

**Company Registration No 02568507**

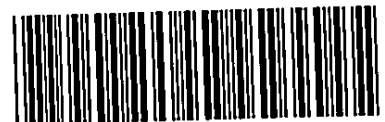
**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2009**

**Group Secretariat  
The Royal Bank of Scotland Group plc  
Gogarburn  
PO Box 1000  
Edinburgh EH12 1HQ**

**WEDNESDAY**



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**30/06/2010**  
**COMPANIES HOUSE**

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**UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED**

**02568507**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

C P Davis  
S Treloar

**SECRETARY**

P A Hutchings

**REGISTERED OFFICE**

Churchill Court  
Westmoreland Road  
Bromley  
Kent  
BR1 1DP

**AUDITORS**

Deloitte LLP  
London

**Registered in England and Wales**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2009

**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 The Royal Bank of Scotland Group plc. The directors do not anticipate any material change in either the type or level of activities of the Company.

The Company is a subsidiary of The Royal Bank of Scotland Group plc 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 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 rbs.com.

**Review of the year***Business review*

The directors are satisfied with the Company's performance in the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth.

No dividends were paid during the year ended 31 December 2009 (2008: £nil). The directors do not recommend the payment of a final dividend (2008: £nil).

*Financial performance*

The Company's financial performance is presented in the Statement of Comprehensive Income on page 6. At the end of the year, the financial position showed total assets of £62.5m (2008: £35.8m) and equity of £43.7m (2008: £23.1m). The net book value of plant and equipment was £4.8m compared with £5.1m at the end of the previous year.

*Going concern*

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

*Principal risks and uncertainties*

The Company seeks to minimise its exposure to external risk factors and the principal uncertainties that arise from those risks. Further information on financial risk management policies and exposures is disclosed in note 2. It also has exposure to asset risk on the residual value of property, plant and equipment as disclosed in note 11.

**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 2009 to date the following changes have taken place:

<b>Directors</b>	<b>Appointed</b>	<b>Resigned</b>
C P Davis	21 July 2009	
C P Sullivan		31 July 2009
E J G Smith		12 January 2010
S Treloar	12 January 2010	

**DIRECTORS' REPORT (Continued)****DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit and loss for the financial year as far as concern members of the Company. In preparing these financial statements, under International Accounting Standard 1, the directors are 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' 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 AUDITORS**

Each of the directors at the date of approval of this report confirms that

- (a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- (b) the director has taken all the steps that he/she 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

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

**DIRECTORS' INDEMNITIES**

In terms of section 236 of the Companies Act 2006, Mr E J G Smith, Mr C P Sullivan and Mr S Treloar had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

**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

RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is RBSG's policy 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

**DIRECTORS' REPORT (Continued)**

**AUDITORS**

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

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



S Treloar  
Director  
14 May 2010

**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 ('the Company') for the year ended 31 December 2009 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 20. 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 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 explained more fully in the Directors' Responsibilities Statement, the directors are 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 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 (APB's) Ethical Standards for Auditors.

**Scope of the audit and 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 directors, and the overall presentation of the financial statements.

**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 2009 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 Directors' 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Jeremy Casson (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
14 May 2010

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £'000	2008 £'000
Revenue	3	120,858	115,482
Cost of sales	4	(79,283)	(74,826)
<b>Gross profit</b>		<b>41,575</b>	<b>40,656</b>
Other operating income	5	195	31
Administration expenses	6	(13,518)	(15,849)
<b>Operating profit</b>		<b>28,252</b>	<b>24,838</b>
Investment income	7	390	316
<b>Profit before tax</b>		<b>28,642</b>	<b>25,154</b>
Tax charge	8	(8,036)	(7,073)
<b>Profit for the year</b>	9	<b>20,606</b>	<b>18,081</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>20,606</b>	<b>18,081</b>

The total comprehensive income for the year is entirely attributable to equity shareholders of the Company and is derived from continuing operations

