Company Registration No: 02568507

UK Assistance Accident Repair Centres Limited

Annual Report and Financial Statements

For the year ended 31 December 2015

Company Secretariat

UK Assistance Accident Repair Centres Limited

Churchill Court

Westmoreland Road

Bromley

BR1 1DP

Annual report and financial statements

Contents

Officers and professional advisers

Directors:	S R Forrester S Maddock C E Morton P Nightingale
Company Secretary:	R C Clifton
Registered office:	Churchill Court Westmoreland Road Bromley BR1 1DP
Independent Auditor:	Deloitte LLP Chartered Accountants London, United Kingdom

Registered in England and Wales

Strategic report

For the year ended 31 December 2015

The Directors present their Strategic report for the year ended 31 December 2015.

UK Assistance Accident Repair Centres Limited ("the Company") is a subsidiary of Direct Line Insurance Group plc ("DLIG") which together with its subsidiaries ("the Group") provides the Company with access to central resources and provides policies in all key areas such as finance, risk, human resources and environment. 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 and the 2015 DLIG annual report reviews these matters on a Group basis. Copies can be obtained from Direct Line Group Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website at www.directlinegroup.com.

Activities and business review

Activities

The principal activity of the Company continues to be the provision of motor vehicle repair services to the general insurance companies owned by DLIG.

Review of the year

Business review

The Directors are satisfied with the Company's performance during the year. The Company will be guided by its ultimate shareholder, DLIG, in seeking further opportunities for growth.

Financial performance

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

Revenue for the year ended 31 December 2015 was £132,967,000 (2014: £119,568,000), cost of sales were £76,057,000 (2014: £68,956,000) and administration expenses were £21,271,000 (2014: £21,633,000). Comprehensive income for the year was £28,680,000 (2014: £22,947,000).

An interim dividend of £25,000,000 was paid during the financial year ended 31 December 2015 (2014: £16,000,000). The Directors do not recommend the payment of a final dividend (2014: £nil).

At the end of the year, the balance sheet reflected total assets of £59,250,000 (2014: £56,897,000) and equity of £36,153,000 (2014: £32,473,000).

Principal risks and uncertainties

The Company's financial risk management objectives are set out in note 2 to these financial statements.

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

C E Morton
Director

15 June 2016

Directors' report

For the year ended 31 December 2015

The Directors present their Annual report and audited financial statements for the year ended 31 December 2015.

The Company has chosen, in accordance with section 414c(11) of the Companies Act 2006, to include certain additional matters in its strategic report that would otherwise be required to be disclosed in this Directors' report.

Directors and Secretary

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

From 1 January 2015 to date there have been no changes.

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.

Employees

All staff are employed by a fellow subsidiary undertaking of DLIG, DL Insurance Services Limited ("DLIS"). Disclosure relating to employees can be found in the annual report and financial statements of DLIS.

Disclosure of information to the Auditor

Each person who was a Director of the Company on 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
- each 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 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.

Auditor

Deloitte LLP has expressed its willingness to continue in office as Auditor and it is the intention of the Directors to reappoint Deloitte LLP under the deemed appointment rules of section 487 of the Companies Act 2006.

Directors' report (continued)

For the year ended 31 December 2015

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 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. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ("IASB"). 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 or loss for the financial year for 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 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. The Directors are responsible for maintaining and ensuring the integrity of the corporate and financial information included on the Company's website www.directlinegroup.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

C E Morton
Director

15 June 2016

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 2015 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 19. 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 of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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.

Separate opinion in relation to IFRS as issued by the IASB

As explained in Note 1 to the financial statements, the Company, in addition to applying to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's report to the member of UK Assistance Accident Repair Centres Limited (continued)

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.

Adam Addis

Senior Statutory Auditor - for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

15 June 2016

Statement of comprehensive income

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Revenue	3	**132,967**	119,568
Cost of sales	4	**(76,057)**	(68,956)
Gross profit		**56,910**	50,612
Administration expenses	5	**(21,271)**	(21,633)
Other operating income	6	**5**	19
Operating profit		**35,644**	28,998
Interest received	7	**312**	229
Profit before tax		**35,956**	29,227
Tax charge	8	**(7,276)**	(6,280)
Total comprehensive income for the year		**28,680**	22,947

The total comprehensive income for the year is entirely attributable to the owners of the Company.

