Company Registration No: 02568507

UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

CONTENTS

UK ASSISTANCE ACCIDENT REPAIR CENTRES LIMITED 02568507

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	J A Davidson C Weeks
SECRETARY	P A Hutchings
REGISTERED OFFICE	Churchill Court Westmoreland Road Bromley Kent BR1 1DP
AUDITOR	Deloitte LLP Chartered Accountants 2 New Street Sqaure London EC4A 3BZ

Registered in England and Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2010

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 website 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 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

Income decreased by £6,915,000 (2009 increase by £5,376,000), cost of sales decreased by £8,769,000 (2009 increase by £4,457,000) and administration expenses increased by £2,381,000 (2009 decreased by £2,331,000) Profit for the year was £20,175,000 (2009 £20,606,000), a decrease of 2% over 2009

A dividend of £35,000,000 was paid on 25 June 2010 (2009 £nil) and the directors do not recommend the payment of a final dividend (2009 £nil)

At the end of the year, the financial position showed total assets of £47,204,000 (2009 £62,549,000) and equity of £28,858,000 (2009 £43,683,00) The net book value of property, plant and equipment was £3,936,000 compared with £4,838,000 at the end of the previous year

Principal risks and uncertainties

The company is funded by facilities from National Westminster Bank Plc

The company's objectives and policies for managing financial risk are set out in note 22 to these financial statements

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

DIRECTORS' REPORT (continued)

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 2

From 1 January 2010 to date the following changes have taken place

Directors	Appointed	Resigned
E J G Smith		12 January 2010
S Treloar	12 January 2010	19 June 2010
T Woolgrove	23 June 2010	8 February 2011
C P Davis		8 February 2011
J A Davidson	8 February 2011	
C Weeks	8 February 2011	

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 ("IFRSs") 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 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

- 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

DIRECTORS' INDEMNITIES

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

DIRECTORS' REPORT (continued)

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, 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 2010, the company had no trade creditors (2009 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
11 May 2011

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 2010 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 26 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 directors and auditor

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 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 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 2010 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

Jeremy Casson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
12 May 2011

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

Continuing operations	Notes	2010 £'000	2009 £'000
Revenue	2	113,943	120,858
Cost of sales	3	(70,514)	(77,835)
Gross profit		**43,429**	**43,023**
Administration expenses	4	(15,899)	(14,966)
Other operating income	5	270	195
Operating profit	7	**27,800**	**28,252**
Investment income	6	298	390
Profit before tax		**28,098**	**28,642**
Tax charge	8	(7,923)	(8,036)
Profit and total comprehensive income for the year		**20,175**	**20,606**

The accompanying notes form an intergral part of these financial statements

BALANCE SHEET
as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	3,936	4,838
Current assets			
Inventories	12	1,543	1,854
Trade and other receivables	13	199	442
Prepayments, accrued income and other assets	14	153	70
Amounts due from group undertakings	15	41,373	55,345
Total assets		**47,204**	**62,549**
Liabilities			
Current liabilities			
Borrowings	19	65	2,778
Accruals, deferred income and other liabilities	17	11,227	11,414
Amounts due to group undertakings	18	6,928	4,537
		18,220	18,729
Non-current liabilities			
Deferred tax liability	11	126	137
Total liabilities		**18,346**	**18,866**
Equity			
Share capital	20	-	-
Retained earnings		28,858	43,683
Total equity		**28,858**	**43,683**
Total liabilities and equity		**47,204**	**62,549**

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of directors on 11 May 2011 and signed on its behalf by

C Weeks
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2009	**-**	**23,077**	**23,077**
Profit for the year	-	28,642	28,642
Tax charge	-	(8,036)	(8,036)
At 31 December 2009	**-**	**43,683**	**43,683**
Profit for the year	-	28,098	28,098
Tax charge	-	(7,923)	(7,923)
Dividends paid	-	(35,000)	(35,000)
At 31 December 2010	**-**	**28,858**	**28,858**

Total comprehensive income for the year of £20,175,000 (2009 £20,606,000) was wholly attributable to the owners of the company

