Company Registration No 02622895

GREEN FLAG GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Group Secretariat
Direct Line Insurance Group plc
Churchill Court
Westmoreland Road
Bromley
BR1 1DP

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	P G Edwards (30 August 2013) C E Morton (30 August 2013) H C O'Murchu H M Tomlinson (30 August 2013) T Woolgrove
SECRETARY:	P A Hutchings
REGISTERED OFFICE	The Wharf Neville Street Leeds LS1 4AZ
AUDITOR.	Deloitte LLP Chartered Accountants London

Registered in England and Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company continues to be the intermediate parent undertaking for a subsidiary involved in motor vehicle assistance repair and recovery services

The Company is a subsidiary of Direct Line Insurance Group plc ("DLIG") which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance risk, human resources or environment For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The annual report of DLIG reviews these matters on a group basis Copies can be obtained from Group Secretariat Direct Line Insurance Group plc Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website at directlinegroup com

Review of the year

Business review

The directors are satisfied with the Company's performance in the year The Company will be guided by its shareholder in seeking further opportunities for growth

Financial performance

The Company's financial performance is presented in the statement of comprehensive income on page 6

No dividends were paid during the year ended 31 December 2012 (2011 £nil) The directors do not recommend the payment of a final dividend (2011 £nil)

At the end of the year the balance sheet reflected total assets of £7 264,257 (2011 £7,026,436) Income generating assets are comprised of the total assets as per the balance sheet Total equity was £7,261,257 (2011 £2 276,495)

Principal risks and uncertainties

The Company's risk management objectives are set out in note 2

Going concern

The directors having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future have prepared the financial statements on the going concern basis

DIRECTORS AND SECRETARY

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

From 1 January 2012 to date the following changes have taken place

Directors	Appointed	Resigned
P N Gallacher		30 November 2012
P G Edwards	30 August 2013	
C E Morton	30 August 2013	
H M Tomlinson	30 August 2013	

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the Company In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently
- present information including accounting policies, in a manner that provides relevant reliable comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance and
- make an assessment of the Company's ability to continue as a going concern

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

DIRECTORS' INDEMNITIES

Direct Line Insurance Group plc has made qualifying third party indemnity provisions for the benefit of the directors of the Company which were made during the year and remain in force at the date of this report

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor

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

T Woolgrove
Director
30 August 2013

INDEPENDENT AUDITOR'S 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 2012 which comprise the statement of comprehensive income the balance sheet, the statement of changes in equity, the cash flow statement, and the related notes 1 to 11 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU)

This report is made solely to the Company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Rush (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 August 2013

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Investment income	3	5 001	-
Finance costs	4	(20)	(40)
Profit/(loss) before tax		**4,981**	**(40)**
Tax credit	6	5	10
Total comprehensive income/(loss) for the year		**4,986**	**(30)**

The total comprehensive income for the year is entirely attributable to equity shareholders of the Company

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Investments in subsidiaries	7	7,013	7,013
Current assets			
Loans and other receivables	8	247	3
Current tax assets		5	10
		252	13
Total assets		**7,265**	**7,026**
Liabilities			
Current liabilities			
Borrowings	9	3	4 750
Total liabilities		**3**	**4,750**
Equity			
Share capital	10	1,001	1,001
Retained earnings		6 261	1 275
Total equity		**7,262**	**2,276**
Total liabilities and equity		**7,265**	**7,026**

The financial statements were approved by the Board of Directors on 30 August 2013 and signed on its behalf by

T Woolgrove
Director

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2011	1,001	1,305	2,306
Total comprehensive loss for the year	-	(30)	(30)
Balance at 31 December 2011	1,001	1,275	2,276
Total comprehensive income for the year	-	4 986	4,986
Balance at 31 December 2012	1,001	6,261	7,262