The notes on pages 10 to 28 form part of these financial statements



**BALANCE SHEET**  
**AS AT 31 DECEMBER 2009**

	Notes	2009 £'000	2008 £'000
<b>ASSETS</b>			
<i><b>Non-current assets</b></i>			
Property, plant and equipment	11	4,838	5,116
<i><b>Current assets</b></i>			
Inventories	12	1,854	1,617
Prepayments and accrued income		70	531
Loans and receivables	13	55,787	28,519
		57,711	30,667
<b>Total assets</b>		<b>62,549</b>	<b>35,783</b>
<b>EQUITY</b>			
Share capital	14	-	-
Retained earnings	15	43,683	23,077
<b>Total equity</b>		<b>43,683</b>	<b>23,077</b>
<b>LIABILITIES</b>			
<i><b>Non-current liabilities</b></i>			
Deferred tax liabilities	16	137	347
<i><b>Current liabilities</b></i>			
Borrowings	17	2,778	439
Trade and other payables and deferred income	18	8,004	4,737
Current tax liabilities		7,947	7,183
		18,729	12,359
<b>Total liabilities</b>		<b>18,866</b>	<b>12,706</b>
<b>Total equity and liabilities</b>		<b>62,549</b>	<b>35,783</b>

The financial statements were approved by the Board of Directors on 14 May 2010 and signed on its behalf by

*S. Treloar*

S Treloar  
 Director

The notes on pages 10 to 28 form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2008	14, 15	-	4,996	4,996
Profit for the year		-	18,081	18,081
Balance as at 31 December 2008	14, 15	-	23,077	23,077
Profit for the year		-	20,606	20,606
Balance as at 31 December 2009	14, 15	-	43,683	43,683

Total changes in equity for the year were entirely attributable to equity shareholders of the Company

The notes on pages 10 to 28 form part of these financial statements

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £'000	2008 £'000
Profit for the year		20,606	18,081
Adjustments for:			
Investment revenues	7	(390)	(316)
Tax charge	8	8,036	7,073
Depreciation of property, plant and equipment	11	1,085	1,177
Profit on sale of property, plant and equipment	5	(173)	(12)
<b>Operating cash flows before movements in working capital</b>		<b>29,164</b>	<b>26,003</b>
Net increase in inventories		(237)	(36)
Net decrease in prepayments and accrued income		461	346
Net increase in trade and other receivables		(442)	-
Net decrease/(increase) in inter-company balances - trading		2,159	(2,059)
Net (decrease)/increase in other operating liabilities		(1,255)	47
<b>Cash generated from operations</b>		<b>29,850</b>	<b>24,301</b>
Taxation paid		(7,481)	(2,239)
<b>Net cash generated from operating activities</b>		<b>22,369</b>	<b>22,062</b>
<b>Cash flows from investing activities</b>			
Interest received	7	390	316
Proceeds on disposal of property, plant and equipment		173	12
Purchases of property, plant and equipment	11	(806)	(479)
<b>Net cash used by investing activities</b>		<b>(243)</b>	<b>(151)</b>
<b>Cash flow from financing activities</b>			
Loans advanced to related parties	20	(97,478)	(20,142)
Repayments of loans advanced to related parties	20	73,013	-
Repayments of borrowings from related parties	20	-	(2,280)
<b>Net cash used by financing activities</b>		<b>(24,465)</b>	<b>(22,422)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,339)</b>	<b>(511)</b>
Cash and cash equivalents at the beginning of the year	17	(439)	72
<b>Cash and cash equivalents at the end of the year</b>	17	<b>(2,778)</b>	<b>(439)</b>

The notes on pages 10 to 28 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**1 ACCOUNTING POLICIES**

**1.1 Basis of accounting**

The financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union. The financial statements also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The Company has considerable financial resources and as a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic climate. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Activities and Business Review section of the Directors' Report on page 2. In addition note 2 to the financial statements include the Company's objectives, policies and processes for managing its financial risks and capital.

**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 statement of comprehensive income on a straight-line basis so as to write off the depreciable amount of property, plant and equipment 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
Vehicles	5 years
Computer and other equipment, including property adaptation	4 to 15 years

The gain or loss arising from the derecognition of an item of property, vehicles, computer and other equipment shall be determined as the difference between the disposal proceeds if any and the carrying amount of the item.

**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 statement of comprehensive income 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****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 statement of comprehensive income 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

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership

**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 statement of comprehensive income 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

For trade and other receivables due from third parties, a bad debt provision of 100% is calculated for all balances outstanding in excess of three months

**1.8 Taxation**

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate

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, except in relation to overseas earnings where remittance is controlled by the Group, and goodwill

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****1 ACCOUNTING POLICIES (Continued)****1 10 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.

**1 11 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits with banks.

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 12 Trade payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

**1 13 Borrowings**

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.