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Profit for the year before tax		28,098	28,642
Adjustments for			
Depreciation of property, plant and equipment	10	985	1,085
Investment revenues	6	(298)	(390)
Gain on disposal of property, plant and equipment	5	(72)	(173)
Operating cash flows before movements in working capital		**28,713**	**29,164**
Net decrease/(increase) in inventories		311	(237)
Net decrease/(increase) in trade and other receivables		243	(442)
Net (increase)/decrease in prepayments, accrued income and other assets		(83)	461
Net decrease/(increase) in amounts due from group undertakings		6,075	(2,361)
Net increase in amounts due to group undertakings		2,391	4,521
Net increase in accruals, deferred income and other liabilities		(158)	(1,254)
Net cash from operating activities before tax		**37,492**	**29,852**
Tax paid		(7,963)	(7,482)
Net cash generated from operating activities		**29,529**	**22,370**
Cash flows from investing activities			
Interest received	6	298	390
Purchases of property, plant and equipment	10	(83)	(806)
Proceeds from disposal of property, plant and equipment		72	172
Net decrease/(increase) in loans advanced to related parties		7,897	(24,465)
Net cash flow from investing activities		**8,184**	**(24,709)**
Cash flows from financing activities			
Dividends paid	9	(35,000)	-
Net cash flow from financing activities		**(35,000)**	**-**
Net increase/(decrease) in cash and cash equivalents		2,713	(2,339)
Cash and cash equivalents at the beginning of the year	16	(2,778)	(439)
Cash and cash equivalents at the end of the year	16	**(65)**	**(2,778)**

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

1 Accounting policies

a) Presentation of accounts

The accounts are prepared on the going concern basis (see page 3 of the Directors' 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

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2010 They have no material effect on the company's financial statements for the year ended 31 December 2010

b) 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

Interest income on financial assets that are classified as loans and receivables, interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial liability (or group of financial assets or liabilities) and of allocating the interest income or expense over the expected life of the asset or liability The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discount on acquisition on issue, early redemption fees and transaction costs All contractual terms of a financial instrument are considered when estimating future cash flows

c) 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 for tax purposes, except in relation to overseas earnings where remittance is controlled by the company

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

d) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation 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 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
Computer equipment	- up to 5 years
Vehicles	- 5 years
Other equipment	- 4 to 15 years

1 Accounting policies (continued)

e) 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 that have not been reflected in the estimation of future cash flows

f) Financial assets

On initial recognition, financial assets are classified into 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

g) 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 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 cashflows 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

h) Financial liabilities

On initial recognition liabilities are classified into held-for-trading, designated as at fair value through profit or loss, or amortised cost

Amortised cost

Other than derivates, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method

i) 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

1 Accounting policies (continued)

j) Cash and cash equivalents

Cash and cash equivalents comprises cash 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

k) 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

l) Accounting developments

The International Accounting Standards Board (IASB) issued 'Improvements to IFRS' in May 2010 implementing minor changes to IFRS, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording The revisions are effective for annual periods beginning on or after 1 July 2010 and are not expected to have a material effect on the company

The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments Recognition and Measurement' in respect of financial assets and liabilities The standard reduces the measurement categories for financial assets to two fair value and amortised cost A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset Only financial assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost All other financial assets are measured at fair value Changes in the value of financial assets measured at fair value are generally taken to profit or loss

In October 2010 IFRS 9 was updated to include the classification and measurement of liabilities It is not markedly different from IAS 39 except for liabilities measured at fair value where the movement is due to changes in credit rating of the preparer it is recognised not in the profit or loss but in the other comprehensive income

The standard is effective for annual periods beginning on or after 1 January 2013, early application is permitted

This standard makes major changes to the framework for the classification and measurement of financial assets and will have an effect on the company's financial statements The company is assessing the effect which also depends on the outcome of the other phases of IASB's IAS 39 replacement project

The IASB issued 'Disclosures - Transfers of Financial Assets (Amendments to IFRS 7 Financial Instruments Disclosures)' in October 2010 to extend the standard's disclosure requirements about derecognition to align with US GAAP The revisions are effective for annual periods beginning on or after 1 July 2011 and will not affect the financial position or reported performance of the company

The 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

The International Financial Reporting Interpretations Committee issued interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in December 2009 The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments The interpretation, effective for the company for annual periods beginning on or after 1 January 2011, is not expected to have a material effect on the company

2 Revenue

	2010 £'000	2009 £'000
Vehicle repairs from related parties (note 26)	104,404	110,354
Revenue from non-related parties		
Recoveries from policyholders	9,079	10,241
Vehicle repairs	460	263
	113,943	120,858

All revenue arises from operations in the United Kingdom

3 Cost of sales

	2010 £'000	2009 £'000
Cost of vehicle repairs charged by related parties	40,480	42,750
Cost of vehicle repairs charged by non-related parties	30,034	35,085
	70,514	77,835

4 Administration expenses

	2010 £'000	2009 £'000
Marketing and administration expenses charged by related parties	5,566	4,732
Marketing and administration expenses charged by non-related parties	2,403	1,847
Depreciation (note 10)	985	1,085
Management fees from related parties	6,097	6,029
Operating lease payments charged by related parties (note 26)	848	1,273
	15,899	14,966