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit/(loss) for the year before tax		4 981	(40)
Adjustments for			
Investment income	3	(5,001)	-
Finance costs	4	20	40
Operating cash flows before movements in working capital		-	-
Tax received		10	9
Net cash flows generated from operating activities		**10**	**9**
Cash flows from investing activities			
Interest received	3	1	-
Dividends received	3	5,000	-
Loans advanced		(4 992)	-
Loan repayments		4,748	-
Net cash flows generated from investing activities		**4,757**	**-**
Cash flows from financing activities			
Interest paid	4	(20)	(40)
Repayment of borrowings	11	(4,747)	-
Proceeds from borrowings	11	-	31
Net cash flows used in financing activities		**(4,767)**	**(9)**
Net cash and bank overdrafts		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

Non-cash transactions

The Company did not operate a bank account during the current or previous year Trading was carried out via bank accounts owned by related parties and therefore, through inter-company transactions As a result all transactions shown above were non-cash transactions

The accompanying notes on pages 10 to 19 form an integral part of these financial statements

1 ACCOUNTING POLICIES

1 1 Presentation of accounts

The accounts have been prepared on the going concern basis (see Directors' Report on page 3) and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union (together IFRS)

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

The financial statements have been prepared on the historical cost basis

The Company's accounts are presented in accordance with the Companies Act 2006

Going concern

The Company is part of a group that has considerable financial resources and as a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic climate After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly the directors continue to adopt the going concern basis in preparing the annual report and financial statements The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Activities and Business Review section of the Directors' Report on page 3 In addition note 2 to the financial statements includes the Company's objectives policies and processes for managing its financial risks and capital

1 2 Consolidated financial statements

The financial statements contain information about Green Flag Group Limited as an individual company and do not contain consolidated financial information as the parent of a group The Company is exempt under IAS 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent DLIG a public company registered in England and Wales

1 3 Revenue recognition

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

Dividend income is recognised when the paying entity is obliged to make the payment

1 4 Taxation

The tax expense represents the sum of the tax currently payable

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

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

1 ACCOUNTING POLICIES (continued)

1 5 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any impairment

1 6 Financial assets

On initial recognition financial assets are classified into loans and receivables

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables Loans and receivables are initially recognised at fair value plus directly related transaction costs They are subsequently measured at amortised cost using the effective interest method less any impairment losses

Loans and other receivables principally comprise loans to related parties and other debtors

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 held-to-maturity available-for-sale or 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

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition

Impairment losses are assessed individually where significant or collectively for assets that are not individually significant

Impairment losses are recognised in 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

Derecognition of financial assets

A financial asset is derecognised when the rights to receive cash flows from that asset have expired or when the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risk and rewards or ownership of the asset

1 7 Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred Other than derivatives which are recognised and measured at fair value all other financial liabilities are subsequently measured at amortised cost using the effective interest method

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

1 8 Accounting developments

The International Accounting Standards Board (IASB) issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability The amendment and consequential withdrawal of SIC 21 'Deferred Tax Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012, is not expected to have a material effect on the Company This was endorsed on 11 December 2012

IFRS 10 Consolidated Financial Statements, which replaces SIC-12 Consolidation - Special Purpose Entities and the consolidation elements of the existing IAS 27 Consolidated and Separate Financial Statements was issued by the IASB in May 2011 The new standard adopts a single definition of control a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity Effective for annual periods beginning on or after 1 January 2013, the new standard is not expected to have any effect on the Company

In May 2011 the IASB issued amendments to IAS 27 Separate Financial Statements which comprises those parts of the existing IAS 27 that dealt with separate financial statements effective for annual periods beginning on or after 1 January 2013 The amendment to this standard is not expected to have any effect on the Company

In May 2011 the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures to cover joint ventures as well as associates both must be accounted for using the equity method The mechanics of the equity method are unchanged Effective for annual periods beginning on or after 1 January 2013, the amendments to this standard are not expected to have any effect on the Company

