Company Registration No: 02568507

UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Group Secretariat
Direct Line Insurance Group plc
Churchill Court
Westmoreland Road
Bromley
BR1 1DP

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR.	C Weeks
SECRETARY:	P A Hutchings
REGISTERED OFFICE:	Churchill Court Westmoreland Road Bromley BR1 1DP
AUDITOR:	Deloitte LLP Chartered Accountants London

Registered in England and Wales.

DIRECTOR'S REPORT

The director presents their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company continues to be the provision of motor vehicle repair services to the general insurance companies owned by Direct Line Insurance Group plc The director does not anticipate any material change in either the type or level of activities of the Company

The immediate parent company has changed its name on 3 February 2012 from RBS Insurance Group plc to Direct Line Insurance Group plc

The Company is a subsidiary of Direct Line Insurance Group plc (DLIG) 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 For this reason, the director believes 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 Direct Line Insurance Group plc review these matters on a group basis Copies can be obtained from Direct Line Group Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website at www directlinegroup com

Review of the year

Business review

The director is satisfied with the Company's performance in the year The Company will be guided by its shareholders in seeking further opportunities for growth

Financial performance

The Company's financial performance is presented in the statement of comprehensive income on page 7

Revenue for the year 2012 increased by £6,340,000 (2011 decreased by £7,883,000), cost of sales increased by £1,558,000 (2011 decreased by £4,049,000) and administration expenses increased by £1,663,000 (2011 increased by £1,536,000) Profit for the year was £19,519,000 (2011 £16,403,000)

An interim dividend of £6,000,000 was paid on 26 June 2012 (2011 £40,000,000) and the director does not recommend the payment of a final dividend (2011 £nil)

At the end of the year, the financial position reflected total assets of £35,612,000 (2011 £21,118,000) and equity of £18,780,000 (2011 £5,261,000) The net book value of property, plant and equipment was £2,872,000 compared with £3,279,000 at the end of the previous year

Principal risks and uncertainties

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 2 to these financial statements

Going concern

The director, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, has prepared the financial statements on a going concern basis

DIRECTOR'S REPORT (continued)

DIRECTOR'S AND SECRETARY

The present director and secretary, who have served throughout the year are listed on page 2

From 1 January 2012 to date the following changes have taken place

Director	Resigned
J A Davidson	18 March 2013

DIRECTOR'S RESPONSIBILITIES STATEMENT

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare a director's report and financial statements for each financial year and the director has elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the company In preparing these financial statements, under International Accounting Standard 1, the director is required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the Company's ability to continue as a going concern

The director is 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 to enable them to ensure that the director's report and financial statements comply with the requirements of 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

DISCLOSURE OF INFORMATION TO AUDITOR

The director at the date of approval of this report confirms that

- so far as they are aware there is no relevant audit information of which the Company's auditor is unaware and
- the director has 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 auditor is aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

DIRECTOR'S INDEMNITIES

Direct Line Insurance Group plc has made qualifying third party indemnity provisions for the benefits of the director of the Company, which were made during the year and remain in force at the date of this report

DIRECTOR'S REPORT (continued)

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of creditors determined by Direct Line Insurance Group plc, which is committed to maintaining a sound commercial relationship with its suppliers Consequently, the 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

At 31 December 2012, the Company had no trade creditors (2011 none)

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor

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

C Weeks
Director
4 June 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

We have audited the financial statements of UK Assistance Accident Repair Centres Limited ('the Company') for the year ended 31 December 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 director and auditor

As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Rush (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
4 June 2013

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Revenue	3	112,400	106,060
Cost of sales	4	(68,023)	(66,465)
Gross profit		**44,377**	**39,595**
Administration expenses	5	(19,109)	(17,435)
Other operating income	6	65	42
Operating profit		**25,333**	**22,202**
Interest received	7	175	411
Profit before tax		**25,508**	**22,613**
Income tax expenses	9	(5,989)	(6,210)
Total comprehensive income for the year		**19,519**	**16,403**

The total comprehensive income for the year is entirely attributable to equity shareholders of the Company

The accompanying notes on pages 11 to 31 form an integral part of these financial statements

UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED **02568507**

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	2,872	3,279
Current assets			
Inventories	13	1,314	988
Trade and other receivables	14	29,676	16,724
Prepayments	15	133	127
Cash and cash equivalents	16	1,617	-
		32,740	17,839
Total assets		**35,612**	**21,118**
Liabilities			
Current liabilities			
Borrowings	18	-	87
Trade and other payables	17	10,487	9,392
Current tax liabilities		6,258	6,150
		16,745	15,629
Non-current liabilities			
Deferred tax liabilities	12	87	228
Total liabilities		**16,832**	**15,857**
Equity			
Share capital and retained earnings	19	18,780	5,261
Total equity		**18,780**	**5,261**
Total liabilities and equity		**35,612**	**21,118**

The financial statements were approved by the Board of Directors on 4 June 2013 and signed on its behalf by

C Weeks
Director

The accompanying notes on pages 11 to 31 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

		Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2011		-	**28,858**	**28,858**
Total comprehensive income for the year		-	16,403	16,403
Dividends paid	10	-	(40,000)	(40,000)
Balance at 31 December 2011		-	**5,261**	**5,261**
Total comprehensive income for the year		-	19,519	19,519
Dividends paid	10	-	(6,000)	(6,000)
Balance at 31 December 2012		-	**18,780**	**18,780**

The accompanying notes on pages 11 to 31 form an integral part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit for the year before tax		25,508	22,613
Adjustments for			
Depreciation of property, plant and equipment	11	625	845
Investment revenues	7	(175)	(411)
Loss/(gain) on disposal of property, plant and equipment	6	-	(6)
Operating cash flows before movements in working capital		**25,958**	**23,041**
Movement in working capital			
Net (increase)/decrease in inventories		(326)	555
Net (increase)/decrease in trade and other receivables		(2,295)	129
Net (increase)/decrease in prepayments, accrued income and other assets		(6)	26
Net increase in trade and other payables		1,095	(845)
Net cash from operating activities before tax		**24,426**	**22,906**
Income tax paid		(6,022)	(7,876)
Net cash generated from operating activities		**18,404**	**15,030**
Cash flows from investing activities			
Interest received	7	175	411
Purchases of property, plant and equipment	11	(218)	(188)
Proceeds from disposal of property, plant and equipment	6	-	6
Loans advanced to related parties	21	(104,951)	(105,017)
Loan repayments received from related parties	21	94,294	129,736
Net cash (used by)/generated from investing activities		**(10,700)**	**24,948**
Cash flows from financing activities			
Dividends paid	10	(6,000)	(40,000)
Net cash flows used in financing activities		**(6,000)**	**(40,000)**
Net increase/(decrease) in cash and cash equivalents		1,704	(22)
Cash and cash equivalents at the beginning of the year		(87)	(65)
Cash and cash equivalents at the end of the year	16,18	**1,617**	**(87)**

The accompanying notes on pages 11 to 31 form an integral part of these financial statements

1 Accounting policies

a) Presentation of accounts

The accounts have been prepared on the going concern basis (see page 3 of the Director's Report) and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS)

The accounts are prepared on the historical cost basis

The Company is incorporated in the UK and registered in England and Wales

The Company's accounts are presented in accordance with the Companies Act 2006

b) Revenue recognition

The Company's revenue comprises vehicle repair services provided to related parties as well as other third party customers Revenue 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 revenue arises in the United Kingdom

Interest income on financial assets is determined using the effective interest rate method The effective interest rate method is a way of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the *interest income over the expected life of the asset In the case of financial assets classified as available-for-sale,* estimates are based on the straight-line method, which management has determined is a close approximation to the effective interest rate

c) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The current tax expense is based on the taxable profits for the year as determined in accordance with the relevant tax legislation, after any adjustments in respect of prior years Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

Provision for taxation is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, and is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate

Deferred taxation is accounted for in full using the balance sheet liability method on all temporary differences between *the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes*

Deferred tax liabilities are generally recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is probable that they will not be recovered

Deferred tax liabilities are calculated at the tax rates expected to apply when the liability is settled and deferred tax assets based on laws and rates that have been enacted or substantively enacted at the balance sheet date Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income

1 Accounting policies (continued)

d) 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 at a general meeting

e) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment loss 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 profit or loss 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 or the period of the lease if shorter
Computer equipment	- up to 5 years
Vehicles	- 5 years
Other equipment including property adaptation costs	- 4 to 15 years

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item

f) Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there is any indication that its intangible assets or 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 discounted at a rate that reflects market interest rates, adjusted for risks specific to the asset or cash-generating unit that have not been reflected in the estimation of future cash flows

If the recoverable amount of an intangible or 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 is reduced by the amount of the impairment loss

A reversal of an impairment loss on intangible assets or property, plant and equipment is recognised as it arises provided the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised Impairment losses on goodwill are not reversed

g) Financial assets

Financial assets are classified as held-to-maturity, available-for-sale, designated as at fair value through profit or loss, or loans and receivables

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables Loans and receivables are initially recognised at fair value plus directly related transaction costs They are subsequently measured at amortised cost using the effective interest method, less any impairment losses

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies (continued)

h) Impairment of financial assets

At each balance sheet date the Company assesses whether there is any objective evidence that a financial asset or group of financial assets classified loans and receivables is impaired A financial asset or portfolio of financial asset 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 the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition

Impairment losses are assessed individually where significant or collectively for assets that are not individually significant

Impairment losses are recognised in profit or loss 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

i) Financial liabilities

Amortised Cost - Financial liabilities are initially recognised at fair value net transaction costs incurred Other than derivatives which are recognised and measured at fair value, all other financial liabilities are subsequently measured at amortised cost using the effective interest method

j) Derecognition

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires

k) Cash and cash equivalents

Cash and cash equivalents comprise 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