Borrowings comprise bank overdrafts.

Borrowings are measured at amortised cost using the effective interest method.

**1 14 Accounting developments**

The International Accounting Standards Board published a revised IFRS 3 'Business Combinations' and related revisions to IAS 27 'Consolidated and Separate Financial Statements' following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. The standards improve convergence with US GAAP and provide new guidance on accounting for changes in interests in subsidiaries. The cost of an acquisition will comprise only consideration paid to vendors for equity, other costs will be expensed immediately. Groups will only account for goodwill on acquisition of a subsidiary, subsequent changes in interest will be recognised in equity and only on a loss of control will there be a profit or loss on disposal to be recognised in income. The changes are effective for accounting periods beginning on or after 1 July 2009 but both standards may be adopted together for accounting periods beginning on or after 1 July 2007. These changes will affect the Company's accounting for future acquisitions and disposals of subsidiaries.

In May 2008, the IASB issued amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements' that change the investor's accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate. The changes are not expected to have a material effect on the Company, but may prospectively affect the Company's accounting and presentation of receipts of dividends from such entities.

The IASB issued amendments to a number of standards in April 2009 as part of its annual improvements project. The amendments are effective for accounting periods beginning on or after 1 January 2010 and are not expected to have a material effect on the Company.

The IASB issued an amendment, 'Group Cash-settled Share-based Payment Transactions', to IFRS 2 'Share-based Payment' in June 2009 that will change the accounting for share awards by permitting accounting for equity settlement only by entities that either grant awards over their own equity or have no obligation to settle a share-based payment transaction. The amendment is effective for accounting periods beginning on or after 1 January 2010 and is not expected to have a material effect on the Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****1 ACCOUNTING POLICIES (Continued)**

The IASB published an amendment 'Classification of Rights Issues' to IAS 32 'Financial Instruments Presentation' and consequential revisions to other standards in October 2009 to improve the accounting for issues of equity for consideration fixed other than in the reporting entity's functional currency. The amendment is effective for accounting periods beginning on or after 1 February 2010 but it may be adopted earlier. It is not expected to have a material effect on the Company.

The IASB reissued IAS 24, 'Related Party Disclosures', in November 2009 clarifying the existing standard and to provide certain exemptions for entities under government control. The revised standard is effective for accounting periods beginning on or after 1 January 2011 and is expected generally to reduce the volume of disclosure between the Company and other parties related to the UK Government.

The International Financial Reporting Interpretations Committee (IFRIC) issued interpretation IFRIC 17 'Distributions of Non-Cash Assets to Owners' and the IASB made consequential amendments to IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' in December 2008. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognised in income. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. The interpretation is effective for accounting periods beginning on or after 1 July 2009, to be adopted at the same time as IFRS 3 (revised 2008), and is not expected to have a material effect on the Company.

The IFRIC issued interpretation IFRIC 18 'Transfers of Assets from Customers' in January 2009. The interpretation addresses the accounting by suppliers that receive assets from customers, requiring measurement at fair value. The interpretation is effective for assets from customers received on or after 1 July 2009 and is not expected to have a material effect on the Company.

The IASB published an amendment to IFRS 7, 'Financial Instruments Disclosures' in March 2009. This amendment forms part of the IASB's response to the financial crisis and addresses the G20 conclusions aimed at improving transparency and enhance accounting guidance. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non derivative financial liabilities. The amendment is effective for accounting periods beginning on or after 1 January 2009. These changes are not expected to have a material effect on the Company.

The IASB published an amendment to IAS 39, 'Financial Instruments Recognition and measurement' on 'Eligible hedged items'. This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment is effective for accounting periods beginning on or after 1 July 2009 and must be applied retrospectively in accordance with IAS 8, 'Accounting policies'. This amendment is not expected to have a material effect on the Company.

The IASB published in November 2009, IFRS 9, 'Financial Instruments' on classification and measurement. This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2013. These changes are not expected to have a material effect on the Company.

The IASB published in July 2009, an amendment to IFRS 1 on first time adoption of IFRS additional exemptions. These amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4. The amendment is effective for accounting periods beginning on or after 1 January 2010 and is not expected to have a material effect on the Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**1 ACCOUNTING POLICIES (Continued)**

The IFRIC issued interpretation IFRIC 19 'Extinguishing financial liabilities with equity instruments' in November 2009. This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the statement of comprehensive income based on the fair value of the equity instruments compared to the carrying amount of the debt. The interpretation is effective for accounting periods beginning on or after 1 July 2010, and is not expected to have a material impact on the Company.

