amortised cost. The directors consider that the carrying amount of loans and receivables approximates their fair value.

Loans and receivables principally comprise receivables from related parties.

##### 1.7 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

**Loans and receivables** – If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and its recoverable amount. Impairment losses are assessed individually where significant or collectively for assets that are not individually significant.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

##### 1.8 Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

##### 1.9 Transactions with related parties

IFRS requires all entities to disclose related party transactions. The Company's policy is to have regard to materiality from both the shareholder's and related party's perspective.

## **UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

#### **1. ACCOUNTING POLICIES (Continued)**

##### **1 10 Inventories**

Inventories, including work in progress, comprise labour, parts, paint and consumable materials used in the repair of cars. They are stated at the lower of cost and net realisable value and are treated on a first in, first out basis.

##### **1 11 Government grants**

Government grants are initially credited to deferred income. The government grants are then released to the income statement over a twenty year period based on the duration of the rental lease on the facility.

##### **1 12 Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Under IAS 7 the Company is producing a cash flow statement using the indirect method. This shows an explanation of the movement in cash and cash equivalents as defined above.

##### **1 13 Financial liabilities**

Trade and other payables are carried at amortised cost. The directors consider that the carrying amount of trade and other payables approximates their fair values.

##### **1 14 Borrowings**

Borrowings comprises bank overdrafts and inter company loans. Interest on inter company loans is recognised in the income statement as finance costs.

The Company classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Company after the deduction of liabilities.

##### **1 15 Accounting developments**

The International Accounting Standards Board (IASB) has issued IFRS 7 'Financial Instruments: Disclosures' in August 2005. The standard replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure provisions in IAS 32 'Financial Instruments: Disclosure and Presentation'. IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of quantitative information about exposure to risks arising from financial instruments. The Standard is effective for annual periods beginning on or after 1 January 2007.

Also in August 2005 the IASB issued an amendment 'Capital Disclosures' to IAS 1 'Presentation of Financial Statements'. It requires disclosures about an entity's capital and the way it is managed. This amendment is also effective for annual periods beginning on or after 1 January 2007.

The Company is reviewing IFRS 7 and the amendment to IAS 1 to determine their effect on its financial reporting. The standards will be adopted with effect from 1 January 2007.

In addition to the above standards the Company has considered other new international accounting standards (IFRS 8 Operating Segments) and interpretations (IFRIC 8 to 12) issued during the year and has concluded these will not apply to the Company.

## **UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

#### **2 MANAGEMENT OF FINANCIAL RISK**

The Company has financial risk exposures. This section summarises these risks and the way the Company manages these.

##### **2.1 Financial risk**

The Company is a member of the Insurance Division of The Royal Bank of Scotland Group plc. As such, the Company benefits from services provided by specialist teams and risk management procedures and controls which are applied consistently across the Division. The disclosures below relate to the Insurance Division as a whole.

The Division is exposed to financial risk through its financial assets and financial liabilities (borrowings). The Division's financial risk is concentrated within its investment portfolio. This portfolio is managed in accordance with the RBS Insurance Investment Policy and Investment Guidelines. These are drawn up in compliance with the objectives and risk appetite parameters set by The Royal Bank of Scotland Group plc and are approved by the RBS Insurance Group Limited Board. The Investment Policy is operated by the Investment Management Committee, which is made up of Senior Executives of the Insurance Division and executed on their behalf by the Funds Management Committee (FMC).

The Company's financial risk exposure is minimal and arises from its loans and receivables due from, and due to, other members of The Royal Bank of Scotland Group plc.

These balances are all payable on demand and carry a floating rate of interest which is reset on a monthly basis.

##### **2.1.1 Market risk (comprising interest rate risk)**

Market risk encompasses any adverse movement in the value of assets and liabilities as a consequence of market movements such as interest rates, credit spreads, foreign exchange rates, equity prices and property valuations.

