Registered in England and Wales: No. 05171817

RAC FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

RAC Financial Services Limited

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RAC Financial Services Limited

Company information

Directors:

R Fairman
P Gale
D Hobday
R Templeman
M Wood

Company Secretary:

S Morrison

Auditor:

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
United Kingdom
B1 2HZ

Registered office:

RAC House
Brockhurst Crescent
Walsall
West Midlands
United Kingdom
WS5 4AW

Company number:

Registered in England and Wales: No. 05171817

Other information:

RAC Financial Services Limited ("Company") is a member of the RAC Group of Companies ("the Group" or "RAC"), which for the year ended 31 December 2017 included RAC Group (Holdings) Limited and its subsidiaries, RAC Midco Limited, RAC Finance Limited, RAC Finance Group Limited, RAC Finance (Holdings) Limited, RAC Midco II Limited, Nebula Systems Limited, Maverick Technology (UK) Limited, RAC Bidco Limited, RAC Bond Co PLC, RAC Limited, RAC Group Limited, RAC Motoring Services (Holdings) Limited, RAC Motoring Services, RACMS (Ireland) Limited, RAC Financial Services Limited, RAC Insurance Limited, RAC Brand Enterprises LLP, Net Cars Limited and Risk Telematics UK Limited.

These Financial Statements are presented for the year ended 31 December 2017. Comparatives are presented for the year ended 31 December 2016.

RAC Financial Services Limited

Strategic report

For the year ended 31 December 2017

Basis of preparation

This business review is addressed to, and written for, the members of the Company with the aim of providing a fair review of the business' development and performance during the financial year. In providing this review, the aim is to present a view that is both balanced and comprehensive and is consistent with the size and complexity of the business.

Principal activity

The principal activity of the Company is the provision of insurance broking and ancillary financial services including the arrangement of roadside assistance policies.

Review of the business including major events

During the year the business has operated in line with expectation and there have been no major events.

Objectives and future developments

The strategy for the Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and is disclosed in the Financial Statements of that company.

Key Performance Indicators ("KPIs")

The Directors consider that the Company's KPIs that communicate its financial performance are as follows:

	2017	2016
Revenue £000	119,277	60,123
EBITDA £000*	46,247	20,613
Operating profit £000	29,293	11,621
Increase in revenue	98 %	7%
Operating profit as a percentage of revenue	25%	19%

* Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items

The company also uses a range of other financial and non-financial performance indicators to monitor performance, including retention rate and volumes of policies in force.

Financial review

The financial position of the Company at 31 December 2017 is shown in the Statement of financial position on page 11, with the trading results shown in the Income statement on page 10 and the Statement of cash flows on page 13.

The profit before tax for the year ended 31 December 2017 is £30,650 thousand (2016: £13,280 thousand).

Revenue increased to £119,277 thousand (2016: £60,123 thousand). Administrative charges have increased to £72,287 thousand (2016: £33,191 thousand). The increase in revenue mainly reflects the arrangement and administration fee payable by Individual Members.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 18 to the Financial Statements.

RAC Financial Services Limited

Strategic report (continued)

Capital management

In managing its capital, RAC seeks to:

i. Match the expected cash inflows from its assets with the expected cash outflows from its liabilities as they fall due;
ii. Maintain financial strength to support new business growth and to satisfy the requirements of its members and regulators;
iii. Retain financial flexibility by maintaining strong liquidity; and
iv. Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

Regulatory bases

The Company is a FCA regulated company which holds sufficient capital to meet acceptable solvency levels based on applicable FCA regulations. There have not been any breaches in the reported periods.

Relevant capital and solvency regulations are used to measure and report on the financial strength of the Company. These measures are based on the FCA's current regulatory requirements. Regulatory capital tests verify adequate excess of capital above the required minimum level calculated using a series of prudent assumptions about the type of business that is underwritten.

By order of the Board on 27 February 2018.

S Morrison
Company Secretary

RAC Financial Services Limited

Directors' report
For the year ended 31 December 2017

The Directors present their Annual Report on the affairs of RAC Financial Services Limited, together with the Financial Statements and independent auditor's report for the year ended 31 December 2017.

Directors

The names of the current Directors of the Company appear on page 1.

Those in office during the year have been as follows:

D Cougill (resigned 31 December 2017)
R Fairman
P Gale
D Hobday (appointed 2 March 2017)
R Templeman
M Wood
C Woodhouse (resigned 2 March 2017)

None of the Directors had any interest in the shares of the Company during the year.