The accompanying notes on pages 11 to 24 form an integral part of these financial statements.

Balance sheet

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Property, plant and equipment	11	**3,955**	3,451
Inventories	12	**1,047**	1,170
Trade and other receivables	13	**53,818**	52,132
Prepayments		**194**	144
Cash and cash equivalents	14	**236**	-
Total assets		**59,250**	56,897
Equity		**36,153**	32,473
Liabilities			
Borrowings	16	**-**	283
Trade and other payables	15	**15,710**	17,778
Deferred tax liabilities	9	**121**	114
Current tax liabilities		**7,266**	6,249
Total liabilities		**23,097**	24,424
Total equity and liabilities		**59,250**	56,897

The accompanying notes on pages 11 to 24 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 15 June 2016. They were signed on its behalf by:

C E Morton
Director

Statement of changes in equity

For the year ended 31 December 2015

	Notes	Share Capital & Retained Earnings £'000
Balance at 1 January 2014		25,526
Total comprehensive income for the year		22,947
Dividends paid	10	(16,000)
Balance at 31 December 2014		32,473
Total comprehensive income for the year		**28,680**
Dividends paid	**10**	**(25,000)**
Balance at 31 December 2015		**36,153**

The accompanying notes on pages 11 to 24 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit before tax		**35,956**	29,227
Adjustments for:			
Depreciation of property, plant and equipment	11	**570**	512
Interest received	7	**(312)**	(229)
Operating cash flow before movements in working capital		**36,214**	29,510
Movements in working capital			
Net decrease in inventories		**123**	208
Net *decrease in trade and other receivables (excluding loans)*		**3,440**	5,991
Net increase in prepayments, accrued income and other assets		**(50)**	(78)
Net (decrease)/increase in trade and other payables		**(2,068)**	7,628
Net cash generated from operating activities before tax		**37,659**	43,259
Income tax paid		**(6,252)**	(6,270)
Net cash generated from operating activities		**31,407**	36,989
Cash flows from investing activities			
Purchases of property, plant and equipment	11	**(1,074)**	(808)
Loans advanced to related parties	19	**(4,814)**	(20,470)
Net cash flow used by investing activities		**(5,888)**	(21,278)
Cash flows from financing activities			
Dividends paid	10	**(25,000)**	(16,000)
Net cash flows used by financing activities		**(25,000)**	(16,000)
Net increase/(decrease) in cash and cash equivalents		**519**	(289)
Cash and cash equivalents at the beginning of the year		**(283)**	6
Cash and cash equivalents at the end of the year	14, 16	**236**	(283)

The accompanying notes on pages 11 to 24 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation
The financial statements are prepared in accordance with IFRSs issued by the IASB as adopted by the EU. The financial statements have been prepared in accordance with and in full compliance with IFRSs as issued by the IASB. The financial statements are prepared on the historical cost basis except for those financial instruments that have been measured at fair value.

The Company is incorporated in the United Kingdom and registered in England and Wales.

The Company's financial statements are presented in accordance with the Companies Act 2006.

Going concern

The Company has sufficient financial resources and as a consequence, the Directors believe the Company is well placed to manage its business risks successfully. The Directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the 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 Strategic report on page 2. In addition, note 2 to the financial statements includes the Company's objectives, policies and processes for risk management.

Adoption of new and revised standards

The following standards and amendments have been adopted in the year and have not had a material impact on the Company's financial statements.

IFRS 13 (amended), 'Fair Value Measurement' – The amendment clarifies that the portfolio exception in IFRS 13 can also be applied to other contracts within the scope of IFRS 9 or IAS 39.

IFRS 16 (amended), 'Property, Plant and Equipment' and IAS 38 (amended), 'Intangible Assets' – These amendments clarify that an asset may be revalued by reference to observable data either by adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, they also clarify that accumulated depreciation and amortisation is the difference between gross and carrying amounts of the asset.

IAS 24 (amended), 'Related Party Disclosures' – The amendment provides additional clarification as to when an entity which provides managerial services is a related party.