Borrowings comprising bank overdrafts and group loans are measured at amortised cost using the effective interest method

l) Inventories

Inventories, including work in progress, comprise labour parts, paint and consumable materials used in the repair of vehicles They are stated at the lower of cost and net realisable value less provisions for obsolete and slow-moving items Cost is based on the first-in first-out principle

m) Leases

Payment made under operating leases are charged to the income statement on a straight -line basis over the term of the lease

n) Adoption of new and revised standards

There have been no new or revised standards adopted during the year

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies (continued)

o) Accounting developments

The International Accounting Standards Board ("IASB") issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability The amendment and consequential withdrawal of SIC 21 'Deferred Tax Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012 is not expected to have a material effect on the company This was endorsed on 11 December 2012

IFRS 10 Consolidated Financial Statements, which replaces SIC-12 Consolidation - Special Purpose Entities and the consolidation elements of the existing IAS 27 Consolidated and Separate Financial Statements, was issued by the IASB in May 2011 The new standard adopts a single definition of control a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity Effective for annual periods beginning on or after 1 January 2013 the new standard is not expected to have any effect on the Company

In May 2011 the IASB issued amendments to IAS 27 Separate Financial Statements which comprises those parts of the existing IAS 27 that dealt with separate financial statements, effective for annual periods beginning on or after 1 January 2013 The amendment to this standard is not expected to have any effect on the Company

IFRS 11 Joint Arrangements, which supersedes IAS 31 Interests in Joint Ventures, was issued by the IASB in May 2011 Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs Joint ventures are accounted for in the investor's consolidated accounts using the equity method Effective for annual periods beginning on or after 1 January 2013, the company does not have any joint arrangements at this time and therefore this standard is not expected to have any effect on the Company

In May 2011 the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures to cover joint ventures as well as associates, both must be accounted for using the equity method The mechanics of the equity method are unchanged Effective for annual periods beginning on or after 1 January 2013, the amendments to this standard are not expected to have any effect on the Company

IFRS 12 Disclosure of Interests in Other Entities covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27, was issued by the IASB in May 2011 Entities are required to disclose information that helps financial statement readers evaluate the nature risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities The new standard is effective for annual periods beginning on or after 1 January 2013, and is not expected to have any effect on the Company

In May 2011 the IASB issued IFRS 13 Fair Value Measurement which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements, effective for annual periods beginning on or after 1 January 2013 The new standard will have an impact on the quantitative and qualitative disclosure requirements of financial assets and liabilities of the company, that are not covered by IFRS 7 Financial Instruments Disclosures

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income that require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those that are subject to subsequent reclassification, was issued by the IASB in June 2011 The amendments are effective for annual periods beginning on or after 1 July 2012, and will have an impact on the disclosure requirements of the Company's financial statements

Amendments to IAS 19 Employee Benefits – these require the immediate recognition of all actuarial gains and losses eliminating the 'corridor approach', interest costs to be calculated on the net pension liability or asset at the appropriate corporate bond rate, and all past service costs to be recognised immediately when a scheme is curtailed or amended, was issued by the IASB in June 2011 The amendments are effective for annual periods beginning on or after 1 January 2013 Earlier application is permitted The company is reviewing the amendments to determine their effect on the Company's financial reporting

Accounting policies (continued)

o) Accounting developments

In December 2011 the IASB issued amendments to IFRS 7 Financial Instruments Disclosure – Offsetting financial assets and financial liabilities The amended disclosure requirements are intended to enable the evaluation of the effect or potential effect of netting arrangements as permitted by IAS 32 (paragraph 42), on the financial statements The amendments are effective for annual periods beginning on or after 1 January 2013 and are not expected to have an impact on the Company

The IASB amended IAS 32 Financial Instruments Presentation in December 2011 for the section dealing with Offsetting a financial asset and a financial liability Effective for annual periods beginning on or after 1 January 2014, to be applied retrospectively, this amendment is not expected to have an impact on the Company

The IASB has published IFRS 9 Financial Instruments recognition and measurement that will apply to financial years beginning on 1 January 2015 The new standard has not been adopted by the EU The standard is a complete revision and will replace the current standard IAS 39, Financial Instruments Recognition and Measurement The standard reduces the number of valuation categories for financial assets and means that they are recognised at amortised cost or fair value through profit or loss The rules for financial liabilities correspond to the existing rules in IAS 39 plus a supplement on how credit risk is presented when financial liabilities are measured at fair value The change in the credit risk for financial liabilities designated at fair value according to the so-called fair value option is normally presented in other comprehensive income and not in the traditional income statement, provided that further inconsistencies do not arise in presentation of any eliminated changes in value

The standard will be complemented by new rules for impairment of financial assets that are categorised as financial assets at amortised cost and new rules for hedge accounting The adoption of IFRS 9, which the Company plans not to adopt before the year beginning on 1 January 2015, will impact both the measurement and disclosures of financial instruments

2 RISK MANAGEMENT

2 1 Risk management overview

The Company is a subsidiary with the Direct Line Insurance Group plc ("Group") which has a robust and well integrated risk management framework This framework sets out the responsibilities and accountabilities for risk management for the whole business

