Company Registration No: 02622895

GREEN FLAG GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

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

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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 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 2008.

ACTIVITIES AND BUSINESS REVIEW

Activity

The Company is the intermediate parent undertaking of a subsidiary involved in motor vehicle assistance, repair and recovery services.

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. The directors have reviewed these policies and considered them to be appropriate. 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 www.rbs.com.

Review of the year

Business review

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.

No dividends were paid during the year ended 31 December 2008 (2007: £nil). The directors do not recommend the payment of a final dividend (2007: £47.0m).

Financial performance

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 £7.8m (2007: £7.7m) and equity of £1.8m (2007: £2.0m).

Going concern

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from other group companies, have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2008, approved on 25 February 2009, which were prepared on a going concern basis.

Principal risks and uncertainties

The Company seeks to minimise its exposure to external risk factors and the principal uncertainties that arise from those risks. Further information on financial risk management policies and exposures is disclosed in note 2.

DIRECTORS AND SECRETARY

The present directors and secretary who have served throughout the year are listed on page 1.

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:

DIRECTORS' RESPONSIBILITIES (Continued)

- 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.

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 director has 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 and Mr M A Hesketh had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

AUDITORS

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

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

C R Crawford
Director
13 May 2009

GREEN FLAG GROUP LIMITED

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 2008 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 2 to 16. 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 2008 and of its loss 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
13 May 2009

GREEN FLAG GROUP LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Investment income	3	34	36,202
Finance costs	4	(329)	(4,294)
(Loss)/profit before tax		**(295)**	**31,908**
Tax credit	5	84	28
(Loss)/profit for the year		**(211)**	**31,936**

The loss 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 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	9	7,013	7,013
Current assets			
Loans and receivables	10	689	627
Current tax assets		84	28
		773	655
Total assets		**7,786**	**7,668**
EQUITY			
Share capital	11	1,001	1,001
Retained earnings	12	799	1,010
Total equity		**1,800**	**2,011**
LIABILITIES			
Current liabilities			
Borrowings	13	5,986	5,105
Trade and other payables and deferred income	14	-	552
Total liabilities		**5,986**	**5,657**
Total equity and liabilities		**7,786**	**7,668**

The financial statements were approved by the Board of Directors and authorised for issue on 13 May 2009. 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 2008

	Notes	Share Capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2007		**1,001**	**16,074**	**17,075**
Profit for the year		-	31,936	31,936
Dividends		-	(47,000)	(47,000)
Balance as at 31 December 2007	11, 12	**1,001**	**1,010**	**2,011**
Loss for the year		-	(211)	(211)
Balance as at 31 December 2008	11, 12	**1,001**	**799**	[illegible]

The loss for the year was 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 2008

	Notes	2008 £'000	2007 £'000
(Loss)/profit for the year		(211)	31,936
Adjustments for:			
Tax credit	5	(84)	(28)
Unwinding of discount on deferred consideration	4, 14	27	582
Operating cash flows before movements in working capital		**(268)**	**32,490**
Net decrease in inter-company balances - debtors		(34)	(36,202)
Net increase in inter-company balances - creditors		302	3,712
Net cash generated from operating activities		-	-
Net increase in cash and cash 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 nor prior years. Trading was carried out via bank accounts owned by related parties and therefore, through inter-company transactions. As a result, all investing and financing activities, as shown below, were non-cash transactions.

Non-cash transactions		2008 £'000	2007 £'000
Investing activities			
Decrease in inter-company debtors		-	157,923
		-	**157,923**
Financing activities			
Increase/(decrease) in borrowings		908	(101,557)
Decrease in creditors		(881)	(8,784)
Decrease in creditors - unwinding of discount	4, 14	(27)	(582)
Dividends paid	7	-	(47,000)
		-	**(157,923)**

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

GREEN FLAG GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The financial statements which should be read in conjunction with the directors' report are prepared on a going concern basis and 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 IFRS accounts of The Royal Bank of Scotland Group plc, details of which are in note 15.

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 Investments in subsidiary undertakings

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

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

1.5 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.

1.6 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.

1. ACCOUNTING POLICIES (Continued)

1.6 Taxation (Continued)

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes, except in relation to overseas earnings where remittance is controlled by the Group, and goodwill.

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

1.7 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.

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. The borrowing costs are recognised in the income statement as finance costs in the period in which they are incurred.

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.

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 IASB issued amendments to a number of standards in May 2008 as part of its annual improvements project. The amendments are effective for accounting periods beginning on or after 1 January 2009. Based on the current activities of the Company it is not expected that adoption of these amendments will have a significant impact on the Company's financial statements.