Objectives and future developments

The strategy for the Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and is disclosed in the Financial Statements of that company (see note 19(f)).

Results and dividends

No interim dividends were paid during the year (2016: £30,000 thousand). The Directors do not recommend the payment of a final dividend (2016: £nil).

Employees

All employees of RAC Group are employed and remunerated by RAC Motoring Services, which acts as the employment company for the Group. Disclosures relating to employees engaged in activities for the Company may be found in note 6 to the Financial Statements.

Directors' indemnities

RAC Group (Holdings) Limited, the Company's ultimate Parent Company, has granted an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This indemnity was first granted in 2011 and the provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of section 236 of the Companies Act 2006. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of the transitional provisions to the Companies Act 2006.

RAC Financial Services Limited

Directors' report (continued)

Going concern

The Directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. The Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk are set out in note 18 to the Financial Statements.

The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 month period from the Statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with terms of its bank debt.

The Company's business activities, together with the factors likely to affect their future development, performance and position are set out in the Strategic Report on pages 2 and 3. The Directors also considered what mitigating actions the Company could take to limit any adverse consequences.

As at 31 December 2017, the Company has net assets of £75,200 thousand (2016: £50,942) and net current assets of £8,410 thousand (2016: £2,513 thousand net current liabilities). The Directors have considered the financial position and future prospects of the Company. Accordingly, the Directors continue to adopt the going concern basis in preparing the 2017 Annual Report and Financial Statements.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2017 Company Financial Statements to be prepared on a going concern basis.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and their reappointment will be proposed to the Board at the forthcoming AGM.

Disclosure of information to the auditor

Each person who was a Director of the Company on the date that this report was approved confirms that, so far as the Director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

RAC Financial Services Limited

Directors' report (continued)

Statement of Directors' responsibilities

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. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- 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 on the entity's financial position and financial 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 enable them to ensure that the Financial Statements comply with 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.

Events since the Statement of financial position date

There have been no events since the Statement of financial position date which have a material impact on the Company's financial position as at 31 December 2017.

By order of the Board on 27 February 2018

S Morrison
Company Secretary

RAC Financial Services Limited

Independent auditor's report to the members of RAC Financial Services Limited

Report on the audit of the Financial Statements

Opinion

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RAC Financial Services Limited (the 'Company') which comprise:

- the Income statement;
- the Statement of financial position;
- the Statement of changes in equity;
- the Statement of cash flows;
- the Accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information (continued)
In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

RAC Financial Services Limited

Independent auditor's report to the members of RAC Financial Services Limited (continued)

Use of our report
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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Andrew Halls FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom
Date: 27 February 2018

RAC Financial Services Limited

Financial Statements 2017

Income statement

For the year ended 31 December 2017

	Note	2017	2016
		£000	£000
Revenue	1	119,277	60,123
Cost of sales		(17,697)	(15,311)
Gross profit		**101,580**	**44,812**
Administrative expenses		(72,287)	(33,191)
Operating profit	2	**29,293**	**11,621**
EBITDA		46,247	20,613
Depreciation	10	(437)	(25)
Amortisation	9	(16,517)	(8,967)
Operating profit		**29,293**	**11,621**
Investment income	19(a)(i)	599	419
Finance income	3	908	1,390
Finance expenses	4	(150)	(150)
Profit before tax		**30,650**	**13,280**
Tax charge	8	(6,392)	(2,943)
Profit for the year		**24,258**	**10,337**

The Company has no comprehensive income other than that included in the results above and therefore a separate statement of comprehensive income has not been presented.

The accounting policies and notes on pages 14 to 32 are an integral part of these Financial Statements.

RAC Financial Services Limited
Financial Statements 2017 (continued)
Registered in England and Wales: No. 05171817

Statement of financial position
As at 31 December 2017

	Note	2017	2016
ASSETS		**£000**	**£000**
Non-current assets			
Intangible assets	9	43,548	35,634
Plant and equipment	10	1,478	163
Investments in associates	11	5	5
Deferred tax asset	14	6,133	2,827
Trade and other receivables	12	25,626	24,868
		76,790	63,497
Current assets			
Trade and other receivables	12	49,293	33,253
Cash and cash equivalents	13	3,428	3,481
		52,721	36,734
LIABILITIES			
Current liabilities			
Provisions	16	(170)	-
Trade and other payables	15	(34,781)	(36,798)
Current tax payable	14	(9,360)	(2,449)
		(44,311)	(39,247)
Net current assets/(liabilities)		**8,410**	**(2,513)**
Non-current liabilities			
Trade and other payables	15	(10,000)	(10,042)
Net assets		**75,200**	**50,942**
EQUITY			
Ordinary share capital	17	28,000	28,000
Retained earnings		47,200	22,942
Total equity		**75,200**	**50,942**

The accounting policies and notes on pages 14 to 32 are an integral part of these Financial Statements.