Management recharge

Management charges relate to the company's share of group resources such as the use of IT platforms, staff and a share of central resources These are re-charged on an annual basis by RBS Insurance Services Limited (RBSIS)

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by RBSIS, the accounts for 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 directors of the company do 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 7

5 Other operating income

	2010 £'000	2009 £'000
Other income from related parties (note 26)	6	22
Gain on sale of vehicles, plant and equipment	72	173
Other income	2	-
Commission income	190	-
	270	195

NOTES TO THE FINANCIAL STATEMENTS
for year ended 31 December 2010

6 Investment income

	2010 £'000	2009 £'000
Interest income from loans to related parties (note 26)	298	390

7 Operating profit before tax

Operating profit before tax is stated after charging	2010 £'000	2009 £'000
Depreciation of property, plant and equipment (note 10)	985	1,085
Operating lease rentals		
Land and buildings	1,447	1,278
Vehicles (note 26)	848	1,273
	3,280	3,636

Auditor's remuneration

Fees for audit and non-audit services, included with administrative expenses are borne and recharged by a related party, RBSIS

Fees paid to the auditor in the respect of the statutory audit of the company amount to £17,000 (2009 £17,000)

Directors' emoluments	2010 £'000	2009 £'000
Other emoluments	47	31
Company pension contributions	8	6
	55	37

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 £22,492 (2009 £27,332)

A contribution of £4,990 (2009 £5,128) to a money purchase scheme was made on behalf of the highest paid director Three of the directors (2009 one) had retirement benefits accruing under money purchase pension schemes in respect of qualifying service, one of the directors (2009 two) had benefits accruing under defined pension schemes

None of the directors exercised share options during the year (2009 none)

NOTES TO THE FINANCIAL STATEMENTS
for year ended 31 December 2010

8 Tax

	2010 £'000	2009 £'000
Current taxation		
UK corporation tax charge for the year	7,919	7,947
Under provision in respect of prior periods	15	299
	7,934	**8,246**
Deferred tax (note 11)		
Charge for the year	-	73
Over provision in respect of prior periods	(11)	(283)
	(11)	**(210)**
Tax charge for the year	**7,923**	**8,036**

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28% (2009 28%) as follows

	2010 £'000	2009 £'000
Expected tax charge	7,867	8,020
Non-deductible items	57	-
Deferred tax provided at 27%	(5)	-
Adjustments in respect of prior periods	4	16
Actual tax charge for the year	7,923	8,036

9 Ordinary dividends

	2010 £'000	2009 £'000
Dividends paid	35,000	-

10 Property, plant and equipment

2010	Land and buildings £'000	Vehicles £'000	Computer and other equipment £'000	Total £'000
Cost				
At 1 January 2010	825	3,426	12,244	16,495
Additions	-	-	83	83
Reclassification	-	119	(119)	-
Disposals	-	(253)	-	(253)
At 31 December 2010	825	3,292	12,208	16,325
Accumulated depreciation				
At 1 January 2010	121	2,670	8,866	11,657
Depreciation charge for the year	12	273	700	985
Reclassification	-	19	(19)	-
Eliminated on disposal	-	(253)	-	(253)
At 31 December 2010	133	2,709	9,547	12,389
Net book amount				
At 31 December 2010	692	583	2,661	3,936
2009				
Cost				
At 1 January 2009	825	3,646	11,847	16,318
Additions	-	409	397	806
Disposals	-	(629)	-	(629)
At 31 December 2009	825	3,426	12,244	16,495
Accumulated Depreciation				
At 1 January 2009	110	2,954	8,138	11,202
Depreciation charge for the year	12	345	728	1,085
Eliminated on disposal	(1)	(629)	-	(630)
At 31 December 2009	121	2,670	8,866	11,657
Net book value				
At 31 December 2009	704	756	3,378	4,838

11 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 2009	347
Credit to income	(210)
At 31 December 2009	137
Credit to income	(11)
At 31 December 2010	126

In the budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce Corporation Tax rates in four annual decrements of 1% with effect from 1 April 2011 The first decrement from 28% to 27% was enacted in the Finance (No 2) Act 2010 on 27 July 2010 Accordingly, the closing defered tax assets and liabilities have been calculated at the rate of 27% An additional 1% decrement, also effective from 1 April 2011, was announced by the UK Government in the Budget on 23 March 2011 The effect of the change is not considered material for the company

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

12 Inventories

	2010 £'000	2009 £'000
Raw materials	-	325
Work-in-progress	1,543	1,529
	1,543	1,854