1. ACCOUNTING POLICIES (Continued)

1.11 Accounting developments (Continued)

The IASB also issued an amendment to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosure' - Reclassification of Financial Assets. The amendment, issued in October 2008, permits an entity to classify non - derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category (if the financial asset had been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The Company has elected not to reclassify such financial assets; as such this amendment has no impact on the Company's financial statements.

In addition to the above, the following standards and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2009 or later periods and they have been considered not relevant to the Company's operations or not applicable:

- IFRS 8 'Operating Segments';
- IFRS 2 'Share-Based Payments'; Vesting Conditions and Cancellation;
- IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements' - Puttable Financial Instruments and Obligations Arising on Liquidations;
- IFRS 1 'First time adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements' - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate; and
- IAS 39 'Financial Instruments: Recognition and Measurement' - Eligible Hedged Items.

The Company has considered IFRIC 12 'Service Concession Arrangements' applicable for accounting periods beginning on or after 1 January 2008 (IFRIC 12 has not yet been endorsed by EU) and concluded that it will not apply to the Company.

The Company has considered IFRIC 13 'Customer Loyalty Programmes' issued in June 2007. The interpretation is effective for annual periods beginning on or after 1 July 2008 and it is not relevant to the Company's operations.

The Company has considered new interpretations (IFRIC 15 to 17) issued during the year and has concluded that these will not apply.

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

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

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

2. MANAGEMENT OF FINANCIAL RISK (Continued)

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 assets and the value of liabilities held.

Interest rate risk

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

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. 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 2%, the impact of an immediate change to 1% or 3%).

Sensitivity as at 31 December 2008

	Interest rates + 1% £'000	Interest rates - 1% £'000
Impact on profit before tax	(49)	49
Impact (before tax) on shareholders' equity	(49)	49

Sensitivity as at 31 December 2007

	Interest rates + 1% £'000	Interest rates - 1% £'000
Impact on profit before tax	451	(451)
Impact (before tax) on shareholders' equity	451	(451)

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.

Royal Bank of Scotland Group Risk Management 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').

2. MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.2 Credit risk (Continued)

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.

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

At 31 December 2008

	Neither past due nor impaired £'000	Past due 1-30 days £'000	Past due 31-60 days £'000	Past due 61-90 days £'000	Past due more than 91 days £'000	Carrying value in the balance sheet £'000	Financial assets that have been impaired £'000
Loans and receivables from related parties (note 10)	689	-	-	-	-	689	-

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
Loans and receivables from related parties (note 10)	627	-	-	-	-	627	-

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated. The Company does not hold any collateral as security.

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 nor impaired by type of asset.

At 31 December 2008	**Total - not rated**
	£'000
Loans and receivables from related parties (note 10)	689
Total assets bearing credit risk	**689**

At 31 December 2007	**Total - not rated**
	£'000
Loans and receivables from related parties (note 10)	627
Total assets bearing credit risk	**627**

Loans and receivables due from related parties generally do not have a credit rating.

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

The maturity profile of the Company's financial liabilities are outlined in notes 13 and 14.

2.1.4 Capital risk management

The Company manages its capital under the framework of the RBS Insurance Capital Management Policy. The objectives of this policy are:

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

3. INVESTMENT INCOME

	2008 £'000	2007 £'000
Interest income from loans to related parties (note 16)	34	4,202
Dividend income from subsidiary undertakings (note 16)	-	32,000
	34	**36,202**

4. FINANCE COSTS

	2008 £'000	2007 £'000
Interest expense:		
Borrowings from related parties (note 16)	302	3,712
Unwinding of discount on deferred consideration (note 14)	27	582
	329	**4,294**

5. TAX CREDIT

	2008 £'000	2007 £'000
Current tax:		
Tax credit for the year	**84**	**28**

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 28.5% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Expected tax credit/(charge)	84	(9,572)
Effects of:		
Dividends received	-	9,600
Tax credit for the year	**84**	**28**

6. PROFIT FOR THE YEAR

Auditors' remuneration

Fees for audit and non-audit services, included within marketing and administrative expenses, are borne and recharged by a related party, RBS Insurance Services Limited.

Fees paid to the auditors in respect of the statutory audit of the Company amount to £1,000 (2007: £1,000).

Employees

The Company had no employees at any time during the current nor 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.

