Company Registration No: 02622895

GREEN FLAG GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

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

GREEN FLAG GROUP LIMITED

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GREEN FLAG GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS·	C R Crawford M A Hesketh
SECRETARY	P A Hutchings
REGISTERED OFFICE	The Wharf Neville Street Leeds LS1 4AZ
AUDITORS	Deloitte & Touche LLP London

Registered in England and Wales

GREEN FLAG GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2007

ACTIVITIES AND BUSINESS REVIEW

Activity

The Company is the intermediate parent undertaking of a group of subsidiaries involved in motor vehicle assistance and repair

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 Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's web site at rbs com

Review of the year

The directors are satisfied with the development of the Company's activities during the year The Company will be guided by its immediate parent company in seeking further opportunities for growth A dividend of £47,000,000 was paid during the year to 31 December 2007 (2006 £nil) The directors do not recommend a final dividend (2006 £nil)

The Company's financial performance is presented in the Income Statement on page 5 At the end of the year, the financial position showed total assets of £7,668,000 (2006 £129,359,000) and equity of £2,011,000 (2006 £17,075,000)

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

DIRECTORS AND SECRETARY

From 1 January 2007 to date the following changes have taken place

Directors	Appointed	Resigned
R D Houghton		22 January 2007
C R Crawford	22 January 2007	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 and 2006 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union They are responsible for preparing financial statements that present fairly the financial position, financial performance, and cash flows of the Company In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

GREEN FLAG GROUP LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES (Continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 1985 and 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

DISCLOSURE OF INFORMATION TO AUDITORS

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

a) so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware, and

b) the directors have taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

DIRECTORS' INDEMNITIES

In terms of Section 236 of The Companies Act 2006, Mr C R Crawford, Mr M A Hesketh and Mr R D Houghton had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

RBSG is committed to maintaining a sound commercial relationship with its suppliers Consequently, it is RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed

AUDITORS

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

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

C R Crawford
Director
21 May 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREEN FLAG GROUP LIMITED

We have audited the financial statements of Green Flag Group Limited ('the Company') for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the accounting policies and the related notes to the accounts 2 to 18 These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
22 May 2008

GREEN FLAG GROUP LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Investment income	3	36,202	76,634
Net realised losses on financial assets	4	-	(62,187)
Other gains and losses	5	-	6,008
Finance costs	6	(4,294)	(4,852)
Profit before taxation		**31,908**	**15,603**
Taxation	7	28	881
Profit for the year		**31,936**	**16,484**

The profit for the year was entirely attributable to equity shareholders of the Company and is derived from continuing operations

The notes on pages 9 to 21 form part of these financial statements

GREEN FLAG GROUP LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	11	7,013	7,013
Current assets			
Loans and receivables	12	627	121,466
Current tax assets		28	880
		655	122,346
Total assets		**7,668**	**129,359**
EQUITY			
Share capital	13	1,001	1,001
Retained earnings	14	1,010	16,074
Total equity		**2,011**	**17,075**
LIABILITIES			
Current liabilities			
Borrowings	15	5,105	107,244
Trade and other payables and deferred income	16	552	5,040
		5,657	**112,284**
Total equity and liabilities		**7,668**	**129,359**

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2008 They were signed on its behalf by

C R Crawford
Director

The notes on pages 9 to 21 form part of these financial statements

GREEN FLAG GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Share Capital £'000	Retained (losses)/ earnings £'000	Total £'000
Balance as at 1 January 2006		**1,001**	**(410)**	**591**
Profit for the year		-	16,484	16,484
Balance as at 31 December 2006	13, 14	**1,001**	**16,074**	**17,075**
Profit for the year		-	31,936	31,936
Dividends	9		(47,000)	(47,000)
Balance as at 31 December 2007	13, 14	**1,001**	**1,010**	**2,011**

Total recognised income and expenses for the year were entirely attributable to equity shareholders of the Company