13 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	395	714
Less provision for impairment of trade receivables	(196)	(272)
	199	442

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
2010					
Trade and other receivables	78	-	2	-	80
2009					
Trade and other receivables	33	36	222	-	291

14 Prepayments, accrued income and other assets

	2010 £'000	2009 £'000
Prepayments	153	70

15 Amounts due from group undertakings

	2010 £'000	2009 £'000
Fellow subsidiaries	41,373	55,345

16 Cash and cash equivalents

	2010 £'000	2009 £'000
Overdrafts		
Amounts owed to group banks (note 19)	(65)	(2,778)
Cash and cash equivalents per cash flow statement	(65)	(2,778)

17 Accruals, deferred income and other liabilities

	2010 £'000	2009 £'000
Accruals	3,000	3,247
Deferred income	160	170
Corporation tax payable (note 26)	7,918	7,947
Other tax payables (note 26)	149	50
	11,227	**11,414**

18 Amounts due to group undertakings

	2010 £'000	2009 £'000
Fellow subsidiaries	6,993	7,315
Less borrowings from group banks	(65)	(2,778)
	6,928	**4,537**

19 Borrowings

	2010 £'000	2009 £'000
Bank overdrafts from related parties (note 26)	**65**	**2,778**

The borrowings are repayable on demand

20 Share capital

	2010 £	2009 £
Authorised		
Equity shares		
1,000 ordinary shares of £1 each	**1,000**	**1,000**

	2010 £	2009 £
Issued and fully paid		
Equity shares		
2 ordinary shares of £1 each		
At 1 January and 31 December	**2**	**2**

21 Financial instruments

Categories of financial instrument

The following tables analyse the company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement" Assets and liabilities outside the scope of IAS 39 are shown separately

2010	Loans and receivables £000	At amortised costs £000	Non-financial assets/ liabilities £000	TOTAL £000
Assets				
Vehicles, plant and equipment	-	n/a	3,936	**3,936**
Inventories	-	n/a	1,543	**1,543**
Trade and other receivables	199	n/a	-	**199**
Prepayments, accrued income and other assets	-	n/a	153	**153**
Amounts due from group undertakings	41,373	n/a	-	**41,373**
	41,572	**n/a**	**5,632**	**47,204**
Liabilities				
Borrowings	n/a	65	-	**65**
Accruals, deferred income and other liabilities	n/a	-	11,227	**11,227**
Amounts due to group undertakings	n/a	6,928	-	**6,928**
Deferred tax liability	n/a	-	126	**126**
	n/a	**6,993**	**11,353**	**18,346**
Equity				**28,858**
				47,204

2009	Loans and receivables £000	At amortised costs £000	Non-financial assets/ liabilities £000	TOTAL £000
Assets				
Vehicles, plant and equipment	-	n/a	4,838	**4,838**
Inventories	-	n/a	1,854	**1,854**
Trade and other receivables	442	n/a	-	**442**
Prepayments, accrued income and other assets	-	n/a	70	**70**
Amounts due from group undertakings	55,345	n/a	-	**55,345**
	55,787	**n/a**	**6,762**	**62,549**
Liabilities				
Borrowings	n/a	2,778	-	**2,778**
Accruals, deferred income and other liabilities	n/a	-	11,414	**11,414**
Amounts due to group undertakings	n/a	4,537	-	**4,537**
Deferred tax liability	n/a	-	137	**137**
	n/a	**7,315**	**11,551**	**18,866**
Equity				**43,683**
				62,549

21 Financial instruments (continued)

The following table shows the carrying value and the fair value of financial instruments carried on the balance sheet where financial instruments are not carried at fair value on the balance sheet Where the financial instruments are of short maturity, the carrying value is equal to the fair value

The fair value of loans and receivables is estimated by discounting expected future cash flows using current interest rates and making adjustments for credit

	2010 Carrying value £000	2010 Fair value £000	2009 Carrying value £000	2009 Fair value £000
Financial assets				
Trade and other receivables (note 13)	199	199	442	442
Amounts due from group undertakings (note 15)	41,373	41,373	55,345	55,345
	41,572	41,572	55,787	55,787
Financial liabilities				
Borrowings (note 19)	65	65	2,778	2,778
Amounts due to group undertakings (note 18)	6,928	6,928	4,537	4,537
	6,993	6,993	7,315	7,315

22 Financial risk management

The principal risks associated with the company are as follows

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The financial liabilities of the company consist of amounts due to group undertaking and third party trade payables The amounts due to group undertakings do not have any significant interest rate risk as they are due primarily on demand The third party trade payables do not have any significant interest rate risk as the company follows the policy and practice on the payments of creditors determined by The Royal Bank of Scotland Group plc as detailed in the directors' report