The IFRIC issued an amendment to IFRIC 14, 'Prepayments of a minimum funding requirement' in November 2009. This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amended interpretation is effective for accounting periods beginning on or after 1 January 2011, and is not expected to have a material impact on the Company.

**1.15 Adoption of new and revised Standards**

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

**IAS 1 (Revised) Presentation of Financial Statements**

The IASB issued revised IAS 1 Presentation of Financial Statements in September 2007 which is effective for the financial years beginning on or after 1 January 2009. This standard requires all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements which are income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

Listed below are Standards and Interpretations that have been issued, which became applicable for this year, but had no impact on the reported results nor the financial position of the Company:

- IFRS 1 (Revised 2008) First-time adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendment),
- IFRS 2 Share-based Payment (Amendment),
- IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity (Amendment),
- IAS 39 Financial Instruments - Recognition and Measurement and IFRS 7 Financial Instruments - Disclosures (Amendment),
- IAS 32 Financial Instruments - Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation,
- IFRIC 13 Customer Loyalty Programmes,
- IFRIC 15 Agreement for the Construction of Real Estate, and
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The following amendments were made as part of improvements to IFRSs (2008). These improvements did not affect the reported results nor the financial position of the Company:

- amendment to IAS 38 Intangible Assets,
- amendment to IAS 40 Investment Property,
- amendment to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, and
- amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****2 MANAGEMENT OF FINANCIAL RISK**

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

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.

**2.1 Risk management****2.1.1 Risk management within the RBS Group**

The management of risk is a fundamental management activity performed throughout all the Group's operations. As such it underpins the Group's reputation, performance and future success. It is, therefore, critically important that the adequacy and effectiveness of the Group's risk management processes are of the highest standard and subject to continuous review and enhancement.

The Group has put in place a comprehensive risk management framework comprising

- leadership, strategy and culture set by the Board and put into effect through Executive Management,
- policies, procedures, processes and systems to execute effective risk management throughout the Group,
- a comprehensive committee structure operating at Group level to direct, approve and review actions taken to manage risk. Where appropriate this is replicated at a Divisional level, and
- risk management functions that are independent of the business management to enforce agreed policy.

A number of high-level committees support the Board in the effective measurement and management of risk.

**RBS Group Policy Framework**

The RBS Group has developed, and adopted globally, one comprehensive Group Policy Framework. The aim of the Group Policy Framework is to provide a simplified and effective framework to standardise presentation and control of Group policy including new policies and amendments. All employees have easy access to current Group policies and policy standards through a single Group intranet site.

Group Policies address the major areas of risk to the Group and the standards that must be met to enable those risks to be managed in line with Group risk appetite. All Group Policies must be approved by the Executive Committee (ExCo).

**2.2 Financial risk**

The Company is exposed to financial risk through its financial assets and financial liabilities.

The Company's financial risk exposure is minimal and arises primarily from its loans and receivables due from, and due to, related parties.

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

**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, equity prices and property valuations.

The Company is exposed to market risk in both the value of its assets and the value of liabilities held.

Interest rate risk

Interest rate risk arises primarily from the Company's loans and receivables due from, and due to, related parties.

A table showing the sensitivity of profits to changes in interest rates is included overleaf.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2 MANAGEMENT OF FINANCIAL 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 is shown, with other assumptions left unchanged.

<b>Sensitivity factor</b>	<b>Description of sensitivity analysis</b>
Interest rate	The impact of a change in market interest rates by +/- 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% or 6%)
Expenses	The impact of an increase in ongoing administrative expenses by 10%
Cost of sales	The impact of an increase in ongoing cost of sales by 10%

**Sensitivity as at 31 December 2009**

	<b>Interest rates + 1% £'000</b>	<b>Interest rates - 1% £'000</b>	<b>Expenses + 10% £'000</b>	<b>Cost of sales + 10% £'000</b>
Impact on profit before tax	357	(357)	(1,352)	(7,928)
Impact (before tax) on shareholders' equity	357	(357)	(1,352)	(7,928)

**Sensitivity as at 31 December 2008**

	<b>Interest rates + 1% £'000</b>	<b>Interest rates - 1% £'000</b>	<b>Expenses + 10% £'000</b>	<b>Cost of sales + 10% £'000</b>
Impact on profit before tax	63	(63)	(1,585)	(7,483)
Impact (before tax) on shareholders' equity	63	(63)	(1,585)	(7,483)

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 or extrapolated 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. The main source of credit risk for the Company is trade receivables.