In May 2011 the IASB issued IFRS 13 Fair Value Measurement which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements, effective for annual periods beginning on or after 1 January 2013 The new standard will have an impact on the quantitative and qualitative disclosure requirements of financial assets and liabilities of the Company that are not covered by IFRS 7 Financial Instruments Disclosures

In December 2011 the IASB issued amendments to IFRS 7 Financial Instruments Disclosure - Offsetting Financial Assets and Financial Liabilities The amended disclosure requirements are intended to enable the evaluation of the effect or potential effect of netting arrangements as permitted by IAS 32 (paragraph 42) on the financial statements The amendments are effective for annual periods beginning on or after 1 January 2013 and are not expected to have an impact on the Company

The IASB amended IAS 32 Financial Instruments Presentation in December 2011 for the section dealing with offsetting a financial asset and a financial liability Effective for annual periods beginning on or after 1 January 2014 to be applied retrospectively this amendment is not expected to have an impact on the Company

The IASB has published IFRS 9 Financial Instruments Recognition and Measurement that will apply to financial years beginning on 1 January 2015 The new standard has not been adopted by the EU The standard is a complete revision and will replace the current standard IAS 39, Financial Instruments Recognition and Measurement The standard reduces the number of valuation categories for financial assets and means that they are recognised at amortised cost or fair value through profit or loss The rules for financial liabilities correspond to the existing rules in IAS 39 plus a supplement on how credit risk is presented when financial liabilities are measured at fair value The change in the credit risk for financial liabilities designated at fair value according to the so-called fair value option is normally presented in other comprehensive income and not in the traditional income statement, provided that further inconsistencies do not arise in presentation of any eliminated changes in value

The standard will be complemented by new rules for impairment of financial assets that are categorised as financial assets at amortised cost and new rules for hedge accounting The adoption of IFRS 9 which the Company plans not to adopt before the year beginning on 1 January 2015 will impact both the measurement and disclosures of financial instruments

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2 RISK MANAGEMENT

The Company is a subsidiary within Direct Line Insurance Group plc (the Group) which has a robust and well integrated risk management framework This framework sets out the responsibilities and accountabilities for risk management for the whole business

The Direct Line Insurance Group plc Board (Group Board) has responsibility for the setting of and adherence to the risk strategy risk appetite and risk framework The Group Board have established a risk management model that separates the business's risk management responsibilities into three lines of defence as set out in the diagram below

Our risk management structure

1st Line Business and Support Functions	2nd Line Risk Function	3rd Line Audit Function
Adhere to risk strategy and risk appetite Own and manage risks Compliance with risk framework Assurance on adherence to policies	Advise Group Board on risk strategy and risk appetite Advise Group Board on appropriate risk framework and risk tools Oversight challenge and support of 1st Line	Independent assurance on adequacy and effectiveness of risk framework

Governance structure

The governance structure connects the business and risk management function across the first and second lines of defence to provide a consistent approach to managing risk across the organisation This includes various committees which provide oversight of the Enterprise Risk Management (ERM) exposure

The Board oversees the business operations, ensuring competent and prudent management, and the maintenance of adequate accounting and other procedures This ensures compliance with statutory and regulatory obligations

Specifically the following are key areas that the Group Board considers and must approve at least annually

- high level controls document,
- Group risk appetite and
- Group risk profile, including the output from financial and other quantitative models This encompasses the internal capital adequacy and other capital related submissions to the supervisory authority where appropriate

The Group Board has responsibility for understanding and approving the nature and level of risk assumed by the Group and the methodologies, approaches and assumptions used to identify measure, manage, monitor report control and mitigate risk The Group Board approves the risk appetite of the Group as a whole and by risk type The Group Board is supported by the Risk Committee and Risk and Internal Audit functions

These functions define, oversee and challenge the risk and control environment of the Group including the operation of the business within its risk appetite The Risk function advises the Risk Committee on risk appetite and supports the business by maintaining the risk management framework and defining the associated processes