1. Accounting policies (continued)

1.2 Revenue recognition

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

Interest received on financial assets is determined using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset.

1.3 Taxation

The tax charge or credit represents the sum of the tax currently payable or receivable and deferred tax.

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current assets and liabilities.

1. Accounting policies (continued)

1.4 Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised when they have been approved at a general meeting.

1.5 Property, plant and equipment

Items of property, plant and equipment are stated at 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 income statement 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 leasehold buildings	50 years or the period of the lease if shorter
Vehicles	Up to 3 years
Computer equipment	Up to 5 Years
Other equipment, including property adaptation costs	2 to 15 years

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

1.6 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. If an asset does not generate cash flows that are independent of those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. 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. Value in use is the present value of future cash flows from the asset or CGU, discounted at a rate that reflects market interest rates, adjusted for risks specific to the asset or CGU that have not been reflected in the estimation of future cash flows.

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

A reversal of an impairment loss is recognised as it arises provided the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

1.7 Financial assets

The Company only holds assets that are classified as loans and receivables which 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.

1. Accounting policies (continued)

1.7 Financial assets (continued)

Impairment of financial assets

At each balance sheet date the Company assesses whether there is any objective evidence that loans and receivables balances are impaired. A 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.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset, 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 the income statement and the carrying amount of loans or receivables is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

1.8 Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

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

1.9 Cash and cash equivalents

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

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

1.10 Inventories

Inventories comprise work in progress, including 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 Leases

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

1.12 Accounting developments

In July 2014, the IASB issued IFRS 9 'Financial Instruments' that will replace IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. The classification and measurement of financial assets and liabilities will be directly linked to the nature of the instrument's contractual cash flows and the business model employed by the holder of the instrument.

The standard introduces a new expected loss model that is a departure from the current incurred loss model. The model requires a 12 month expected loss to be recognised for all financial instruments when they are first originated or acquired. In subsequent periods, if there is a significant increase in the credit risk of a financial instrument since it was first entered into or acquired, a full lifetime expected credit losses would then be recognised.

The standard has introduced greater flexibility in the type of transactions eligible for hedge accounting and broadened the type of instruments that qualify as hedging instruments. The hedge effectiveness test has been replaced with the principle of an 'economic relationship'.

1. Accounting policies (continued)

1.12 Accounting developments (continued)

The standard is effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted.

In May 2014 the IASB issued IFRS 15 'Revenue from Contracts with Customers' to establish a single comprehensive model to use in accounting for revenue recognition and measurement, from contracts with customers. The standard provides guidance on when and how combined contracts should be unbundled and when a transaction price includes a variable consideration element. The standard will require the Company to consider contracts with customers to determine if changes are required to existing accounting practices, but is not expected to have a material impact on the Company's financial statements.

The effective date of this new standard has been revised to annual periods beginning on or after 1 January 2018, although early adoption is permitted.

In January 2016, the IASB issued IFRS 16 "Leases". There are some changes to the guidance with the definition of a lease, in particular more detail is provided on determining whether a contract conveys the right to use a particular asset; however, in most areas companies will find that their arrangements under the new guidance will not change. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance, with the approach to lessor accounting substantially unchanged. The standard will require the Company to consider how some of the lease arrangements are currently treated to determine if changes are required to existing accounting practices.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019, although early adoption is permitted.

2. Risk management

2.1 Risk Management Overview

The Direct Line Insurance Group plc Board ("Group Board") monitors adherence to the risk strategy, risk appetite and risk framework across the Direct Line Group. The Group Board has established a risk management model that separates the business's risk management responsibilities into "3 lines of defence" as set out below.

1st line of defence - Risk ownership

2nd line of defence - Oversight, challenge and support of 1st line

3rd line of defence - Independent assurance

The annual report of DLIG contains a comprehensive review of the risk management framework for the whole group. The Company adheres to this risk management framework.

2.1.1 Risk Strategy and Risk Appetite

Direct Line Group's risk appetite statements express the level of risk the Group (including UK Assistance Accident Repair Centres Limited) is prepared to accept to achieve its business objectives. Details of the Group's risk strategy and risk appetite are contained in the DLIG annual report.