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 effectively against the risk appetite. The credit risk control environment is summarised below in the key elements of the policy.

**Credit risk governance**

A Credit Risk Management Framework must be in place that is appropriate for the agreed risk appetite that is established and maintained by adequately skilled credit risk professionals and is supported by appropriate minimum standards, tools, techniques and credit systems and reporting.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

**Credit risk assessment and credit limit approvals**

A credit risk assessment is a process to determine the credit worthiness of a counterparty prior to entering into a transaction or contract with that counterparty. A credit limit is used to define the level of credit risk that the Company is prepared to accept by a counterparty.

Where appropriate, 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**

The Company monitors the level of actual credit exposure and measures this against the defined credit assessments and limits.

The main source of credit risk for the Company are receivables from external trade debtors. These amounts are managed within the Credit Risk Management Framework.

The following table provides information regarding the carrying value of financial assets that are neither past due nor impaired, the ageing of financial assets that are past due but not impaired and financial assets that have been impaired.

**At 31 December 2009**

	Neither past due nor impaired £'000	Past due 1 - 30 days £'000	Past due 31 - 60 days £'000	Past due 61 - 90 days £'000	Past due more than 91 days £'000	Carrying value in the balance sheet £'000	Financial assets that have been impaired £'000
Loans and receivables due from related parties	51,213	1,060	546	538	1,988	55,345	-
Trade and other receivables	151	33	36	222	272	442	272
	<b>51,364</b>	<b>1,093</b>	<b>582</b>	<b>760</b>	<b>2,260</b>	<b>55,787</b>	<b>272</b>

**At 31 December 2008**

	Neither past due nor impaired £'000	Past due 1 - 30 days £'000	Past due 31 - 60 days £'000	Past due 61 - 90 days £'000	Past due more than 91 days £'000	Carrying value in the balance sheet £'000	Financial assets that have been impaired £'000
Loans and receivables due from related parties	<b>12,698</b>	<b>4,097</b>	<b>337</b>	<b>961</b>	<b>10,426</b>	<b>28,519</b>	-

The Company does not hold any collateral as security.

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

The following table analyses the credit quality of financial assets that are neither past due nor impaired by type of asset

<b>At 31 December 2009</b>	<b>Not rated £'000</b>
Loans and receivables due from related parties	51,213
Trade and other receivables	151
<b>Total assets bearing credit risk from related parties</b>	<b><u>51,364</u></b>

<b>At 31 December 2008</b>	<b>Total £'000</b>
Loans and receivables due from related parties	<b><u>12,698</u></b>

**2.2.3 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 Liquidity Risk Policy. Compliance is monitored in respect of the internal policy where appropriate.

The maturity profile of the Company's financial liabilities are outlined in notes 17 and 18.

**2.2.4 Operational risk**

Effective operational risk management requires the Company to identify, assess, manage, monitor and report operational risk. Operational risk is inherent in all of the RBS Group's business processes, systems and products. Therefore, it is important to have a framework in place to ensure that operational risks are identified and managed to an acceptable level.

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,
- achieving process efficiencies,
- better informed risk-taking, which creates greater rewards, and
- increased management attention on the risks and issues that really matter.

**2.2.5 Capital risk management**

The Company defines capital in accordance with the legal and statutory requirements and manages its capital in accordance with generally accepted processes and principles. In particular, its objectives when managing capital are

- to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business,
- to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events, and
- to safeguard the Company's ability to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**3 REVENUE**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Vehicle repairs from related parties (note 20)	110,354	103,631
Revenue from non-related parties		
Excess from policyholders	10,241	11,576
Vehicle repairs	263	275
	<b>120,858</b>	<b>115,482</b>

All revenue derives from vehicle repairs arising in the United Kingdom

**4 COST OF SALES**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Cost of vehicle repairs charged by related parties (note 20)	42,750	38,820
Cost of vehicle repairs charged by non-related parties	36,533	36,006
	<b>79,283</b>	<b>74,826</b>