The Direct line Insurance Group plc ("Group Board") has responsibility for the setting of and adherence to the risk strategy, risk appetite and risk framework The Group Board have established a risk management model that separates the business's risk management responsibilities into three lines of defence as set out in the diagram below

Our risk management structure

1st Line Business and Support Functions	2nd Line Risk Function	3rd Line Audit Function
Adhere to risk strategy and risk appetite	Advise Group Board on risk strategy and risk appetite	Independent Assurance on adequacy and effectiveness of risk framework
Own and manage risks	Advise Group Board on appropriate risk framework and risk tools	
Compliance with risk framework	Oversight, challenge and support of 1st Line	
Assurance on adherence to policies		

Governance structure

The governance structure connects the business and risk management function across the first and second lines of defence to provide a consistent approach to managing risk across the organisation This includes various committees which provide oversight of the Enterprise Risk Management ("ERM") exposure

The Board oversees the business operations, ensuring competent and prudent management, and the maintenance of adequate accounting and other procedures This ensures compliance with statutory and regulatory obligations

Specifically the following are key areas that the Group Board considers and must approve at least annually

- high level controls document,
- Group risk appetite, and
- Group risk profile including the output from financial and other quantitative models This encompasses the internal adequacy and other capital related submissions to the supervisory authority where appropriate

The Group Board has responsibility for understanding and approving the nature and level of risk assumed by the Group and the methodologies, approaches and assumptions used to identify, measure, manage, monitor, report, control and mitigate risk The Group Board approves the risk appetite of the Group as a whole and by risk type The Group Board is supported by the Risk Committee, and Risk and Internal Audit functions

These functions define, oversee and challenge the risk and control environment of the Group, including the operation of the business within its risk appetite The Risk function advises the Risk Committee on risk appetite and supports the business by maintaining the risk management framework and defining the associated processes

The Group Chief Executive Officer ("CEO") fulfils his responsibilities through the Managing Directors and support functions, that oversee a range of committees to provide advice on their obligations within their division

2 RISK MANAGEMENT

2 1 Risk management overview (continued)

Governance structure (continued)

Executive Committee risk management responsibilities are

- to consider and determine relevant recommendations on risk management matters including risk organisation risk strategy, risk appetite risk policy framework,
- to consider any relevant policies, processes and procedures for the effective management of risk,
- to consider and determine relevant recommendations on limits by risk type,
- communication to the Risk and Audit Committees for review and challenge,
- to ensure that risk and capital considerations are incorporated within the strategic planning and budgeting processes, and
- to review, consider discuss and understand all issues relating to the reinsurance arrangements

The Chief Risk Officer ("CRO") is a member of the Executive Committee and reports to the CEO with a right of access to the Risk and Audit Committees, assuring independence of the function The CRO chairs the Risk Management Committee ("RMC"), which reviews material policies for the effective management of risk across the Group, including those associated with Solvency II

The RMC is responsible for reviewing current and potential risk exposures of the Group, against the agreed risk appetite and promoting a risk aware culture

The CRO, as Chair of the RMC, provides reports or escalates matters to the Risk Committee and reports to Executive Committee

Risk strategy and risk appetite

The Board have set clear strategic risk objectives

- to maintain capital adequacy,
- avoid unnecessary volatility in earnings,
- to ensure stable and efficient access to funding and liquidity, and
- to maintain stakeholder confidence

These objectives have been developed to recognise that, for long-term sustainability, we need to have sufficient economic capital and we need to protect our reputation and integrity in our relationships with customers and stakeholders

Within the Group, a well articulated risk appetite lies at the heart of effective ERM to support

- strategy setting,
- risk management,
- setting of boundaries for risk taking, and
- stakeholder value optimisation

The risk appetite statements are expressions of the level of risk we are prepared to accept to achieve our strategic risk objectives In order for these statements to be defined quantitatively as well as qualitatively, they are aligned to key metrics These metrics are monitored regularly

Risk appetite should not be static and the Group is committed to performing an annual review of the risk appetite framework to ensure its continued suitability to support a well managed company

The strategic risk objectives link to a set of risk appetite statements and key metrics

2 RISK MANAGEMENT (continued)

2 1 Risk management overview (continued)

Risk strategy and risk appetite (continued)

The table below sets out these objectives and shows, at a high level, examples of corresponding appetite statements

Strategic Risk Objective	Risk Appetite Statement
Maintain Capital Adequacy	Maintain sufficient economic capital to a defined target
Manage Earnings Volatility	Profitability over a defined period
Stable and efficient Access to Funding and Liquidity	Cash outflows met under stress
Maintain Stakeholder Confidence	No appetite for material reputational, legal or regulatory risks

Risk framework

The aim of the risk framework is to provide a robust, proportionate, proactive and forward-looking process for risk management across the Group A central component of this framework is the Group's policies and minimum standards which inform the business as to how it is required to conduct its activities and risk management processes

The policies and minimum standards cover all key risks to which the Group is exposed Each policy is supported by minimum standards which set out the minimum level of risk management and other corporate and personal behaviours The minimum standards are in turn supported, where appropriate, by detailed guidance documents