Exposure to market risk is managed in accordance with the guidelines set out in the RBS Insurance Division Investment Policy as detailed above.

# UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 2 MANAGEMENT OF FINANCIAL RISK (Continued)

The following tables indicate financial assets that are exposed to interest rate risk together with the corresponding range of applicable interest rates

**At 31 December 2006**

#### Maturity date or contractual repricing date

	Total - all within one year £
<b>Exposed to cash flow interest rate risk</b>	
Deposits with credit institutions (note 15 and 24)	10,711,624
Cash in hand and at bank (note 15 and 24)	196,327
Loans and receivables (note 14 and 24 )	12,130,354
Borrowings (note 20 and 24)	(16,150,787)
<b>Total fair value</b>	<b>6,887,518</b>

All balances shown are with related parties

#### Interest rate

	Within one year % Interest rate
Deposits with credit institutions	4.80%
Cash in hand and at bank	5.15%
Loans and receivables	5.15% - 5.23%
Borrowings	5.23%

**At 31 December 2005**

#### Maturity date or contractual repricing date

	Total - all within one year £
<b>Exposed to cash flow interest rate risk</b>	
Deposits with credit institutions (note 15 and 24)	1,355,000
Cash in hand and at bank (note 15 and 24)	1,303,941
Loans and receivables (note 14 and 24 )	13,963,104
Borrowings (note 20 and 24)	(1,211,220)
<b>Total fair value</b>	<b>15,410,825</b>

All balances shown are with related parties

#### Interest rate

	Within one year % Interest rate
Deposits with credit institutions	4.65%
Cash in hand and at bank	3.50%
Loans and receivables	4.54% - 4.78%
Borrowings	4.78%



## UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 2 MANAGEMENT OF FINANCIAL RISK (Continued)

##### 2.1.2 Credit Risk

Credit risk arises from the potential that losses are incurred from the failure of a counterparty to meet its credit obligations. The main source of credit risk for the Company is loans and receivables.

The Royal Bank of Scotland Group plc risk management division sets standards for maintaining and developing credit risk management throughout The Royal Bank of Scotland Group plc. This is achieved via a combination of governance structures, credit risk policies, control processes and infrastructure collectively known as the Group's Credit Risk Management Framework ("CRMF").

RBS Insurance Group Limited has established its own CRMF consistent with The Royal Bank of Scotland Group plc CRMF. The RBS Insurance Group Limited CRMF sets out the prior approval process for credit exposures and provides for appropriate analysis and reporting of these exposures at both the Company and The Royal Bank of Scotland Group plc level. Where appropriate, larger credit exposures are aggregated with other credit exposures, elsewhere in the Group for credit approval and monitoring purposes.

The following table analyses the credit exposure of the Company by type of asset.

##### At 31 December 2006

	AA £	Not rated £	Total £
Deposits with credit institutions (note 15 and 24)	10,711,624	-	10,711,624
Cash at bank and in hand (note 15 and 24)	196,327	-	196,327
Other loans and receivables (note 14 and 24)	-	12,327,686	12,327,686
<b>Total assets bearing credit risk</b>	<b>10,907,951</b>	<b>12,327,686</b>	<b>23,235,637</b>

##### At 31 December 2005

	AA £	Not rated £	Total £
Deposits with credit institutions (note 15 and 24)	1,355,000	-	1,355,000
Cash at bank and in hand (note 15 and 24)	1,303,941	-	1,303,941
Other loans and receivables (note 14 and 24)	-	14,422,155	14,422,155
<b>Total assets bearing credit risk</b>	<b>2,658,941</b>	<b>14,422,155</b>	<b>17,081,096</b>

Other loans and receivables due from related parties generally do not have a credit rating.

##### 2.1.3 Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch.

The management of liquidity risk within the RBS Insurance Division is undertaken within the limits and other policy parameters set out in the Investment Guidelines. Compliance is monitored in respect of the internal policy where appropriate.

# UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 3 REVENUE

	2006 £	2005 £
Vehicle repairs from related parties (note 24)	93,177,169	84,594,427
Vehicle repairs from non-related parties	9,414,965	7,962,996
	<u>102,592,134</u>	<u>92,557,423</u>

All revenue derives from vehicle repairs arising in the United Kingdom

### 4 COST OF SALES

	2006 £	2005 £
Cost of vehicle repairs charged by related parties (note 24)	44,010,204	35,224,852
Cost of vehicle repairs charged by non-related parties	35,163,369	38,357,691
	<u>79,173,573</u>	<u>73,582,543</u>

### 5 OTHER OPERATING INCOME

	2006 £	2005 £
Release of government grants	11,917	10,083
Other income from related parties (note 24)	2,433	-
Other income from non-related parties	-	164
	<u>14,350</u>	<u>10,247</u>

### 6 ADMINISTRATION EXPENSES

	2006 £	2005 £
Marketing and administrative expenses charged by related parties (note 24)	1,570,181	1,554,125
Marketing and administrative expenses charged by non-related parties	8,858,118	8,096,633
Depreciation (note 12)	1,511,482	1,683,832
Management fees from related parties (note 24)	5,536,587	5,304,304
	<u>17,476,368</u>	<u>16,638,894</u>

### 7 INVESTMENT INCOME

	2006 £	2005 £
Interest income from deposits with related party credit institutions (note 24)	<u>235,978</u>	<u>57,679</u>

**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**8 FINANCE COSTS**

	2006 £	2005 £
Interest expense		
Borrowings from related parties (note 24)	<u>587,732</u>	<u>44,789</u>

**9. TAX CHARGE**

	2006 £	2005 £
Current tax	1,876,059	766,035
Deferred tax (note 18)	<u>(25,310)</u>	<u>(139,844)</u>
<b>Tax charge for the year</b>	<u><b>1,850,749</b></u>	<u><b>626,191</b></u>

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2005 30%) as follows

	2006 £	2005 £
Expected tax charge	1,681,437	707,737
Effects of		
Non-deductible items	7,464	11,287
Adjustments in respect of prior periods	<u>161,848</u>	<u>(92,833)</u>
<b>Tax charge for the year</b>	<u><b>1,850,749</b></u>	<u><b>626,191</b></u>

The aggregate current and deferred tax relating to items that are charged or (credited) to equity is £nil (2005 £nil)

# UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 10 PROFIT FOR THE YEAR

	2006 £	2005 £
Profit for the year is stated after charging/(crediting)		
Depreciation of property, plant and equipment (note 12)	1,511,482	1,683,832
Release of government grants (note 5)	(11,917)	(10,083)
Operating lease rentals		
Land and buildings	2,014,952	1,892,923
Other	1,122,154	1,103,602

#### Auditors' remuneration

Fees for audit and non-audit services, included within marketing and administration expenses, are borne and recharged by a related party, RBS Insurance Services Limited

Fees paid to the auditors with respect to the statutory audit of the Company amount to £20,493 (2005 £43,299)

Directors' emoluments	2006 £	2005 £
Other emoluments	70,527	27,467
Company pension contributions	10,092	3,362
	<u>80,619</u>	<u>30,829</u>

No directors who served during this or the previous financial year were remunerated by the Company. The amounts disclosed above are those relating to their services as directors for the Company based on an estimated time allocation basis. Emoluments in relation to services performed by the directors for other group companies are not disclosed in the Company's financial statements.

Included in the above are emoluments, excluding pension contributions, paid to the highest paid director amounting to £54,645 (2005 £18,058).

A contribution of £8,939 (2005 £2,251) to a money purchase scheme was made on behalf of the highest paid director. One other director (2005 none) had retirement benefits accruing under money purchase pension schemes in respect of qualifying service, 2 directors (2005 none) had benefits accruing under defined pension schemes.