Approved by the Board on 27 February 2018.

R Fairman
Chief Financial Officer

Statement of changes in equity
For the year ended 31 December 2017

	Note	Ordinary share capital	Retained earnings	Total equity
		£000	£000	£000
Balance at 1 January 2016		**28,000**	**42,605**	**70,605**
Profit for the year		-	10,337	10,337
Other comprehensive income		-	-	-
Total comprehensive income		-	10,337	10,337
Dividend paid	19 (a)(ii)	-	(30,000)	(30,000)
Balance at 31 December 2016		**28,000**	**22,942**	**50,942**
Profit for the year		-	24,258	24,258
Other comprehensive income		-	-	-
Total comprehensive income		-	24,258	24,258
Dividend paid		-	-	-
Balance at 31 December 2017		**28,000**	**47,200**	**75,200**

The accounting policies and notes on pages 14 to 32 are an integral part of these Financial Statements.

RAC Financial Services Limited
Financial Statements 2017 (continued)
Statement of cash flows
For the year ended 31 December 2017

	Note	2017	2016
		£000	£000
Operating activities			
Profit before tax		30,650	13,280
Adjustments to reconcile profit before tax to net cash flows:			
Amortisation of intangible assets	9	16,517	8,967
Depreciation of plant and equipment	10	437	25
Finance expenses	4	150	150
Finance income	3	(1,507)	(1,809)
Increase in provisions		170	-
Working capital adjustments:			
Increase in trade and other receivables		(18,699)	(19,180)
Increase in trade and other payables		(2,187)	31,582
Net cash flows from operating activities		**25,531**	**33,015**
Investing activities			
Purchase of plant and equipment	10	(1,752)	(188)
Distributions received		599	419
Purchase of intangible assets	9	(24,431)	(29,908)
Net cash used in investing activities		**(25,584)**	**(29,677)**
Net (decrease) / increase in cash and cash equivalents		**(53)**	**3,338**
Cash and cash equivalents brought forward		3,481	143
Cash and cash equivalents carried forward	13	**3,428**	**3,481**

The accounting policies and notes on pages 14 to 32 are an integral part of these Financial Statements.

RAC Financial Services Limited

Accounting policies

(A) Corporate information

RAC Financial Services Limited is a limited liability company incorporated and domiciled in the United Kingdom. The principal activity of the Company is the provision of insurance broking and ancillary financial services to members of RAC and other motorists primarily in the UK. During the year, this was extended to include the arrangement of roadside assistance policies. The registered office is located at RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW.

Information on related party relationships of the Company is provided in note 19.

The Financial Statements of RAC Financial Services Limited for the year ended 31 December 2017 were approved for issue by the Board on 27 February 2018.

(B) Basis of preparation

The Financial Statements of the Company have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

The Financial Statements are presented in pounds sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these Financial Statements are in thousands of pounds sterling ("£000").

The Company is exempt from preparing group financial statements by virtue of Section 400 of the Companies Act 2006, as it is a subsidiary of an EU parent, RAC Group (Holdings) Limited. The Financial Statements present information about the Company as an individual company and not about its group.

Going concern

The Directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. The Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk are set out in note 18 to the Financial Statements.

The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 month period from the Statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with terms of its bank debt.

The Company's business activities, together with the factors likely to affect their future development, performance and position are set out in the Strategic Report on pages 2 and 3. The Directors also considered what mitigating actions the Company could take to limit any adverse consequences.

The Company has net assets of £75,200 thousand and net current assets of £8,410 thousand. The Directors have considered the financial position and future prospects of the Company. Accordingly, the Directors continue to adopt the going concern basis in preparing the 2017 Annual Report and Financial Statements.

RAC Financial Services Limited

Accounting policies (continued)

(B) Basis of preparation (continued)

Going concern (continued)

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2017 Company Financial Statements to be prepared on a going concern basis.