**5 OTHER OPERATING INCOME**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Other income from related parties (note 20)	22	19
Profit on sale of vehicles, property, plant and equipment	173	12
	<b>195</b>	<b>31</b>

**6 ADMINISTRATION EXPENSES**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Marketing and administrative expenses charged by related parties (note 20)	4,732	-
Marketing and administrative expenses charged by non-related parties	399	7,434
Depreciation (note 11)	1,085	1,177
Management fees from related parties (note 20)	6,029	5,927
Operating lease payments charged by related parties (note 20)	1,273	1,311
	<b>13,518</b>	<b>15,849</b>

**7 INVESTMENT INCOME**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Interest income from loans to related parties (note 20)	<b>390</b>	<b>316</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**8 TAX CHARGE**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Current taxation		
Charge for the year	7,947	7,177
Under provision in respect of prior periods	299	23
	<u>8,246</u>	<u>7,200</u>
Deferred tax (note 16)		
Charge / (Credit) for the year	73	(8)
Over provision in respect of prior periods	(283)	(119)
	<u>(210)</u>	<u>(127)</u>
<b>Tax charge for the year</b>	<u><b>8,036</b></u>	<u><b>7,073</b></u>

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28.0% (2008: 28.5%). The differences are explained below:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Expected tax charge	8,020	7,169
Effects of		
Adjustments in respect of prior periods	16	(96)
<b>Tax charge for the year</b>	<u><b>8,036</b></u>	<u><b>7,073</b></u>

The aggregate current and deferred tax relating to items that are charged or (credited) to equity is £nil (2008: £nil).

**9 PROFIT FOR THE YEAR**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year is stated after charging		
Depreciation of property, plant and equipment (note 11)	1,085	1,177
Operating lease rentals		
Land and buildings	1,278	1,571
Vehicles (note 20)	<u>1,273</u>	<u>1,311</u>

**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 in respect of the statutory audit of the Company amount to £17,000 (2008: £17,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**9 PROFIT FOR THE YEAR (Continued)**

<b>Directors' emoluments</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Other emoluments	31	25
Company pension contributions	6	3
	<u>37</u>	<u>28</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 £27,332 (2008: £24,625).

A contribution of £5,128 (2008: £2,589) to a money purchase scheme was made on behalf of the highest paid director. One of the directors (2008: none) had retirement benefits accruing under money purchase pension schemes in respect of qualifying service, two of the directors (2008: one) had benefits accruing under defined pension schemes.

None of the directors exercised share options during the year (2008: none).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**10 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies in note 1 describes how the classes of financial instrument are measured, and how income and expenses of the financial assets and liabilities by category, are defined in IAS39 and by the balance sheet heading.

**As at 31 December 2009**

	<b>Loans and receivables £'000</b>	<b>Other (amortised costs) £'000</b>	<b>Non- financial assets/ liabilities £'000</b>	<b>Total £'000</b>
Property, plant and equipment	-	n/a	4,838	4,838
Inventories	-	n/a	1,854	1,854
Prepayments and accrued income	-	n/a	70	70
Loans and receivables	55,787	n/a	-	55,787
	<u>55,787</u>	<u>n/a</u>	<u>6,762</u>	<u>62,549</u>
Deferred tax liabilities	n/a	-	137	137
Borrowings	n/a	2,778	-	2,778
Trade and other payables and deferred income	n/a	8,004	-	8,004
Current tax liabilities	n/a	-	7,947	7,947
	<u>n/a</u>	<u>10,782</u>	<u>8,084</u>	<u>18,866</u>
Equity				43,683
				<u>62,549</u>