During the year one director had exercised options (2005 none). Details of the share options of the directors in office at 31 December 2006 are disclosed within the directors' report.

### 11 DIVIDENDS

	2006 £	2005 £
Declared and paid during the year		
Equity dividends on ordinary shares	<u>5,425,307</u>	<u>-</u>

Dividends were declared on 18 December 2006 to Churchill Management Limited. On the same date 100% of the share capital was transferred from Churchill Management Limited to RBS Insurance Group Limited (note 23).

# UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £	Vehicles £	Computer and other equipment £	Total £
<b>Cost</b>				
At 1 January 2005	825,000	2,999,297	13,937,796	17,762,093
Additions	-	432,360	810,774	1,243,134
Disposals	-	(99,547)	(235,154)	(334,701)
<b>At 31 December 2005</b>	<b>825,000</b>	<b>3,332,110</b>	<b>14,513,416</b>	<b>18,670,526</b>
Additions	-	4,996	789,159	794,155
<b>At 31 December 2006</b>	<b>825,000</b>	<b>3,337,106</b>	<b>15,302,575</b>	<b>19,464,681</b>
<b>Depreciation</b>				
At 1 January 2005	5,300	1,682,119	7,263,667	8,951,086
Depreciation charge for the year	10,838	493,746	1,179,248	1,683,832
Eliminated on disposal	-	(91,028)	(234,719)	(325,747)
<b>At 31 December 2005</b>	<b>16,138</b>	<b>2,084,837</b>	<b>8,208,196</b>	<b>10,309,171</b>
Depreciation charge for the year	13,189	511,240	987,053	1,511,482
<b>At 31 December 2006</b>	<b>29,327</b>	<b>2,596,077</b>	<b>9,195,249</b>	<b>11,820,653</b>
<b>Net book amount</b>				
At 31 December 2006	<u>795,673</u>	<u>741,029</u>	<u>6,107,326</u>	<u>7,644,028</u>
At 31 December 2005	<u>808,862</u>	<u>1,247,273</u>	<u>6,305,220</u>	<u>8,361,355</u>

### 13 INVENTORIES

	2006 £	2005 £
Raw materials	329,921	263,457
Work-in-progress	1,210,999	1,036,965
	<u>1,540,920</u>	<u>1,300,422</u>

### 14 LOANS AND RECEIVABLES

	2006 £	2005 £
Other loans and receivables		
Accrued interest	7,086	-
Prepayments	371,424	226,223
Receivables from related parties (note 24)	12,130,354	13,963,104
Trade and other receivables	197,332	459,051
<b>Total loans and receivables</b>	<u>12,706,196</u>	<u>14,648,378</u>
Current	12,706,196	14,648,378
Non-current	-	-
	<u>12,706,196</u>	<u>14,648,378</u>

# UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 15 CASH AND CASH EQUIVALENTS

	2006 £	2005 £
Cash at bank and in hand (note 24)	196,327	1,303,941
Deposits with financial institutions (note 24)	10,711,624	1,355,000
	<u>10,907,951</u>	<u>2,658,941</u>

The effective interest rate on short term deposits with credit institutions was 4.80% (2005 4.65%) and has an average maturity of 1 day (2005 1 day)

For the purposes of the cash flow statement cash and bank overdrafts are as follows

	2006 £	2005 £
Cash and cash equivalents	10,907,951	2,658,941
Bank overdrafts (note 20)	(664)	-
	<u>10,907,287</u>	<u>2,658,941</u>

### 16 SHARE CAPITAL

The Company's authorised share capital is made up of 1,000 £1 ordinary shares amounting to £1,000 (2005 £1,000)

The Company's issued and fully paid share capital is made up of 2 £1 ordinary shares amounting to £2 (2005 £2)