(C) Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for using the cost method on the basis of the exemption available in IAS 28 Investments in Associates.

The Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the Income statement.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and proceeds from disposal is recognised in the Income statement.

(D) Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for services and related products provided in the normal course of business, net of rebates and discounts and excluding any sales-based taxes, duties or levies.

Commission and arrangement fees

Income is received from insurance brokerage services for roadside assistance, motor, home and other insurance policies. This is recognised on the effective commencement date or renewal date of the policies sold.

Other income

Other income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

RAC Financial Services Limited

Accounting policies (continued)

(E) Intangible assets

Non customer acquisition intangibles

Non customer acquisition intangibles consist of IT projects and infrastructure, and contractual relationships such as access to distribution networks and acquired customer lists. The economic lives are determined by relevant factors which include usage of the asset, typical product life cycles, stability of the industry, competitive position and period of control over the assets. These intangibles are amortised over their useful lives, which range from two to ten years using the straight line method.

Customer acquisition intangibles

The Company expenses acquisition costs as incurred, with the exception of third party commissions and fees arising as a result of a direct sale, which are capitalised as customer acquisition intangibles.

The customer acquisition intangible is initially recognised at cost and subsequently amortised over the life of the policies, typically 2 to 5 years, which is driven by internal customer retention rate analysis.

Amortisation is included within administrative expenses in the Income statement.

(F) Plant and equipment

All items classified as plant and equipment within the Statement of financial position are carried at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

Fixtures, fittings and other equipment	10 years
Computer equipment	3-5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of equipment are determined by reference to their carrying amount and are recorded in the Income statement.

(G) Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(H) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the Income statement.

(I) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand and deposits held at call with banks, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values. For the purposes of the Statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities in the Statement of financial position.

(J) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, up to the amount of the provision, but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable yet still possible or the amount cannot be reliably estimated.

(K) Income taxes

Income taxes include both current and deferred taxes. Income taxes are (charged)/credited to the Income statement except where they relate to items (charged)/credited directly to other comprehensive income or equity. In this instance, the income taxes are also (charged)/credited directly to other comprehensive income or equity respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not provided for the initial recognition of goodwill, nor the initial recognition of assets or liabilities that affect neither the accounting profit nor taxable profit or loss other than in a business combination.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which assets can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred income tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and there is an intention to settle on a net basis.

(L) Share capital and dividends

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accordingly, all financial instruments are treated as financial liabilities or assets unless:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

(M) Application of new and revised International Financial Reporting Standards

The following new and amended IFRS are effective for the 2017 Financial Statements. The adoption of these Standards has not had any material impact on the disclosures or on the amounts reported in the Group or the Parent Company's Financial Statements.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Un-realised Losses
- Amendments to IAS 7 Disclosure Initiative
- Annual Improvements to IFRSs 2014 – 2016 Cycle

At 31 December 2017, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9 Financial Instruments [1]
- IFRS 15 Revenue from contracts with customers [1]
- IFRS 16 Leases [2]
- IFRS 17 Insurance contracts [3]
- IFRIC 22 Foreign currency transactions and advance consideration [1]
- IFRIC 23 Uncertainty over income tax treatments [2]

1 Effective for annual periods commencing on or after 1 January 2018
2 Effective for annual periods commencing on or after 1 January 2019
3 Effective for annual periods commencing on or after 1 January 2021

The Group is currently in the process of evaluating the impact of the adoption of IFRS 16 'Leases' and IFRS 17 'Insurance contracts' on the Group's financial reporting. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

IFRS 15 'Revenue from contracts with customers' comes into force for accounting periods commencing on or after 1 January 2018. The Group has conducted a full review of all revenue streams across its operating segments in order to establish the impact of the revised accounting standard on the Group's revenue. Following this review, the Directors have concluded that there will be no material impact on the Group's revenue for the year ended 31 December 2018 and the comparative information for the year ended 31 December 2017 presented in these Financial Statements.

IFRS 9 'Financial Instruments' also comes into force for accounting periods commencing on or after 1 January 2018. The Directors have reviewed the impact of this standard and concluded that there will be no material impact on the Financial Statements for the year ended 31 December 2018 and the comparative information for the year ended 31 December 2017.