We incorporate the identification, assessment, management, control, reporting and mitigation of risk as part of our daily operations

We believe the strengths of our risk framework are

- engagement with the business,
- strong culture and risk leadership underpinned by training of our people,
- quantitative approach to the risk analysis, for example, development of a robust economic capital model,
- risk assessment and management information through integrated risk systems,
- embedded risk management processes, linking risk and capital, and
- influencing decision making and shaping behaviours, via the provision of accurate, timely and relevant risk advice and challenge

Principal risks and uncertainties

The Company writes products that are subject to a number of uncertainties and risks It is a key role of Risk to ensure these risks have been quantified and considered throughout the pricing process

Principal Risks	Impact	Management and Mitigation
Strategic Risk The prevailing economic climate could put at risk our ability to meet our strategic objectives of delivering growth in the businesses, delivering cost savings and optimising pricing, brand awareness and delivery	The value of the Group decreases resulting in a lack of shareholder confidence	• Constant monitoring and management of agreed strategic targets • Cost targets on track • Improved pricing models

2 RISK MANAGEMENT (continued)

2 1 Risk management overview (continued)

Principal risks and uncertainties (continued)

Principal Risks	Impact	Management and Mitigation
Operational Risk The risks of direct or indirect losses resulting from inadequate or failed internal processes, or from systems and people, or from external events including changes in the regulatory or legislative environments In particular we have IT systems risk the Group and the Company is highly dependent on the proper functioning of its IT and communication systems	Adverse events with potential financial, reputational, legal and/or customer impacts	• Part of this framework includes the implementation of the Group's Internal Risk Intelligence Software System designed to facilitate a robust and consistent approach in the way we identify and capture risk information to significantly enhance our ability to measure, report and manage our risks We have upgraded and enhanced many of our operational processes and systems This includes enhancing our E R M Framework to integrate risk, business and capital strategies • We maintain a robust internal control environment • We have developed a bespoke risk capture, management and reporting system
Investment Risk **Market risk** – the risk of adverse financial impact due to changes in fair values of future cash flows of instruments held in the investment portfolio as a result of changes in interest rates, credit spread, foreign exchange rates and property prices	Adverse movements due to asset value reduction, mis-match in assets and liabilities and default of third parties	• Our investment portfolio is robustly managed and controlled through
Credit risk – the risk of a financial loss as a result of the default or failure of third parties to meet their obligations when due, or as a result of, changes in fair value resulting from movements in the creditworthiness of the third party	Inability to meet cash flows under stress	• Investment Strategy and Guidelines set and monitored by the Asset Liability Committee, including counterparty limits, country limits and specified rating requirements • Diverse holding of types of assets – bonds, cash, asset backed securities and property, geographies, sectors and credit ratings • Utilisation of risk reduction techniques

2 RISK MANAGEMENT (continued)

2 1 Risk management overview (continued)

Principal risks and uncertainties (continued)

Principal Risks	Impact	Management and Mitigation
Liquidity risk – the risk of maintaining insufficient financial resources to meet business obligations as and when they fall due		• Maintenance of standby facilities • Stress testing and scenario analysis
Counterparty risk We partner with many suppliers and the failure of any of these to perform their financial obligations or perform them in a timely manner could result in a financial loss The principal area of counterparty risk is our use of reinsurance	Loss due to default of third parties	• Suppliers may require a credit assessment and specific credit terms
Regulatory Risk Changes in regulations are not identified, understood, are inappropriately or incorrectly interpreted or adopted Further, there is a risk that current legal or regulatory requirements are not complied with	Customer impact and/or financial loss Legal action or revenue loss	• The Company and the Group have a constructive and open relationship with their regulators in addition to specific risk management tools and resources to minimise their exposure to Regulatory risk

It is important to note that some risks are currently unknown and some risks have materiality levels that could subsequently increase The framework aims to capture these effects as early as possible through the strong culture and engagement with the business

2 2 Financial risk

The Group is exposed to financial risk through its financial assets and financial liabilities

2 2 1 Market risk

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

The Company is exposed to market risk in both the value of its liabilities and the value of assets held Its market risk exposure is managed in accordance with the investment strategy approved by the Board, which considers the prudence principle of asset liability management The Company does not hold investments for trading purposes

Governance is provided via a monthly market risk forum, which is held with the following objectives

- to ensure that the market risk exposure is aligned with the risk appetite approved by the Board,
- delegation of authorities as well as effective monitoring and reporting, and
- to provide assistance and advise the business on the management of the risk exposure

2 RISK MANAGEMENT (continued)

2 2 1 Market risk (continued)

Sensitivity analysis

The results of sensitivity testing are set out below For each sensitivity test the impact of a reasonably possible change in a single factor on the current balance sheet is shown, with other assumptions left unchanged

Sensitivity factor	Description of sensitivity analysis
Interest rate and investment return	The impact of a change in market interest rates by +/- 1% (e g if a current interest rate is 2%, the impact of an immediate change to 1% or 3%)
Expenses	The impact of an increase in ongoing administrative expenses by 10%
Currency	The impact of an increase of 5% in the value of sterling against major currencies