### 17 RETAINED EARNINGS

Retained earnings	£
<b>Balance as at 1 January 2005</b>	<b>1,582,109</b>
Profit for the year	1,732,932
<b>Balance as at 31 December 2005</b>	<b>3,315,041</b>
Profit for the year	3,754,040
Dividends	(5,425,307)
<b>Balance as at 31 December 2006</b>	<b>1,643,774</b>

# UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 18 DEFERRED TAX

The following are the tax liabilities and assets recognised by the Company, and the movements thereon, during the current and prior reporting periods

	Accelerated capital allowances £	Total £
<b>At 1 January 2005</b>	<b>650,629</b>	<b>650,629</b>
Credit to income statement	(128,889)	(128,889)
Transfer of deferred tax balance to fellow group company	(10,955)	(10,955)
<b>At 31 December 2005</b>	<b>510,785</b>	<b>510,785</b>
Credit to income statement	(25,310)	(25,310)
<b>At 31 December 2006</b>	<b>485,475</b>	<b>485,475</b>

### 19 GOVERNMENT GRANTS AND DEFERRED INCOME

	2006 £	2005 £
Deferred income (non-current)	94,500	-
Government grants (non-current)	99,000	110,917
	<b>193,500</b>	<b>110,917</b>

### 20 BORROWINGS

	2006 £	2005 £
Loans from related parties (note 24)	16,150,123	1,211,220
Bank overdrafts from related parties (note 24)	664	-
	<b>16,150,787</b>	<b>1,211,220</b>

### 21 TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	2006 £	2005 £
Due to related parties (note 24)	4,712,682	13,277,120
Trade creditors and accruals	7,810,104	7,685,098
Other tax payables	27,217	-
Deferred income (current)	10,500	-
Government grants (current)	11,000	11,000
	<b>12,571,503</b>	<b>20,973,218</b>

## UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 22 COMMITMENTS

##### Operating lease commitments

The company leases certain of its office properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Company also leases vehicles and other assets under non-cancellable operating lease agreements.

	2006 £	2005 £
Minimum lease payments under operating leases recognised as		
Lease payments due to related parties	6,662,334	1,554,125
Lease payments to non-related parties	18,971,381	1,367,193
	<b>25,633,715</b>	<b>2,921,318</b>

At the balance sheet date, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2006 £	2005 £
Within one year	3,040,508	654,266
In the second to fifth years inclusive	8,569,237	256,107
After five years	14,023,970	2,010,945
	<b>25,633,715</b>	<b>2,921,318</b>

#### 23 IMMEDIATE PARENT COMPANIES

The Company's immediate parent company is RBS Insurance Group Limited. On 18 December 2006 100% of the share capital was transferred from Churchill Management Limited to RBS Insurance Group Limited.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest and smallest group into which the Company is consolidated is The Royal Bank of Scotland Group plc, which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.



# UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 24 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties

#### i Sale of services

	2006 £	2005 £
Sale of services (note 3)		
Churchill Insurance Company Limited	28,836,895	25,312,559
Direct Line Insurance plc	44,124,420	46,710,391
The National Insurance and Guarantee Corporation Limited	15,271,531	9,574,817
U K Insurance Limited	4,944,323	2,996,660
	<u>93,177,169</u>	<u>84,594,427</u>
Sale of other services (note 5)		
Tracker Network (UK) Limited	<u>2,433</u>	<u>-</u>
Interest received (note 7)		
National Westminster Bank Plc	507	9,940
The Royal Bank of Scotland Group plc	235,471	47,739
	<u>235,978</u>	<u>57,679</u>

Interest income received from deposits held with related parties were at rates ranging from 5 15% to 5 23% (2005 4 54% to 4 78%).