The notes on pages 9 to 21 form part of these financial statements

GREEN FLAG GROUP LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Profit for the year		31,936	16,484
Adjustments for			
Taxation	7	(28)	(881)
Unwinding of discount on deferred consideration	6, 16	582	195
Reversal of impairment in investment in subsidiaries	5, 11	-	(6,008)
Loss on sale of financial assets	4	-	62,187
Operating cash flows before movements in working capital		**32,490**	**71,977**
Net decrease in inter-company balances - debtors		(36,202)	(76,634)
Net increase in inter-company balances - creditors		3,712	4,657
Net cash generated from operating activities		-	-
Net increase in cash and bank equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The Company did not have a bank account during the current and prior years Trading was carried out via bank accounts owned by related parties and therefore, through intercompany transactions As a result, all investing and financing activities, as shown below, were non-cash transactions

Non-cash transactions		2007 £'000	2006 £'000
Investing activities			
Decrease in investment	11	-	57,084
Decrease/(increase) in intercompany debtors		157,923	(57,526)
		157,923	(442)
Financing activities			
(Decrease)/increase in borrowings		(101,557)	6,313
Increase in creditors		(8,784)	(5,676)
Decrease in creditors - unwinding of discount	6, 16	(582)	(195)
Dividends paid	9	(47,000)	-
		(157,923)	442

The notes on pages 9 to 21 form part of these financial statements

1 ACCOUNTING POLICIES

1 1 Basis of accounting

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

The financial statements have been prepared on the historical cost basis

The Company is exempt from preparing consolidated accounts by virtue of section 228 of the Companies Act 1985 as the Company is included in the accounts of a larger group

1 2 Revenue recognition

Dividend income from investments in subsidiaries is recognised when the shareholder's rights to receive payment have been established Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value

1.3 Investment in subsidiaries

Investments in subsidiary companies are stated at cost less any impairment in the value of individual investments, based on an annual assessment Any impairment is charged to the income statement

1 4 Financial assets

Loans and receivables – financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment

Loans and receivables principally comprise of loans to related parties

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

1 5 Impairment of financial assets

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

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

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

1. ACCOUNTING POLICIES (Continued)

1.6 Taxation

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

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

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

1.7 Transactions with related parties

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

1 8 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

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

1.9 Financial liabilities

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

1 10 Borrowings

Borrowings comprise inter company loans Interest on inter company loans is recognised in the income statement as finance costs

Interest bearing loans are recorded at the proceeds received, net of direct issue costs Insurance charges are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

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

1.11 Accounting developments

The IASB reissued IAS 23 'Borrowing Costs' in March 2007 Entities are required to capitalise borrowing costs attributable to the development or construction of intangible assets or property, plant or equipment The standard is effective for accounting periods beginning on or after 1 January 2009 and is not expected to have a material effect on the Company

The IASB revised IAS 1 'Presentation of Financial Statements' in September 2007 The amendments to the presentation requirements for financial statements are not expected to have a material effect on the Company The standard is effective for accounting periods beginning on or after 1 January 2009

1 ACCOUNTING POLICIES (Continued)

1.11 Accounting developments (Continued)

In addition to the above, the Company has considered the reissued IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' by the IASB following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries The standards provide new guidance on accounting for changes in interests in subsidiaries The Company has concluded that these will not apply

The Company has considered other new international accounting standards IFRS 8 'Operating Segments' and interpretations IFRIC 11 to 13, and has concluded that these will not apply to the Company In addition the Company has also considered IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction' issued in July 2007 The interpretation is effective for accounting periods beginning on or after 1 January 2008 and is not expected to have a material effect on the Company

2 MANAGEMENT OF FINANCIAL RISK

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

2 1 Financial risk

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

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

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

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

2.1 1 Market risk

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

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

Interest rate risk

Interest rate risk arises primarily from the Company's loans and receivables due from, and loans due to other members of The Royal Bank of Scotland Group

2 MANAGEMENT OF FINANCIAL RISK (Continued)

2 1 1 Market risk (Continued)