RAC Financial Services Limited
Accounting policies (continued)

(N) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements in conformity with IFRSs requires the Company to make estimates and judgements using assumptions that affect items reported in the Statement of financial position and Income statement and the disclosure of contingent assets and liabilities at the reporting date. Estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Actual results may differ from those estimates, possibly significantly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Set out below are items where management have taken a judgement or which management consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

(i) Critical judgements in applying the group's accounting policies

There are no critical judgements apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies on the amounts recognised in the Financial Statements.

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of financial position date are discussed below:

Customer acquisition intangibles

Acquisitions result in acquired third party commissions and fees being recognised as intangible assets. As an outcome of the above certain key judgements and estimates are required to be made in respect of the useful life over which the acquired asset is amortised, this assessment is based upon internal customer retention rate analysis. If the useful life of the assets was to decrease on average by 1 year the intangible NBV would reduce by approximately £4,902 thousand.

RAC Financial Services Limited
Notes to the Financial Statements

1 Revenue

The following significant categories of revenue have been recognised during the year, with revenue arising as follows:

	2017	2016
	£000	£000
Sale of services	119,277	60,123
Total Revenue	119,277	60,123

2 Operating items

The following items have been charged to operating profit:

	2017	2016
	£000	£000
Depreciation of owned tangible assets (note 10)	437	25
Amortisation of customer acquisition intangible assets (note 9)	16,201	8,649
Amortisation of non customer acquisition intangible assets (note 9)	316	318
Operating lease rentals	83	40
Employee costs (note 6)	18,509	3,625

3 Finance income

	2017	2016
	£000	£000
Interest receivable - related parties	908	1,390
	908	**1,390**

4 Finance expenses

	2017	2016
	£000	£000
Interest payable - related parties	150	150
	150	**150**

5 Auditor's remuneration

The total remuneration payable by the Company, excluding VAT, to its auditor, Deloitte LLP, is shown below.

	2017	2016
	£000	£000
Audit of financial statements	44	42
Total remuneration payable to Deloitte LLP	**44**	**42**

Audit fees are borne and paid by RAC Motoring Services, a fellow Group company. There were no fees payable to Deloitte LLP in respect of non-audit services for this Company.

6 Employee information

The average number of persons employed during the year was:

	2017	2016
	Number	Number
Insurance and claims	11	11
Roadside	379	63
	390	**74**

Total staff costs were:

	2017	2016
	£000	£000
Wages and salaries	16,771	3,169
Social security costs	1,274	328
Pension costs	446	125
Termination benefits	18	3
	18,509	**3,625**

These costs were charged within administrative expenses.

All employees have their employment contracts with RAC Motoring Services, a fellow Group company.

7 Directors

Executive Directors of the Company are remunerated as employees by RAC Motoring Services. Management recharges for the wider executive group, which includes the executive Directors of the Company, have been charged to the main trading subsidiaries of the Group, which includes RAC Financial Services Limited. It is not deemed practical to separate the remuneration of the Executive Directors from the wider management recharges.

Disclosures relating to Directors' remuneration can be found in the Annual Report and Financial Statements of RAC Group (Holdings) Limited.

8 Tax

(a) Tax charged to the Income statement

The total tax charge comprises:

	2017	2016
	£000	£000
Current tax:		
For the year	9,361	3,454
Adjustment in respect of prior years	337	-
Total current tax	9,698	3,454
Deferred tax:		
Origination and reversal of temporary differences	(3,421)	(752)
Adjustment in respect of prior years	(353)	-
Change in tax rates	468	241
Total deferred tax	(3,306)	(511)
Total tax charged to the Income statement	**6,392**	**2,943**

(b) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

	2017	2016
	£000	£000
Profit before tax	30,650	13,280
Tax calculated at standard UK corporation tax rate of 19.25% (2016: 20.00%)	5,900	2,656
Disallowable expenses	40	46
Effect of change in tax rate	468	241
Adjustment in respect of prior years	(16)	-
Total tax charged to the Income statement (note 8(a))	**6,392**	**2,943**

The headline rate of UK corporation tax reduced from 20% to 19% on 1 April 2017, and will reduce further to 17% from 1 April 2020.

RAC Financial Services Limited
Notes to the Financial Statements (continued)

8 Tax (continued)

(b) Tax reconciliation (continued)

Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Accordingly, as the future reductions of the corporation tax rate to 19% and 17% were enacted on 15 September 2016, the deferred tax balances at 31 December 2017 have been reflected at the tax rates at which they are expected to be realised or settled.