2.1.2 Enterprise-wide Risk Management framework

This sets out, at high level, the Group's (which includes UK Assistance Accident Repair Centres Limited) approach to setting risk strategy and the Enterprise-wide Risk Management Framework ("ERMF") for managing risk. Details of the Group;s "Enterprise-wide Risk Management Framework" are contained in the DLIG annual report.

Copies of the DLIG annual report can be obtained from Direct Line Group Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through Direct Line Insurance Group's website at www.directlinegroup.com.

2.1.3 Principal risks and uncertainties

Risks are always present in our business. It is important to ensure that we identify measure, monitor and report these risks throughout the business on an ongoing basis. We also monitor changes in these risks over time. We believe these risks are broadly unchanged over the last year.

2.2 Market risk

Market risk is the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. The Company is mainly exposed to interest rate risk through its loans to fellow subsidiaries.

2. Risk management (continued)

2.2 *Market risk (continued)*

Sensitivity analysis

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

Sensitivity factor	Description of sensitivity analysis
Interest rate and investment return	The impact of a change in market interest rates by +/- 1% (e.g. if a current interest rate is 2%, the impact of an immediate change to 1% or 3%)
Expenses	The impact of an increase in ongoing administrative expenses by 10%
Cost of sales	Impact of increase of 10% in cost of sales

Sensitivity at 31 December 2015

	Interest rates +1%	Expenses +10%	Cost of sales +10%
Impact on profit before tax (£'000)	**542**	**(2,127)**	**(7,605)**
Impact before tax on shareholder equity (£'000)	**542**	**(2,127)**	**(7,605)**

Sensitivity at 31 December 2014

	Interest rates +1%	Expenses +10%	Cost of sales +10%
Impact on profit before tax (£'000)	418	(2,163)	(6,895)
Impact before tax on shareholder equity (£'000)	418	(2,163)	(6,895)

Limitations of sensitivity analysis

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

2.3 Credit risk

Credit risk is the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Company are exposed. The Company is mainly exposed to counterparty default risk..

This is the risk of loss from unexpected default, deterioration in the credit standing of the counterparties and debtors of the Company. It is primarily managed by the 1st line of defence and monitored by the Credit Risk Forum. The main responsibility of this forum is to ensure that all material aspects of counterparty risk within the Company are identified, monitored and measured.

The main source of counterparty default risk is related to its trade and other receivables with fellow subsidiaries.

2. Risk management (continued)

2.4 Operational risk
This is the risk is the risk of loss due to inadequate or failed internal processes, people, systems or from external events. Sources of operational risk for the Company include:

Change Risk
This is the risk of failing to manage the change portfolio resulting in conflicting priorities and failure to deliver strategic outcomes to time, cost or quality.

IT Continuity Risk
This is the risk of loss of technology services due to data, system or data centre failure, and/or failure of a 3rd party to restore services.

Outsourcing Risk
This is the risk of failing to implement a robust framework for the sourcing, appointment and ongoing contract management of external suppliers, outsourced service providers and intragroup relationships.

2.5 Liquidity risk
This is the risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.

The Company has limited exposure to liquidity risk as it has access to Group funding which is constantly being monitored to ensure borrowing limits and funding requirements are at levels appropriate for the Company to operate.

3. Revenue

	2015 £'000	2014 £'000
Vehicle repairs	**132,967**	119,568

All revenue arises from operations in the United Kingdom.

4. Cost of sales

	2015 £'000	2014 £'000
Cost of vehicle repairs	**76,057**	68,956

5. Administration expenses

	2015 £'000	2014 £'000
Marketing and administrative expenses	**(143)**	925
Depreciation (note 11)	**570**	512
Management charges	**19,986**	19,582
Operating lease payments (note 18)	**858**	614
	21,271	21,633

Management charges

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

Included in management charges are £532,000 (2014: £776,000) in respect of lease payments for land and buildings.

Staff costs, number of employees and Directors' emoluments

The Company has no employees and pays a management charge for services provided by DLIS. All staff and Directors are employed by DLIS, the accounts for which contain full disclosure of employee benefit expenses incurred in the year including pensions.

Auditor's remuneration

Fees for audit and non-audit services are included within marketing and administrative expenses.

Fees paid to the auditor in respect of the statutory audit of the Company amount to £15,000 (2014: £15,000).