Sensitivity at 31 December 2012

	Interest rates +1%	Interest rates -1%	Expenses +10%	Cost of sales +10%
	£'000	£'000	£'000	£'000
Impact on profit before tax	228	(228)	(1,910)	(6,802)
Impact before tax on shareholders equity	228	(228)	(1,910)	(6,802)

Sensitivity at 31 December 2011

	Interest rates +1%	Interest rates -1%	Expenses +10%	Cost of sales +10%
	£'000	£'000	£'000	£'000
Impact on profit before tax	492	(492)	(1,744)	(6,647)
Impact before tax on shareholders' equity	492	(492)	(1,744)	(6,647)

Limitations of sensitivity analysis

The above tables show the effect of a change in a key assumption while other assumptions remain unchanged In reality, there is a correlation between the assumptions and other factors It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated from these results

2 2 2 Credit risk

Credit risk arises from the potential that losses are incurred from the failure of a counterparty to meet its credit obligations, either due to their failure and/or their inability to pay, or their unwillingness to pay amounts due

The objective of the Credit Risk Policy and supporting Minimum Standards is to document the control processes by which the company is able to identify, monitor, measure, manage, control and mitigate the level of credit risk to which it is exposed effectively The credit risk control environment is summarised below

Credit risk and investment forum

The primary responsibility of this forum is to ensure that all material aspects of credit risk within the Group are identified, monitored and measured

2 RISK MANAGEMENT (continued)

Credit risk sanctioning committee

The primary responsibility of this committee is to approve new and increased credit risk limits in excess of business area credit authorities but within the committee's credit authority

The Company must assess credit risk and set a credit limit prior to entering into a transaction or contract with the counterparty Each assessment and credit limit must be approved in accordance with Credit Authorities

Credit authority

Credit risk assessments and limits must be approved by an individual or committee that has been provided with formally documented credit approval authority Approval authorities must be reviewed and renewed at least annually

Monitoring and reporting

Relevant business units monitor the level of their actual credit exposure and measure this against approved credit terms and limits

2 2 3 Liquidity risk

The Company has no material liquidity risk as it has access to Group funding

2 2 4 Operational risk

Effective operational risk management requires the Company to identify, assess, manage, monitor, report and mitigate all areas of exposure Operational risk is inherent in all of the Company's business processes, systems and products, and from external events with the Company's ERM framework detailing the minimum standards, tools, techniques and other processes used to ensure that operational risks are identified, managed and mitigated to an acceptable level and that contingency plans are in place

There are a number of key factors that cause operational risk across the Company, such as

- the Company's operations support complex transactions and are highly dependent on the proper functioning of its IT and communication systems
- dependency on the use of third party information technology, software, data and service providers,
- a need to adequately maintain and protect customer and employee information, and
- the ability of the Company to attract and retain key qualified personnel

Effective operational risk management helps the Company to achieve its objectives, including

- more focus on doing things the right way, leading to fewer surprises,
- fewer operational errors and losses, leading to increased customer satisfaction and higher quality earnings
- increased management attention on the risks and issues that really matter, and
- lower risk based capital due to lower expected losses

3 Revenue

	2012 £'000	2011 £'000
Vehicle repairs (note 21)	112,400	106,060

All revenue arises from operations in the United Kingdom

4 Cost of sales

	2012 £'000	2011 £'000
Cost of vehicle repairs	68,023	66,465

5 Administration expenses

	2012 £'000	2011 £'000
Marketing and administration expenses	6,739	7,214
Depreciation (note 11)	625	845
Management charges from related parties	11,286	8,872
Operating lease payments (note 21)	459	504
	19,109	17,435

Included in marketing and administration expenses above are £5,456,000 (2011 £6,073,000) charged by related parties and £1,283,000 (2011 £1,141,000) charged by non-related parties

Management recharge

DL Insurance Services Limited (DLIS), a fellow subsidiary company charges the Company on an annual basis for use of IT, staff costs and other central resources

Staff costs, number of employees and director's emoluments

All staff and the director were employed by DLIS, the accounts of which contain full disclosure of employee benefit expenses incurred in the period including pensions The Company has no employees and pays a management charge for services provided by other Group companies The director of the company does not receive remuneration for specific services provided to the Company, however an apportionment of the relevant costs, based on an allocation of their time, is shown in note 8

6 Other operating income

	2012 £'000	2011 £'000
Other income from related parties (note 21)	-	1
Gain on sale of property, plant and equipment	-	6
Commission income	65	35
	65	42

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2012

7 Interest received

	2012 £'000	2011 £'000
Interest income from loans to related parties (note 21)	175	411

8 Operating profit before tax

Operating profit before tax is stated after charging	2012 £'000	2011 £'000
Depreciation of property, plant and equipment (note 11)	625	845
Operating lease rentals		
Land and buildings	1,342	1,496
Vehicles (note 21)	459	504
	2,426	2,845

Auditor's remuneration

Fees for audit and non-audit services, included within marketing and administrative expenses are borne and recharged by a related party, DLIS