9 Intangible assets

	Customer acquisition intangibles	Non-customer acquisition intangibles	Total
	£000	£000	£000
Cost:			
At 1 January 2016	30,664	791	31,455
Additions	11,904	503	12,407
Transfers	17,501	-	17,501
At 31 December 2016	60,069	1,294	61,363
Additions	24,345	86	24,431
At 31 December 2017	**84,414**	**1,380**	**85,794**
Amortisation:			
At 1 January 2016	16,658	104	16,762
Charge for the year	8,649	318	8,967
At 31 December 2016	25,307	422	25,729
Charge for the year	16,201	316	16,517
At 31 December 2017	**41,508**	**738**	**42,246**
Net book value:			
At 31 December 2017	**42,906**	**642**	**43,548**
At 31 December 2016	34,762	872	35,634

All intangible assets are stated at cost less accumulated amortisation.

In 2016, customer acquisition intangibles amounting to £17,501 thousand were transferred from RAC Motoring Services, a fellow subsidiary, to RAC Financial Services Limited at net book value.

No impairment losses have been recognised in 2017 or 2016. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are included within the Income statement.

As at 31 December 2017, the Company had committed to spend £3 thousand for the purchase of intangible assets (2016: nil).

10 Plant and equipment

	Fixtures, fittings and other equipment	Computer equipment	Total
	£000	£000	£000
Cost:			
At 1 January 2016	80	-	80
Additions	188	-	188
Disposals	(80)	-	(80)
At 31 December 2016	188	-	188
Additions	1,745	7	1,752
At 31 December 2017	**1,933**	**7**	**1,940**
Depreciation:			
At 1 January 2016	80	-	80
Charge for the year	25	-	25
Disposals	(80)	-	(80)
At 31 December 2016	25	-	25
Charge for the year	437	-	437
At 31 December 2017	**462**	**-**	**462**
Net book value:			
At 31 December 2017	**1,471**	**7**	**1,478**
At 31 December 2016	163	-	163

The carrying value of plant and equipment shown in the table above is consistent with disclosure on a historical cost basis.

11 Investment in associates

Cost

	2017	2016
	£000	£000
At 1 January and 31 December	5	5

During 2012 the Company invested £5 thousand and transferred certain intangible assets to RAC Brand Enterprises LLP (registered in England and Wales) with a cost and book value of £nil to RAC Brand Enterprises LLP for a 6.4% interest in its capital. The principal activities of the associate are the licensing and management of intangible assets, including the managing of licence agreements. Summarised financial information extracted from the associate's financial statements is as follows:

11 Investments in associates (continued)

	2017	2016
	£000	£000
Statement of financial position at 31 December:		
Non-current assets	562,951	597,163
Current assets	79,270	39,951
Current liabilities	(325)	(501)
Equity	**641,896**	**636,613**
Income statement for the year ended 31 December:		
Revenue	48,998	44,774
Profit for the year	9,481	4,198

12 Trade and other receivables

	2017	2016
	£000	£000
Trade receivables	34,742	30,292
Amounts due from related parties (see note 19(b))	37,069	24,868
Prepayments and accrued income	2,970	2,827
Other receivables	138	134
Total	**74,919**	**58,121**
Expected to be recoverable within one year	49,293	33,253
Expected to be recoverable in more than one year	25,626	24,868
Total	**74,919**	**58,121**

All receivables and other financial assets other than prepayments are carried at amortised cost. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The balance above of £74,919 thousand (2016: £58,121 thousand) is considered to be neither past due nor impaired.

RAC Financial Services Limited
Notes to the Financial Statements (continued)

13 Cash and cash equivalents

Cash and cash equivalents at 31 December 2017 comprises £3,428 thousand cash at bank and in hand (2016: £3,481 thousand).

14 Tax assets and liabilities

	2017	2016
	£000	£000
Current tax payable	(9,360)	(2,449)
Deferred tax asset	6,133	2,827
	(3,227)	**378**

(a) Current tax

	2017	2017
	£000	£000
The balance at 31 December comprises:		
Current tax payable	(9,360)	(2,449)

Liabilties of £9,360 thousand (2016: £2,449 thousand), to be settled by group relief, are payable within one year.