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

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 on sensitivity analysis
Interest rate	The impact of a change in market rates by +/- 1% (e g if a current interest rate is 5%, the impact of an immediate change to 4% or 6%)

Sensitivity as at 31 December 2007

	Interest rates + 1% £'000	Interest rates - 1% £'000
Impact on profit before tax	(2,139)	2,139
Impact (before tax) on shareholders' equity	(2,139)	2,139

Sensitivity as at 31 December 2006

	Interest rates + 1% £'000	Interest rates - 1% £'000
Impact on profit before tax	(1,736)	1,736
Impact (before tax) on shareholders' equity	(1,736)	1,736

Limitations of sensitivity analysis

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

2 1 2 Credit risk

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

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

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

2 MANAGEMENT OF FINANCIAL RISK (Continued)

2 1 2 Credit risk (Continued)

The following table analyses the credit quality of financial assets that are neither past due or impaired by type of asset

At 31 December 2007	Total - not rated £'000
Assets bearing credit risk	
Receivables from related parties (note 12 & 18iii)	627
Total assets bearing credit risk	**627**

At 31 December 2006	Total - not rated £'000
Assets bearing credit risk	
Receivables from related parties (note 12 & 18iii)	121,466
Total assets bearing credit risk	**121,466**

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired

At 31 December 2007

	Neither past due nor impaired £'000	Past due 1-30 days £'000	Past due 31-60 days £'000	Past due 61-90 days £'000	Past due more than 91 days £'000	Carrying value in the balance sheet £'000	Financial assets that have been impaired £'000
Receivables from related parties (note 12 & 18iii)	627	-	-	-	-	627	-
	627	**-**	**-**	**-**	**-**	**627**	**-**

At 31 December 2006

	Neither past due nor impaired £'000	Past due 1-30 days £'000	Past due 31-60 days £'000	Past due 61-90 days £'000	Past due more than 91 days £'000	Carrying value in the balance sheet £'000	Financial assets that have been impaired £'000
Receivables from related parties (note 12 & 18iii)	121,466	-	-	-	-	121,466	-
	121,466	**-**	**-**	**-**	**-**	**121,466**	**-**

2 1.3 Liquidity risk

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

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

The maturity profile of the Company's financial liabilities are outlined in notes 15 and 16

3 INVESTMENT INCOME

	2007 £'000	2006 £'000
Interest income from loans to related parties (note 18i)	4,202	1,920
Dividend income from subsidiaries (note 18i)	32,000	74,714
	36,202	76,634

4 NET REALISED LOSSES ON FINANCIAL ASSETS

	2007 £'000	2006 £'000
Realised losses on other financial assets	-	62,187

5 OTHER GAINS AND LOSSES

	2007 £'000	2006 £'000
Reversal of impairment in investment in subsidiaries	-	6,008

6 FINANCE COSTS

	2007 £'000	2006 £'000
Interest expense		
On borrowings from related parties (note 18ii)	3,712	4,657
Unwinding of discount on deferred consideration (note 16)	582	195
	4,294	4,852

7 TAXATION

	2007 £'000	2006 £'000
Tax credit for the year	28	881

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 30% (2006 30%) The differences are explained below

	2007 £'000	2006 £'000
Profit before taxation	31,908	15,603
Expected tax charge @ 30%	9,572	4,681
Effects of		
Dividends received	(9,600)	(5,562)
Tax credit for the year	**(28)**	**(881)**

8 PROFIT FOR THE YEAR

Auditors' remuneration

Fees for audit and non-audit services for the current and preceding financial year, were borne by a related party, RBS Insurance Services Limited

Employees

The Company had no employees at any time during the current or preceding year

Directors' emoluments

None of the directors who served during this or the previous financial year were remunerated by the Company Emoluments in relation to services performed by the directors for other group companies are not disclosed in the Company's financial statements

9 DIVIDENDS

	2007 £'000	2006 £'000
Declared and paid during the year		
Equity dividends on Ordinary shares	47,000	-