Fees paid to the auditor in the respect of the statutory audit of the Company amount to £19,000 (2011 £20,000)

Directors' emoluments	2012 £'000	2011 £'000
Other emoluments	156	160
Company pension contributions	12	18
Compensation for loss of office	79	-
	247	178

None of the directors who served during this or the previous financial year were remunerated by the Company The amounts disclosed above are those relating to his service as director for the Company based on an estimated time allocation basis Emoluments in relation to services performed by the director 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 £120,510 (2011 £104,703)

A contribution of £8,569 (2011 £7,652) to a money purchase scheme was made on behalf of the highest paid director One of the directors (2011 four directors) had retirement benefits accruing under money purchase pension schemes in respect of qualifying service, no directors (2011 no directors) had benefits accruing under defined pension schemes

The director did not exercise any share options during the year (2011 no directors)

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2012

9 Tax

	2012 £'000	2011 £'000
Current taxation		
UK corporation tax charge for the year	6,271	6,150
Over provision in respect of prior periods	(141)	(42)
	6,130	**6,108**
Deferred taxation (note 12)		
Charge for the year	(19)	103
Over provision in respect of prior periods	(122)	(1)
	(141)	**102**
Tax charge for the year	**5,989**	**6,210**

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 24 5% (2011 26 5%) as follows

	2012 £'000	2011 £'000
Expected tax charge	6,249	5,992
Non-deductible items	6	53
Deferred tax provided at 23% (2011 25%)	(3)	53
Legal fees	-	67
Non qualifying depreciation	-	88
Adjustments in respect of prior periods	(263)	(43)
Actual tax charge for the year	**5,989**	**6,210**

10 Dividends

	2012 £'000	2011 £'000
Declared and paid during the year	6,000	40,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

11 Property, plant and equipment

2012	Land and buildings £'000	Vehicles £'000	Computer and other equipment £'000	Total £'000
Cost				
At 1 January 2012	825	2,176	12,292	15,293
Additions	-	-	218	218
Reclassification	-	-	-	-
Disposals	-	-	-	-
At 31 December 2012	825	2,176	12,510	15,511
Accumulated depreciation				
At 1 January 2012	145	1,755	10,114	12,014
Charge for the year	11	172	442	625
Reclassification	-	-	-	-
Eliminated on disposal	-	-	-	-
At 31 December 2012	156	1,927	10,556	12,639
Carrying value				
At 31 December 2012	669	249	1,954	2 872

2011	Land and buildings £'000	Vehicles £'000	Computer and other equipment £'000	Total £'000
Cost				
At 1 January 2011	825	3,292	12,208	16,325
Additions	-	-	188	188
Reclassification	-	104	(104)	-
Disposals	-	(1 220)	-	(1 220)
At 31 December 2011	825	2,176	12,292	15,293
Accumulated Depreciation				
At 1 January 2011	133	2,709	9,547	12,389
Charge for the year	12	266	567	845
Reclassification	-	-	-	-
Eliminated on disposal	-	(1,220)	-	(1,220)
At 31 December 2011	145	1,755	10,114	12,014
Carrying value				
At 31 December 2011	680	421	2,178	3 279

12 Deferred tax

The following are the major deferred tax liabilities recognised by the Company, and the movements thereon

	Accelerated capital allowances £'000
At 1 January 2011	**126**
Credit to income (note 9)	102
At 31 December 2011	**228**
Charge to income (note 9)	(141)
At 31 December 2012	**87**

The UK Government enacted a reduction in the UK corporation tax rate from 26% to 24% effective from 1 April 2012 in Finance Act 2012 which also enacted a further reduction to 23% to be effective from 1 April 2013 As a consequence the closing deferred tax assets and liabilities have been recognised at an effective rate of 23% The impact of these changes on the tax charge for the year is set out in the table above In recent years the UK Government has steadily reduced the rate of UK corporation tax with the latest enacted rate standing at 23% with effect from 1 April 2013 Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively but not substantively enacted at the balance sheet date Accordingly, the closing deferred tax assets and liabilities have been calculated at 23%

13 Inventories

	2012 £'000	2011 £'000
Work-in-progress	1,314	988

14 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	383	259
Less provision for impairment of trade receivables	(64)	(71)
Other loans and receivables		
Fellow subsidiaries (note 21)	29 357	16 536
	29,676	**16,724**

The following assets were past due at the balance sheet date but not considered impaired

	1-29 days £'000	30-59 days £'000	60-89 days £'000	More than 90 days £'000	Total £'000
2012					
Trade and other receivables	1	42	24	2	69
2011					
Trade and other receivables	-	-	7	45	52

15 Prepayments

	2012 £'000	2011 £'000
Prepaid operating expenses	133	127

16 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand with related parties (note 21)	1,617	-
Cash and cash equivalents per cash flow statement	1,617	-

17 Trade and other payables

	2012 £'000	2011 £'000
Due to fellow subsidiaries	7,596	6,595
Accruals	2 656	2 552
Other taxes	96	96
Deferred income	139	149
	10,487	9,392