(b) Deferred tax

(i)	Other temporary differences £000	Plant & equipment £000	Unremitted profits £000	Total £000
At 1 January 2016	-	21	2,295	2,316
(Charge)/credit to Income statement	-	(5)	516	511
At 31 December 2016	**-**	**16**	**2,811**	**2,827**
(Charge)/credit to Income statement	32	(7)	3,281	3,306
At 31 December 2017	**32**	**9**	**6,092**	**6,133**

(ii)	2017	2016
	£000	£000
The movement in the net deferred tax asset was as follows:		
Net deferred tax asset brought forward	2,827	2,316
Deferred tax credited to the income statement (note 8(a))	3,306	511
Net deferred tax asset carried forward	**6,133**	**2,827**

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be used.

15 Trade and other payables

	2017	2016
	£000	£000
Trade payables and accruals	4,325	4,942
Amounts due to related parties (see note 19(c))	39,338	39,576
Deferred income	646	2,321
Other payables	472	1
Total	**44,781**	**46,840**
Expected to be payable within one year	34,781	36,798
Expected to be payable in more than one year	10,000	10,042
Total	**44,781**	**46,840**

All payables other than deferred income are financial liabilities and carried at amortised cost which is considered to be a reasonable approximation of the relevant fair value.

16 Provisions

	Strategic Restructure	Total
	£000	£000
At 1 January 2017	-	-
Provided in the year	170	170
Utilised during the year	-	-
At 31 December 2017	170	170

During 2017 the Group conducted a strategic review of the business. As a result, the Group is amending its operating model and has provided for the best estimate of the associated cost. This provision is expected to be utlitised within 12 months.

17 Ordinary share capital

Details of the Company's ordinary share capital are as follows:

	2017	2016
	£000	£000
Allotted, called up and fully paid:		
28,000,001 ordinary shares of £1 each	28,000	28,000

18 Risk management

The Group operates a risk management framework, which is the collection of processes and tools that have been put in place to ensure that the risks to which the Group is exposed are identified, measured, managed, monitored and reported on a regular basis. The key instruments of the framework include the risk management policies, risk reports and the governance and oversight infrastructure.

Financial risks are usually grouped by risk type: market, credit, liquidity, strategic, operational, capital and regulatory risk. Risks falling within these types may affect a number of key metrics including those relating to Statement of financial position strength, liquidity and profit. They may also affect the performance of the products that the Company delivers to customers and the service to customers and distributors, which can be categorised as risks to brand and reputation. The key risks faced by the Company are set out in this note.

The Company's measurement of risk is used to support the monitoring and reporting of the risk profile and in the evaluation of alternative risk management actions. The Company carries out a range of stress and scenario tests to evaluate their impact on the business and the management actions available to respond to the potential conditions.

The Group has an established governance framework, which has the following key elements:

- defined terms of reference for the legal entity Boards and the associated executive management and other committees across the Group;
- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees and senior management; and
- adoption of the risk policy framework that defines risk appetite measures and sets out risk management and control standards.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

(a) Treasury

The Group Treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt; and
- Ensure that the Group's banking and card transmissions operate effectively.

The Group's debt management policy is to provide an appropriate level of funding to finance the Group's medium term plans at a competitive cost and ensure flexibility to meet the changing needs of the Group.

(i) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates.

Interest rate movements on trade payables, trade receivables and other financial instruments do not present a material exposure to the Company's Statement of financial position.

The Company has no borrowings based on market interest rates. Therefore there would be no impact in any reported year on profit before tax or shareholders' equity as a result of changes in market interest rates.

The Company has no material foreign currency balances as at the Statement of financial position date and therefore is not exposed to movements in foreign currency exchange rates.

RAC Financial Services Limited
Notes to the Financial Statements (continued)

18 Risk management (continued)

(a) Treasury (continued)

(ii) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below:

	2017	2016
	£000	£000
Trade and other receivables	71,949	55,294
Cash and cash equivalents	3,428	3,481
	75,377	58,775

Management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure concerned.

The Company is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits. Cash and cash equivalents throughout the periods reported on were held with institutions who are A rated. The Company's largest cash and cash equivalent counterparty is Barclays (2016: Barclays). At 31 December 2017 the balance held by this counterparty was £3,428 thousand (2016: £3,481 thousand).

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due.

The risk is measured through review of forecast liquidity each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements.

The Company does not have any obligations outside of the Group for which liquidity risk would be significant.

(b) Strategic and operational risk

The strategy (including operational risks) for the Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and disclosed in the Annual Report and Financial Statements of that company.