Directors' emoluments

The services provided by the Directors to the Company are non – executive in nature and it is not appropriate to allocate their emoluments in respect of their services to the Company.

6. Other operating income

	2015 £'000	2014 £'000
Commission income	**5**	19

7. Interest received

	2015 £'000	2014 £'000
Interest received on loans to related parties (note 19)	**312**	229

Notes to the financial statements

For the year ended 31 December 2015

8. Tax

	2015 £'000	2014 £'000
Current taxation:		
Charge for the year	**7,266**	6,249
Under/(over) provision in respect of prior year	**3**	(3)
	7,269	6,246
Deferred taxation (note 9):		
Charge for the year	**7**	32
Under provision in respect of prior year	**-**	2
	7	34
Tax charge for the year	**7,276**	6,280

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 20.25%[1] (2014: 21.5%) as follows:

	2015 £'000	2014 £'000
Profit for the year	**35,956**	29,227
Expected tax charge	**7,281**	6,284
Non-deductible items	**7**	1
Non-taxable items	**(2)**	(2)
Effect of change in UK taxation rate	**(13)**	(2)
Adjustments in respect of prior year	**3**	(1)
Actual tax charge for the year	**7,276**	6,280

Note 1: In the Finance Act 2013 the UK Government enacted a reduction in the UK corporation tax rate from 23% to 21% effective from 1 April 2014 and a further reduction to 20% effective from 1 April 2015. The Finance (No 2) Act 2015 enacted further reductions to 19% effective from 1 April 2017 and 18% effective from 1 April 2020. As a consequence the closing deferred tax assets and liabilities have been recognised at the tax rates expected to apply when the assets or liabilities are settled. The impact of these changes on the tax charge for the year is set out in the table above.

9. Deferred tax

The table below analyses deferred tax liabilities recognised by the Company, and the movements thereon.

	Accelerated capital allowances £'000
At 1 January 2014	80
Charge to income (note 8)	34
At 31 December 2014	114
Charge to income (note 8)	7
At 31 December 2015	**121**

10. Dividends

	2015 £'000	2014 £'000
Interim dividend of £12,500 per share paid on 20 October 2015	**25,000**	-
Interim dividend of £8,000 per share paid on 31 October 2014	**-**	16,000
	25,000	16,000

11. Property, plant and equipment

	Land and buildings £'000	Vehicles £'000	Computer and other equipment £'000	Total £'000
Cost				
At 1 January 2014	825	2,373	13,086	16,284
Additions	-	105	703	808
Disposals	-	(367)	-	(367)
At 31 December 2014	825	2,111	13,789	16,725
Additions	-	**5**	**1,069**	**1,074**
Disposals	-	**(165)**	-	**(165)**
At 31 December 2015	**825**	**1,951**	**14,858**	**17,634**
Accumulated depreciation				
At 1 January 2014	167	2,077	10,885	13,129
Charge for the year	11	136	365	512
Disposals	-	(367)	-	(367)
At 31 December 2014	178	1,846	11,250	13,274
Charge for the year	**14**	**130**	**426**	**570**
Disposals	-	**(165)**	-	**(165)**
At 31 December 2015	**192**	**1,811**	**11,676**	**13,679**
Carrying amount				
At 31 December 2015	**633**	**140**	**3,182**	**3,955**
At 31 December 2014	647	265	2,539	3,451

12. Inventories

	2015 £'000	2014 £'000
Work in progress	**1,047**	1,170

13. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	**1,749**	5,217
Less provision for impairment of trade receivables	**(114)**	(142)
Other loans and receivables:		
Loans to a related party	**52,183**	47,057
Total	**53,818**	52,132

13. Trade and other receivables (continued)

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

	1 – 29 days £'000	30 – 59 days £'000	60 – 89 days £'000	More than 90 days £'000	Total £'000
2015					
Trade receivables	**35**	**15**	**20**	**114**	**184**
2014					
Trade receivables	214	103	23	51	391

Trade and other receivables amounting to £53,818,000 (2014: £52,132,000) are neither past due nor impaired and are classified as unrated. All receivables from related parties are considered current. Loans are short-term in nature and repayable when required.

14. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash in hand and at bank	**236**	-

15. Trade and other payables

	2015 £'000	2014 £'000
Trade payables due to related parties (note 19)	**15,091**	15,818
Accruals	**465**	1,835
Indirect taxes	**154**	125
	15,710	17,778

Trade and other payables amounting to £15,710,000 (2014: £17,778,000) are neither past due nor impaired and are classified as unrated. All payables to related parties are considered current. Loans are short-term in nature and repayable when required.

16. Borrowings

	2015 £'000	2014 £'000
Bank overdraft	-	283

17. Share capital

	2015 £	2014 £
Issued and fully paid equity shares		
2 Ordinary Shares of £1 each	**2**	2

Notes to the financial statements (continued)

For the year ended 31 December 2015

18. Commitments

Operating lease commitments

The Company leases certain of its properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights. The Company also leases vehicles under non-cancellable lease agreements.

	2015	2014
	£'000	£'000
Lease payments under operating leases recognised as an expense in the year	**1,390**	1,390

The following table analyses the outstanding commitments for future lease payments under non-cancellable operating leases by the period in which they fall due:

	2015		2014	
	Property	**Vehicles**	Property	Vehicles
	£'000	**£'000**	£'000	£,000
Within 1 year	**475**	**514**	475	464
After 1 year but within 5 years	**979**	**290**	1,331	208
After 5 years	**120**	**-**	220	-
	1,574	**804**	2,026	672

19. Related parties

As at 31 December 2015 the immediate parent and ultimate holding company was DLIG which is incorporated in the United Kingdom and registered in England and Wales.

As at 31 December 2015 DLIG heads the largest and smallest group in which the Company is consolidated. Copies of the consolidated financial statements of the Group may be obtained from Direct Line Group Secretariat, DLIG, Churchill Court, Westmoreland Road, Bromley, BR1 1DP.

RBS Group, was formerly a related party of the Company (being the ultimate holding company), however this relationship ceased on 27 February 2014 when RBS sold its remaining shares in DLIG.

The following transactions were carried out with related parties, who are members of RBS Group or Direct Line Group.

i. Sales of services

	2015 £'000	2014 £'000
Sale of services to fellow subsidiaries	**120,508**	106,384

	2015 £'000	2014 £'000
Interest received from fellow subsidiaries	**312**	229

ii. Purchases of products and services

	2015 £'000	2014 £'000
Purchases of services from fellow subsidiaries	**66,177**	58,941

19. Related parties (continued)

ii. Purchases of products and services (continued)

All employees were employed by DLIS, a fellow subsidiary company. Total employee costs, including Directors' remuneration, recharged to the Company by DLIS during the year were £46.7m (2014: £44.1m).

Employee costs recharged by DLIS include the full costs of key managers and other staff in respect of share-based payments.

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

	2015 £'000	2014 £'000
Trade receivables from fellow subsidiaries	**1,405**	4,286

Movements in receivables from related parties were as follows:

	2015 £'000	2014 £'000
At 1 January	**4,286**	10,663
Transactions in the year	**120,508**	106,384
Settled in the year	**(123,389)**	(112,761)
At 31 December	**1,405**	4,286

	2015 £'000	2014 £'000
Trade creditor balances with fellow subsidiaries	**15,091**	15,818

Movements in trade creditor balances with fellow subsidiaries were as follows:

	2015 £'000	2014 £'000
At 1 January	**15,818**	7,599
Transactions in the year	**66,177**	58,941
Settled in the year	**(66,904)**	(50,722)
At 31 December	**15,091**	15,818

iv. Loans to fellow subsidiaries

	2015 £'000	2014 £'000
Fellow subsidiaries	**52,183**	47,057

Movements in loans to fellow subsidiaries were as follows:

	2015 £'000	2014 £'000
At 1 January	**47,057**	26,358
Loans advanced during year	**4,814**	20,470
Interest received (note 7)	**312**	229
At 31 December	**52,183**	47,057

20. Post balance sheet event

The Company completed two small business acquisitions; one in Warwick on 31 March 2016 and one in Peterborough on 31 May 2016 with combined net assets of £3.3m. The new locations became part of the Company's network of accident and repair centres strategically located across the United Kingdom.