7. DIVIDENDS

Declared and paid during the year:	2008 £'000	2007 £'000
Equity dividends on ordinary shares:	-	47,000

8. 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 2008

	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	689	n/a	-	689
Current tax assets	-	n/a	84	84
	689	n/a	7,097	7,786
Borrowings	n/a	5,986	n/a	5,986
Equity				1,800
				7,786

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

9. INVESTMENTS IN SUBSIDIARIES

Cost	2008 £'000	2007 £'000
At 1 January and at 31 December 2008	7,013	7,013

Details of the Company's subsidiaries as at 31 December 2008 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	Great Britain	100%	100%	Motor vehicle assistance
Kickshaws Limited	Great Britain	100%	100%	In Members' Voluntary Liquidation
National Breakdown Recovery Club Limited	Great Britain	100%	100%	Dormant
Nationwide Breakdown Recovery Services Limited	Great Britain	100%	100%	Dormant

10. LOANS AND RECEIVABLES

	2008 £'000	2007 £'000
Receivables from related parties (note 16)	28	-
Loans to related parties (note 16)	661	627
	689	627

11. 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 (2007: £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 (2007: £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 (2007: £1,000,000) and 1,000 Deferred ordinary shares of £1 each amounting to £1,000 (2007: £1,000). The Company also has 333,667 525% cumulative non-voting Preferred ordinary shares of 1p each in issue which have been classified as borrowings in accordance with IAS 32 - 'Financial Instruments: Presentation' (see note 13).

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;
- 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 13 for further details on the rights attached to Preferred ordinary shares.

12. RETAINED EARNINGS

	£'000
Balance as at 1 January 2007	16,074
Profit for the year	31,936
Dividends	(47,000)
Balance as at 31 December 2007	**1,010**
Loss for the year	(211)
Balance as at 31 December 2008	**799**

13. BORROWINGS

	2008 £'000	2007 £'000
Loans from related parties (note 16)	5,983	5,102
Preferred ordinary shares (note 16)	3	3
	5,986	**5,105**

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 11 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.

14. TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	2008 £'000	2007 £'000
Trade creditors and accruals	-	2
Deferred consideration	-	550
	-	**552**
Current	-	552
Non-current	-	-
	-	**552**

Trade creditors and accruals relate to accrued interest and is generally settled each month.

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

	2008 £'000	2007 £'000
At 1 January	550	5,040
Settled in the year	(577)	(5,072)
Unwinding of discount on deferred consideration (note 4)	27	582
At 31 December	-	**550**

The deferred consideration in 2007 was 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.

15. 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, PO Box 1000, Edinburgh EH12 1HQ.

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited, a company wholly-owned by the UK Government.

Transactions with the Government during the period 1 December 2008 to 31 December 2008 have not been disclosed as the volume of such transactions is not material.

16. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties.

i. Revenue - investment income

	2008 £'000	2007 £'000
Dividend received (note 3)		
Green Flag Limited	-	32,000

	2008 £'000	2007 £'000
Interest received (note 3)		
RBS Insurance Services Limited	34	4,202

ii. Interest charges

	2008 £'000	2007 £'000
Interest paid (note 4)		
Churchill Insurance Company Limited	-	844
Direct Line Insurance plc	-	988
RBS Insurance Services Limited	-	3
The National Insurance and Guarantee Corporation Limited	-	724
U K Insurance Limited	302	1,153
	302	3,712

iii. Receivables from related parties

	2008 £'000	2007 £'000
Receivables from related parties (note 10)		
Direct Line Group Limited	28	-

Movements in receivables from related parties were as follows:	2008 £'000	2007 £'000
At 1 January	-	-
Transactions in the period	28	-
At 31 December	28	-

GREEN FLAG GROUP LIMITED

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16. RELATED PARTY TRANSACTIONS (Continued)

iv. Loans to related parties

	2008 £'000	2007 £'000
Loans to related parties (note 10)		
RBS Insurance Services Limited	**661**	**627**

Movements in loans to related parties were as follows:	2008 £'000	2007 £'000
At 1 January	627	121,466
Loans advanced during year	-	624
Interest paid	34	4,202
Settled in the year	-	(125,665)
At 31 December	**661**	627

v. Loans from related parties

	2008 £'000	2007 £'000
Loans from related parties (note 13)		
Green Flag Holdings Limited	3	3
U K Insurance Limited	5,983	5,102
	5,986	**5,105**

Movements in loans from related parties were as follows:	2008 £'000	2007 £'000
At 1 January	5,105	107,244
Loans advanced during year	579	7,040
Interest charged	302	3,712
Settled in the year	-	(112,891)
At 31 December	**5,986**	**5,105**

Interest received from, and interest paid to, related parties were at rates ranging from 3.17% to 6.19% (2007: 5.49% to 6.64%). These loans are unsecured and repayable on demand.

vi. Tax

	2008 £'000	2007 £'000
Current tax assets are receivable from related parties as follows:		
HM Revenue & Customs	**84**	**-**