18 Risk management (continued)

(c) Capital risk management

The Company's capital structure consists of £28,000 thousand of funds from shareholders as at 31 December 2017 (2016: £28,000 thousand).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In managing its capital, the Group seeks to:

(i) match the expected cash inflows from its assets with the expected cash outflows from its liabilities as they fall due;

(ii) maintain financial strength to support new business growth and satisfy the requirements of its members and regulators;

(iii) retain financial flexibility by maintaining strong liquidity; and

(iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

(d) Regulatory risk

The Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on applicable FCA and PRA regulations. The Company's ability to transfer retained earnings to its shareholders is therefore restricted to the extent that these earnings form part of UK regulatory capital.

Relevant capital and solvency regulations ("Solvency I") continue to be used to measure and report the financial strength of regulated companies within the Group. The regulatory capital tests verify that an adequate excess of solvency capital above the required minimum level calculated is maintained using a series of prudent assumptions about the type of business that is underwritten. Regulatory requirements have been complied with throughout all periods reported.

The Company is also subject to regulatory requirements, as set out by the FCA, in relation to product design, marketing materials, sales processes and data protection. Failure to comply with these requirements could result in the Company or Group having to suspend, either temporarily or permanently, certain activities. To mitigate these risks the Group employs regulatory and compliance specialists to ensure the regulatory and legislative requirements are fully understood and adhered to.

19 Related party transactions

(a) The Company had the following related party transactions in 2017 and 2016:

(i) During the year, the Company has paid £11,892 thousand (2016: £5,711 thousand) to RAC Brand Enterprises LLP in respect of brand license fees. During the year, the Company has received dividend income of £599 thousand from RAC Brand Enterprises LLP (2016: £419 thousand).

(ii) No dividends were paid during the year (2016: £60,000, amounting to 214.28 pence per share, of which £30,000 thousand were a dividend in specie).

(iii) During the year, the Company has paid £3,439 thousand (2016: £1,375 thousand) to RAC Group Limited, its Parent Company, in respect of services provided.

(iv) Audit fees of £44 thousand (2016: £42 thousand) were borne by RAC Motoring Services, a fellow Group company.

19 Related party transactions (continued)

(b) The Company had the following amounts due from related parties at year end:

	2017	2016
	£000	£000
Other Group companies - current accounts	11,443	24,868
Parent - loan account	25,626	-
	37,069	**24,868**

The Company has provided a loan facility to RAC Group Limited, the Parent Company. The maximum facility amount is £50,000 thousand and is repayable on demand or by no later than the maturity date of 30 November 2022. Interest is receivable on the facility at a fixed rate of 5%. The year end balance is £25,626 thousand (2016: £nil). During the year, a further £1,239 thousand (2016: £1,239 thousand) was paid by the Parent Company and interest of £759 thousand (2016: £1,239 thousand) was capitalised. Further interest receivable for the year of £150 thousand (2016: £150 thousand) was offset against interest payable on the subordinated loan due to RAC Group Limited.

(c) The Company had the following amounts due to related parties at year end:

	2017	2016
	£000	£000
Parent - loan account	10,000	10,000
Other Group companies - current accounts	29,338	29,576
	39,338	**39,576**

A £10,000 thousand subordinated loan is in place between the Company and RAC Group Limited. Interest is paid on the facility at 1% above Barclays Bank base rate. The year end balance is £10,000 thousand payable (2016: £10,000 thousand payable). The principal amount loaned from RAC Group Limited is £10,000 thousand. The terms of the loan provide that the Company cannot repay the loan without prior written consent of the FCA. Interest payable for the year is £150 thousand (2016: £150 thousand).

(d) Key management compensation

The Directors and key management of the Company are considered to be the same as for RAC Group Limited. Information on key management compensation may be found in the Financial Statements of RAC Group (Holdings) Limited.

RAC Financial Services Limited
Notes to the Financial Statements (continued)

19 Related party transactions (continued)

(e) Immediate Parent Company

The Company's immediate Parent Company is RAC Group Limited, registered in England and Wales.

(f) Ultimate controlling party

The ultimate controlling entity of the Company is RAC Group (Holdings) Limited. Its Annual Report and Financial Statements are available on application to the Company Secretary, RAC Group (Holdings) Limited, RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW.

The lowest level at which Consolidated IFRS Financial Statements are prepared is RAC Bidco Limited.