10 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

As at 31 December 2007

	Loans and receivables £'000	Other (amortised costs) £'000	Non-financial assets/ liabilities £'000	Total £'000
Investments in subsidiaries	-	n/a	7,013	7,013
Loans and receivables	627	n/a	-	627
Current tax assets	-	n/a	28	28
	627	**n/a**	**7,041**	**7,668**
Borrowings	n/a	5,105	n/a	5,105
Trade & other payables & deferred income	n/a	552	n/a	552
	n/a	**5,657**	**n/a**	**5,657**
Equity				2,011
				7,668

As at 31 December 2006

	Loans and receivables £'000	Other (amortised costs) £'000	Non-financial assets/ liabilities £'000	Total £'000
Investments in subsidiaries	-	n/a	7,013	7,013
Loans and receivables	121,466	n/a	-	121,466
Current tax assets	-	n/a	880	880
	121,466	**n/a**	**7,893**	**129,359**
Borrowings	n/a	107,244	n/a	107,244
Trade & other payables & deferred income	n/a	5,040	n/a	5,040
	n/a	**112,284**	**n/a**	**112,284**
Equity				17,075
				129,359

11 INVESTMENTS IN SUBSIDIARIES

	2007 £'000	2006 £'000
Cost		
At 1 January	7,013	64,097
Disposals in the year	-	(63,092)
Reversal of impairment taken through income statement	-	6,008
At 31 December	7,013	7,013

Details of the Company's subsidiaries as at 31 December 2007 are as follows

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Green Flag Limited	UK	100%	100%	Motor vehicle assistance
Kickshaws plc	UK	100%	100%	In Members' Voluntary Liquidation
National Breakdown Recovery Club Limited	UK	100%	100%	Dormant
Nationwide Breakdown Recovery Services Limited	UK	100%	100%	Dormant

The disposal in 2006 of £63 1m represents the derecognition of the investment in the Company's subsidiary, Kickshaws plc, which changed status from a plc to a private limited company on 14 December 2006 and entered into members' voluntary liquidation on 18 December 2006 A dividend of £74 7m was received by the Company from Kickshaws Limited upon liquidation

12 LOANS AND RECEIVABLES

	2007 £'000	2006 £'000
Other loans and receivables		
Loans to related parties (note 18iii)	627	121,466

13 SHARE CAPITAL

The Company's authorised share capital is made up of 2,994,000 ordinary shares of £1 ordinary shares amounting to £2,994,000 (2006 £2,994,000), 500,000 525% cumulative non-voting Preferred ordinary shares of 1p each amounting to £5,000 and 1,000 Deferred ordinary shares of £1 amounting to £1,000 (2006 £1,000)

The Company's issued and fully paid share capital is made up of 1,000,000 ordinary shares of £1 each amounting to £1,000,000 (2006 £1,000,000) and 1,000 Deferred ordinary shares of £1 each amounting to £1,000 (2006 £1,000)

Rights
The rights attaching to the share capital of the Company are as follows

Dividends
- Deferred ordinary shares shall not rank for dividend, and
- Ordinary shares shall be entitled to the profits of the Company which it may from time to time determine to distribute in respect of any financial year or other period

Voting rights
- Ordinary shares are the only shares that entitle a holder thereof to receive notice of and to attend and to vote at meetings of the Company

Winding up
On a return of assets or liquidation, the assets if any remaining after the debts and liabilities of the Company and the costs of winding up have been paid or allowed for shall be applied

- First to holders of Preferred ordinary shares the sum of £1 for each share,
- Next to ordinary shares the amount paid up on such shares, and
- Next to ordinary shares one million times the amounts paid up on such shares, and
- Next to Deferred ordinary shares the amounts paid up on such shares

The balance of such surplus assets shall belong to holders of ordinary shares

See note 15 for further details on the rights attached to Preferred ordinary shares