Currency risk

The company has no currency risk as all transactions and balances are denominated in Sterling

Credit risk

Credit risk arises from the potential that losses are incurred from the failure of a counterparty to meet its credit obligations

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

The key principles of the group's Credit Risk Management Framework are set out below

- approval of all credit exposure is granted prior to any advance or extension of credit
- an appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return
- credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval In exercising credit authority, the individuals act independently of any related business revenue origination
- all credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits Lower quality exposures are subject to a greater frequency of analysis and assessment

22 Financial risk management (continued)

Liquidity risk

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

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations It is undertaken within limits and other policy parameters set by group Asset and Liability Management Committee (GALCO)

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities

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

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

Sensitivity factor	**Description of sensitivity analysis**
Interest rate	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%
Cost of sales	The impact of an increase in ongoing cost of sales by 10%

Sensitivity as at 31 December 2010

	Interest rates + 1% £'000	**Interest rates - 1% £'000**	**Expenses + 10% £'000**	**Cost of sales + 10% £'000**
Impact on profit before tax	457	(457)	(1,590)	(7,051)
Impact (before tax) on shareholders' equity	457	(457)	(1,590)	(7,051)

Sensitivity as at 31 December 2009

	Interest rates + 1% £'000	**Interest rates - 1% £'000**	**Expenses + 10% £'000**	**Cost of sales + 10% £'000**
Impact on profit before tax	357	(357)	(1,497)	(7,784)
Impact (before tax) on shareholders' equity	357	(357)	(1,497)	(7,784)

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

22 Financial risk management (continued)

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

23 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

24 Capital resources

The company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings loans The company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital In the management of capital resources, the company is governed by the group's policy which is to maintain a strong capital base it is not separately regulated

25 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 2010, the company had obligations to make non-cancellable operating lease payments as follows

	2010		2009	
	Property £'000	Vehicles £'000	Property £'000	Vehicles £'000
Within 1 year	1,735	214	1,735	377
After 1 year but within 5 years	5,899	-	6,310	100
After 5 years	9,952	-	11,276	-
	17,586	214	19,321	477

26 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 2010, 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

Transactions between the company, the UK Government and UK Government controlled bodies, consist solely of corporation tax and VAT

Revenue with other group companies in the period 1 January to 31 December 2010 comprised

i Sales of services

	2010	2009
	£'000	£'000
Sale of services (note 2)		
Fellow subsidiaries	104,404	110,354

	2010	2009
	£'000	£'000
Sale of other services (note 5)		
Fellow subsidiaries	6	22

	2010	2009
	£'000	£'000
Interest received (note 6)		
Fellow subsidiaries	298	390

Interest income received from deposits held with related parties were at rates ranging from 0 56% to 0 74% (2009 0 57% to 2 35%)

ii Purchases of products and services

	2010	2009
	£'000	£'000
Purchases of services		
Fellow subsidiaries	52,143	53,511

	2010	2009
	£'000	£'000
Operating lease payments (note 4)		
Fellow subsidiaries	848	1,273

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 £43 1m (2009 £45 7m)

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

26 Related parties (continued)

iii Compensation of key management

	2010 £'000	2009 £'000
Fellow subsidiaries	256	187

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

	2010 £'000	2009 £'000
Receivables from related parties		
Fellow subsidiaries	4,663	10,738

Movements in receivables from related parties were as follows	2010 £'000	2009 £'000
At 1 January	10,738	8,377
Transactions in the year	104,404	110,354
Settled during the year	(110,479)	(107,993)
At 31 December	4,663	10,738

	2010 £'000	2009 £'000
Payables to related parties		
Fellow subsidiaries	6,928	4,537

Movements in payables to related parties were as follows	2010 £'000	2009 £'000
At 1 January	4,537	16
Transactions in the year	52,143	53,511
Settled during the year	(49,752)	(48,990)
At 31 December	6,928	4,537

v Loans to related parties

	2010 £'000	2009 £'000
Fellow subsidiaries	36,710	44,607

Movements in loans to related parties were as follows	2010 £'000	2009 £'000
At 1 January	44,607	20,142
Loans advanced during year	112,111	97,088
Loan repayments received	(120,306)	(73,013)
Interest received (note 6)	298	390
At 31 December	36,710	44,607

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

26 Related parties (continued)

vii Tax

	2010	2009
Other tax payables includes amounts payable to related parties as follows	£'000	£'000
HM Revenue & Customs (note 17)	149	50
Current tax liabilities are payable as follows		
HM Revenue & Customs (note 17)	7,918	7,947