**As at 31 December 2008**

	<b>Loans and receivables £'000</b>	<b>Other (amortised costs) £'000</b>	<b>Non- financial assets/ liabilities £'000</b>	<b>Total £'000</b>
Property, plant and equipment	-	n/a	5,116	5,116
Inventories	-	n/a	1,617	1,617
Prepayments and accrued income	-	n/a	531	531
Loans and receivables	28,519	n/a	-	28,519
	<u>28,519</u>	<u>n/a</u>	<u>7,264</u>	<u>35,783</u>
Deferred tax liabilities	n/a	-	347	347
Borrowings	n/a	439	-	439
Trade and other payables and deferred income	n/a	4,737	-	4,737
Current tax liabilities	n/a	-	7,183	7,183
	<u>n/a</u>	<u>5,176</u>	<u>7,530</u>	<u>12,706</u>
Equity				23,077
				<u>35,783</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**11 PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings £'000	Vehicles £'000	Computer and other equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2008	825	3,689	11,420	15,934
Additions	-	-	479	479
Disposals	-	(43)	(52)	(95)
<b>At 31 December 2008</b>	<b>825</b>	<b>3,646</b>	<b>11,847</b>	<b>16,318</b>
Additions	-	409	397	806
Disposals	-	(629)	-	(629)
<b>At 31 December 2009</b>	<b>825</b>	<b>3,426</b>	<b>12,244</b>	<b>16,495</b>
<b>Depreciation</b>				
At 1 January 2008	41	2,624	7,455	10,120
Depreciation charge for the year	69	373	735	1,177
Eliminated on disposal	-	(43)	(52)	(95)
<b>At 31 December 2008</b>	<b>110</b>	<b>2,954</b>	<b>8,138</b>	<b>11,202</b>
Depreciation charge for the year	12	345	728	1,085
Eliminated on disposal	(1)	(629)	-	(630)
<b>At 31 December 2009</b>	<b>121</b>	<b>2,670</b>	<b>8,866</b>	<b>11,657</b>
<b>Net book amount</b>				
<b>At 31 December 2009</b>	<b>704</b>	<b>756</b>	<b>3,378</b>	<b>4,838</b>
<b>At 31 December 2008</b>	<b>715</b>	<b>692</b>	<b>3,709</b>	<b>5,116</b>

**12 INVENTORIES**

	2009 £'000	2008 £'000
Raw materials	325	339
Work-in-progress	1,529	1,278
	<b>1,854</b>	<b>1,617</b>

**13 LOANS AND RECEIVABLES**

	2009 £'000	2008 £'000
Receivables from related parties (note 20)	10,738	8,377
Loans to related parties (note 20)	44,607	20,142
Trade and other receivables	442	-
	<b>55,787</b>	<b>28,519</b>

The fair value of loans and receivables is not considered to be materially different to the carrying amounts in the balance sheet

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**14 SHARE CAPITAL**

	2009 £	2008 £
Authorised		
<b>Equity shares</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
<b>Equity shares</b>	2009 £	2008 £
2 ordinary shares of £1 each		
At 1 January and 31 December	<u>2</u>	<u>2</u>

**15 RETAINED EARNINGS**

	£'000
<b>Balance as at 1 January 2008</b>	4,996
Profit for the year	<u>18,081</u>
<b>Balance as at 31 December 2008</b>	23,077
Profit for the year	<u>20,606</u>
<b>Balance as at 31 December 2009</b>	<u>43,683</u>

**16 DEFERRED TAX**

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

	Accelerated capital allowances £'000
<b>At 1 January 2008</b>	474
Credit to statement of comprehensive income	<u>(127)</u>
<b>At 31 December 2008</b>	347
Credit to statement of comprehensive income	<u>(210)</u>
<b>At 31 December 2009</b>	<u>137</u>

**17 BORROWINGS**

	2009 £'000	2008 £'000
Bank overdrafts from related parties (note 20)	<u>2,778</u>	<u>439</u>

The borrowings are repayable on demand

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**18 TRADE AND OTHER PAYABLES AND DEFERRED INCOME**

	2009 £'000	2008 £'000
Due to related parties (note 20)	4,537	16
Trade creditors and accruals	3,247	4,509
Other tax payables (note 20)	50	42
Deferred income	170	170
	<u>8,004</u>	<u>4,737</u>

Trade creditors are settled in accordance with contract terms, mostly within two months. Similarly, accruals are generally for goods and services for settlement within two months. Related party balances are settled each month. Other tax payables are settled quarterly.

**19 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.

	Land and buildings 2009 £'000	Vehicles 2009 £'000	Land and buildings 2008 £'000	Vehicles 2008 £'000
Minimum lease payments under operating leases recognised as				
Lease payments due to related parties	-	477	-	368
Lease payments to non-related parties	<u>19,321</u>	<u>-</u>	<u>21,056</u>	<u>-</u>
	<u>19,321</u>	<u>477</u>	<u>21,056</u>	<u>368</u>

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

	Land and buildings 2009 £'000	Vehicles 2009 £'000	Land and buildings 2008 £'000	Vehicles 2008 £'000
Within one year	1,735	377	1,735	360
In the second to fifth years inclusive	6,310	100	6,722	8
After five years	<u>11,276</u>	<u>-</u>	<u>12,599</u>	<u>-</u>
	<u>19,321</u>	<u>477</u>	<u>21,056</u>	<u>368</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**20 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.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Its immediate parent company is RBS Insurance Group Limited which is incorporated in Great Britain and registered in England and Wales.