18 Payables to related parties

	2012 £'000	2011 £'000
Fellow subsidiaries	7,596	6 682
Less borrowings from RBS Group banks	-	(87)
	7,596	6,595

18 Borrowings

	2012 £'000	2011 £'000
Bank overdrafts from related parties (note 21)	-	87

The borrowings are repayable on demand

19 Share capital and retained earnings

	2012	2011
Issued and fully paid	£	£
Equity shares		
2 ordinary shares of £1 each	2	2

Retained earnings	£'000
Balance as at 1 January 2011	28,858
Profit for the year	16 403
Dividends paid	(40 000)
Balance as at 31 December 2011	5,261
Profit for the year	19,519
Dividends paid	(6,000)
Balance as at 31 December 2012	18,780

20 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 renewable rights The Company also leases vehicles and other assets under non-cancellable lease agreements

At 31 December 2012 the Company had obligations to make non-cancellable operating lease payments as follows

	2012		2011	
	Property £'000	Vehicles £'000	Property £'000	Vehicles £'000
Within 1 year	1 142	277	1,626	183
After 1 year but within 5 years	3 995	221	5,763	-
After 5 years	4,657	-	8,628	-
	9,794	**498**	**16,017**	**183**

21 Related parties

On 1 December 2008 the UK Government, through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government As a result, the UK Government and UK Government controlled bodies became related parties of the company

At the 31 December 2012 the Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the United Kingdom and registered in Scotland On 13 March 2013 the ultimate holding company ceased to be The Royal Bank of Scotland Group plc and became Direct Line Insurance Group plc which is also the immediate parent company and is incorporated in the United Kingdom and registered in England and Wales

As at 31 December 2012, The Royal Bank of Scotland Group plc headed the largest group in which the Company is consolidated Copies of the consolidated accounts of The Royal Bank of Scotland Group plc may be obtained from The Secretary, The Royal Bank of Scotland Group plc Gogarburn, PO Box 1000 Edinburgh EH12 1HQ Direct Line Insurance Group plc heads the smallest group in which the Company is consolidated Copies of the consolidated accounts of Direct Line Insurance Group plc may be obtained from The Secretary, Churchill Court, Westmoreland Road, Bromley, BR1 1DP

The following transactions were carried out with other Group companies in the period 1 January to 31 December 2012

i Sales of services

	2012 £'000	2011 £'000
Sale of services (note 3)		
Fellow subsidiaries	**103,199**	**97,366**

	2012 £'000	2011 £'000
Sale of other services (note 6)		
Fellow subsidiaries	-	**1**

	2012 £'000	2011 £'000
Interest received (note 7)		
Fellow subsidiaries	**175**	**411**

Interest income received from deposits held with related parties was based on a floating rate above LIBOR ranging from 0 52% to 1 05% (2011 0 71% to 1 04%)

21 Related parties (continued)

ii Purchases of products and services

	2012 £'000	2011 £'000
Purchases of services		
Fellow subsidiaries	58,488	54,681

	2012 £'000	2011 £'000
Operating lease payments (note 5)		
Fellow subsidiaries	459	504

All employees were employed by DL Insurance Services Limited, a fellow subsidiary company Total employee costs, including directors' remuneration recharged to the company by DL Insurance Services Limited during the year were £44 6m (2011 £43 1m)

Employee costs recharged by DL Insurance Services Limited include 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

iii Remuneration of key management personnel

The aggregate reumeration of the directors and other members of key management during the year was as follows

	2012 £'000	2011 £'000
Other emoluments	390	376
Company pension contributions	38	45
Fees as directors	-	5
Compensation for loss of office	94	-
	522	426

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

	2012 £'000	2011 £'000
Cash at bank held with related parties (note 16)	1 617	-
Bank overdraft held with related parties (note 18)	-	(87)
	1,617	(87)

	2012 £'000	2011 £'000
Receivables from related parties		
Fellow subsidiaries	6,709	4,545

Movements in receivables from related parties were as follows	2012 £'000	2011 £'000
At 1 January	4 545	4 663
Transactions in the year	103,199	97,366
Settled during the year	(101 035)	(97,484)
At 31 December	6,709	4,545

21 Related parties (continued)

iv Year-end balances arising from sales/purchases of products/services (continued)

	2012 £'000	2011 £'000
Payables to related parties		
Fellow subsidiaries	**7,596**	**6,595**

Movements in payables to related parties were as follows	2012 £'000	2011 £'000
At 1 January	6 595	6 928
Transactions in the year	58 488	54 681
Settled during the year	(57 487)	(55,014)
At 31 December	**7,596**	**6,595**

Movements in payables to related parties includes the cost of fixed assets purchased at fair value from a fellow subsidiary

v Loans to related parties

	2012 £'000	2011 £'000
Fellow subsidiaries	**22,648**	**11,991**

Movements in loans to related parties were as follows	2012 £'000	2011 £'000
At 1 January	11 991	36 710
Loans advanced during year	104 776	104 606
Loan repayments received	(94,294)	(129 736)
Interest received (note 7)	175	411
At 31 December	**22,648**	**11 991**