#### ii Purchases of products and services

	2006 £	2005 £
Purchases of services		
RBS Insurance Services Limited - Cost of Sales (note 4)	44,010,204	35,224,852
RBS Insurance Services Limited - Administrative Expenses (note 6)	5,536,587	5,304,304
	<u>49,546,791</u>	<u>40,529,156</u>
Operating lease payments (note 6)		
D L Buildings Limited	448,027	450,523
Lombard Vehicle Management Limited	1,122,154	1,103,602
	<u>1,570,181</u>	<u>1,554,125</u>
Interest paid (note 8)		
C S G Claims Services Limited	172	44,789
Direct Line Accident Management Limited	22,535	-
RBS Insurance Services Limited	565,025	-
	<u>587,732</u>	<u>44,789</u>

Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 5 15% to 5 23% (2005 4 54% to 4 78%).

All employees were employed by RBS Insurance Services Limited, a fellow subsidiary company. Total employee costs, including directors' remuneration, recharged to the Company by RBS Insurance Services Limited during the year were £37,635,168 (2005 £35,224,852).

Employee costs recharged by RBS Insurance Services Limited includes the full costs of key managers and other staff in respect of share-based payments. The attribution among members of The Royal Bank of Scotland Group has regard to the needs of the group as a whole.

# **UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

### **24 RELATED PARTY TRANSACTIONS (Continued)**

#### **iii Compensation of key management**

	2006 £	2005 £
Fees as directors	717	-
Other emoluments	124,785	99,988
Company pension contributions	14,229	16,204
	<b>139,731</b>	<b>116,192</b>

#### **iv Year-end balances arising from sales/purchases of products/services**

	2006 £	2005 £
Bank deposits held with related parties (note 15)		
National Westminster Bank Plc	<b>196,327</b>	<b>1,303,941</b>
Term deposits held with related parties (note 15)		
The Royal Bank of Scotland Group plc	<b>10,711,624</b>	<b>1,355,000</b>
Bank overdrafts held with related parties (note 15)		
National Westminster Bank Plc	<b>(664)</b>	<b>-</b>

	2006 £	2005 £
Receivables from related parties (note 14)		
Churchill Insurance Company Limited	4,352,566	3,536,127
Direct Line Insurance plc	4,087,769	7,057,439
The National Insurance and Guarantee Corporation Limited	2,577,183	2,545,255
Tracker Network (UK) Limited	188	-
U K Insurance Limited	1,112,648	824,283
	<b>12,130,354</b>	<b>13,963,104</b>

#### **Movements in receivables from related parties were as follows**

	2006 £	2005 £
At 1 January	13,963,104	29,885,519
Transactions in the year	93,177,169	84,594,427
Settled in the year	(95,009,919)	(100,516,842)
At 31 December	<b>12,130,354</b>	<b>13,963,104</b>

**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**24 RELATED PARTY TRANSACTIONS (Continued)**

**iv Year-end balances arising from sales/purchases of products/services**

	2006 £	2005 £
Payables to related parties (note 21)		
D L Buildings Limited	38,447	62,171
RBS Insurance Services Limited	4,674,235	13,214,949
	<u>4,712,682</u>	<u>13,277,120</u>

Movements in payables to related parties were as follows

	2006 £	2005 £
At 1 January	13,277,120	30,129,589
Transactions in the year	49,546,791	40,529,156
Settled in the year	(58,111,229)	(57,381,625)
At 31 December	<u>4,712,682</u>	<u>13,277,120</u>

**v Loans from related parties**

	2006 £	2005 £
Loans from related parties (note 20)		
C S G Claims Services Limited	-	44,789
Direct Line Accident Management Limited	-	1,166,431
RBS Insurance Services Limited	16,150,123	-
	<u>16,150,123</u>	<u>1,211,220</u>

Movements in loans from related parties were as follows

	2006 £	2005 £
At 1 January	1,211,220	1,015,853
Loans advanced during year	22,346,573	12,996,478
Loan repayments paid	(7,995,402)	(12,845,900)
Interest charged	587,732	44,789
At 31 December	<u>16,150,123</u>	<u>1,211,220</u>