14 RETAINED EARNINGS

	£'000
Balance as at 1 January 2006	(410)
Profit for the year	16,484
Balance as at 31 December 2006	**16,074**
Profit for the year	31,936
Dividends	(47,000)
Balance as at 31 December 2007	**1,010**

15 BORROWINGS

	2007 £'000	2006 £'000
Loans from related parties (note 18iv)	5,102	107,241
Preferred ordinary shares (note 18iv)	3	3
	5,105	107,244

The Preferred ordinary shares were made up as follows

333,667 525% cumulative non-voting Preferred ordinary shares of 1p each	3	3

No dividend was paid in the current or the prior year on the Preferred Ordinary shares

Preferred ordinary shares shall carry the right to a cumulative preferential dividend at the rate of 525% per annum (net of basic rate income tax) on the amount being paid up or credited as paid up on the shares The shares shall rank for dividend in priority to any other shares of the Company

See note 13 for further details on the rights attached to the Preferred ordinary shares

The borrowings are repayable on demand The directors consider that the carrying amount of borrowings approximates their fair value

16 TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	2007 £'000	2006 £'000
Trade creditors and accruals	2	-
Deferred consideration	550	5,040
Total	552	5,040

Trade creditors and accruals relate to accrued interest and is generally settled within three months

Deferred consideration arises from the acquisition of Kickshaws Limited The movement on deferred consideration is as follows

	2007 £'000	2006 £'000
At 1 January	5,040	5,864
Discounting adjustments in the year	-	(905)
Settled in the year	(5,072)	(114)
Unwinding of discount on deferred consideration (note 6)	582	195
At 31 December	550	5,040

The deferred consideration is payable to the vendors of Kickshaws Limited over three years from the acquisition date As a result, the deferred consideration has been discounted to reflect the economic value of the acquisition The discount is then unwound at the end of every year, until the date of final settlement

17 PARENT COMPANIES

The Company's immediate parent company is Green Flag Holdings Limited

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

18 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties

	2007 £'000	2006 £'000
i Revenue - investment income		
Dividend received (note 3)		
Green Flag Limited	32,000	-
Kickshaws Limited	-	74,714
	32,000	**74,714**
Interest received (note 3)		
RBS Insurance Services Limited	4,202	1,920
	4,202	**1,920**
ii Interest charges		
Interest paid (note 6)		
Churchill Insurance Company Limited	844	508
Direct Line Insurance plc	988	1,188
Green Flag Holdings Limited	-	232
RBS Insurance Services Limited	3	-
The National Insurance and Guarantee Corporation Limited	724	437
U K Insurance Limited	1,153	2,292
	3,712	**4,657**

iii. Loans to related parties

	2007 £'000	2006 £'000
Loans to related parties (note 12)		
RBS Insurance Services Limited	627	121,466
	627	**121,466**
Movements in loans to related parties were as follows		
At 1 January	121,466	42,593
Loans advanced during year	624	76,062
Interest paid	4,202	1,920
Settled in the year	(125,665)	891
At 31 December	**627**	**121,466**

18 RELATED PARTY TRANSACTIONS (Continued)

iv Loans from related parties

	2007 £'000	2006 £'000
Loans from related parties (note 15)		
Churchill Insurance Company Limited	-	21,508
Direct Line Insurance plc	-	25,188
RBS Insurance Services Limited	-	12,222
The National Insurance and Guarantee Corporation Limited	-	18,437
Tracker Network (UK) Limited	-	1,347
U K Insurance Limited	5,102	28,539
	5,102	107,241
Green Flag Holdings Limited	3	3
	5,105	**107,244**

Movements in loans from related parties were as follows

	2007 £'000	2006 £'000
At 1 January	107,244	101,126
Loans advanced during year	7,040	1,461
Interest charged	3,712	4,657
Settled in the year	(112,891)	-
At 31 December	**5,105**	**107,244**

Interest received from and paid to related parties were at the rate of 6 26% (2006 5 29%) These loans are unsecured and repayable on demand