As at 31 December 2009, The Royal Bank of Scotland Group plc heads the largest and smallest 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.

The volume and diversity of transactions with government related entities are such that their full disclosure of their amounts during the year are impractical.

The following transactions were carried out with related parties, who were all members of The Royal Bank of Scotland Group plc.

**i Sales of services**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Sale of services (note 3)		
Churchill Insurance Company Limited	24,627	20,684
Direct Line Insurance plc	63,663	58,408
The National Insurance and Guarantee Corporation Limited	8,822	11,814
U K Insurance Limited	13,242	12,725
	<b>110,354</b>	<b>103,631</b>

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Sale of other services (note 5)		
RBS Insurance Services Limited	22	15
Tracker Network (UK) Limited	-	4
	<b>22</b>	<b>19</b>

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Interest received (note 7)		
RBS Insurance Services Limited	390	316

Interest income received from deposits held with related parties were at rates ranging from 0.57% to 2.35% (2008: 3.17% to 6.19%).

**ii Purchases of products and services**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Purchases of services		
RBS Insurance Services Limited - cost of sales (note 4)	42,750	38,820
RBS Insurance Services Limited - marketing and administration expenses (note 6)	4,732	-
RBS Insurance Services Limited - management fees (note 6)	6,029	5,927
	<b>53,511</b>	<b>44,747</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**20 RELATED PARTIES (Continued)**

**ii Purchases of products and services (Continued)**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Operating lease payments (note 6)		
Lombard Vehicle Management Limited	<u>1,273</u>	<u>1,311</u>

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 £45.7m (2008: £42.3m).

Employee costs recharged by RBS 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 Compensation of key management**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Fees as directors	4	2
Other emoluments	152	112
Company pension contributions	31	13
	<u>187</u>	<u>127</u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdrafts held with related parties (note 17)		
National Westminster Bank Plc	<u>2,778</u>	<u>439</u>

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Receivables from related parties (note 13)		
Churchill Insurance Company Limited	2,308	769
Direct Line Insurance plc	6,076	4,889
The National Insurance and Guarantee Corporation Limited	915	907
U K Insurance Limited	1,439	1,812
	<u>10,738</u>	<u>8,377</u>

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Movements in receivables from related parties were as follows		
At 1 January	8,377	11,863
Transactions in the year	110,354	103,631
Settled during the year	(107,993)	(107,117)
At 31 December	<u>10,738</u>	<u>8,377</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**20 RELATED PARTIES (Continued)**

	2009 £'000	2008 £'000
Payables to related parties (note 18)		
RBS Insurance Services Limited	<u>4,537</u>	<u>16</u>

Movements in payables to related parties were as follows

	2009 £'000	2008 £'000
At 1 January	16	5,561
Transactions in the year	53,511	44,747
Settled during the year	(48,990)	(50,292)
At 31 December	<u>4,537</u>	<u>16</u>

**v Loans to related parties (note 13)**

	2009 £'000	2008 £'000
RBS Insurance Services Limited	<u>44,607</u>	<u>20,142</u>

Movements in loans to related parties were as follows

	2009 £'000	2008 £'000
At 1 January	20,142	-
Loans advanced during year	97,088	19,826
Loan repayments received	(73,013)	-
Interest received (note 7)	390	316
At 31 December	<u>44,607</u>	<u>20,142</u>

**vi Loans from related parties**

	2009 £'000	2008 £'000
Loans from related parties		
RBS Insurance Services Limited	<u>-</u>	<u>-</u>

Movements in loans from related parties were as follows

	2009 £'000	2008 £'000
At 1 January	-	2,280
Loan repayments made	-	(2,280)
At 31 December	<u>-</u>	<u>-</u>

**vii Tax**

	2009 £'000	2008 £'000
Other tax payables includes amounts payable to related parties as follows		
HM Revenue & Customs (note 18)	<u>50</u>	<u>42</u>

Current tax liabilities are payable as follows

	2009 £'000	2008 £'000
HM Revenue & Customs	<u>7,947</u>	<u>7,183</u>