The Group Chief Executive Officer (CEO) fulfils his responsibilities through the Managing Directors and support functions that oversee a range of committees to provide advice on their obligations within their division

2 RISK MANAGEMENT (continued)

Governance structure (continued)

Executive Committee risk management responsibilities are

- to consider and determine relevant recommendations on risk management matters including risk organisation, risk strategy risk appetite, risk policy framework,
- to consider any relevant policies, processes and procedures for the effective management of risk,
- to consider and determine relevant recommendations on limits by risk type
- communication to the Risk and Audit Committees for review and challenge
- to ensure that risk and capital considerations are incorporated within the strategic planning and budgeting processes, and
- to review consider, discuss and understand all issues relating to the reinsurance arrangements

The Chief Risk Officer (CRO) is a member of the Executive Committee and reports to the CEO, with a right of access to the Risk and Audit Committees assuring independence of the function The CRO chairs the Risk Management Committee (RMC), which reviews material policies for the effective management of risk across the Group, including those associated with Solvency II

The RMC is responsible for reviewing current and potential risk exposures of the Group, against the agreed risk appetite and promoting a risk aware culture

The CRO as Chair of the RMC provides reports or escalates matters to the Risk Committee and reports to the Executive Committee

Risk strategy and risk appetite

The Group has set clear strategic risk objectives

- to maintain capital adequacy
- avoid unnecessary volatility in earnings,
- to ensure stable and efficient access to funding and liquidity, and
- to maintain stakeholder confidence

These objectives have been developed to recognise that, for long-term sustainability the Group needs to have sufficient economic capital and to protect its reputation and integrity in relationships with customers and stakeholders

Within the Group, a well articulated risk appetite lies at the heart of effective ERM to support

- strategy setting
- risk management
- setting of boundaries for risk taking, and
- stakeholder value optimisation

The risk appetite statements are expressions of the level of risk the Group is prepared to accept to achieve its strategic risk objectives In order for these statements to be defined quantitatively as well as qualitatively they are aligned to key metrics These metrics are monitored regularly

Risk appetite should not be static and the Group is committed to performing an annual review of the risk appetite framework to ensure its continued suitability to support a well managed company

2 RISK MANAGEMENT (continued)

Risk strategy and risk appetite (continued)

The strategic risk objectives link to a set of risk appetite statements and key metrics

The table below sets out these objectives and shows, at a high level, examples of corresponding appetite statements

Strategic Risk Objective	Risk Appetite Statement
Maintain capital adequacy	Maintain sufficient economic capital to a defined target
Deliver stable earnings	Profitability over a defined period
Stable and efficient access to funding and liquidity	Cash outflows met under stress
Maintain stakeholder confidence	No appetite for material reputational legal or regulatory risks

Risk framework

The aim of the risk framework is to provide a robust, proportionate proactive and forward-looking process for risk management across the Group A central component of this framework is the Group's policies and minimum standards which inform the business as to how it is required to conduct its activities and risk management processes

The policies and minimum standards cover all key risks to which the Group is exposed Each policy is supported by minimum standards which set out the minimum level of risk management and other corporate and personal behaviours The minimum standards are in turn supported where appropriate, by detailed guidance documents

The Group incorporates the identification, assessment, management, control, reporting and mitigation of risk as part of its daily operations

The strengths of the risk framework are

- engagement with the business,
- strong culture and risk leadership underpinned by training of our people
- quantitative approach to the risk analysis, for example, development of a robust economic capital model,
- risk assessment and management information through integrated risk systems,
- embedded risk management processes linking risk and capital, and
- influencing decision making and shaping behaviours, via the provision of accurate, timely and relevant risk advice and challenge

As a subsidiary of Direct Line Insurance Group plc, Green Flag Group Limited is covered by the risk framework and risk strategy detailed in the Direct Line Group Annual Report and Accounts

3 INVESTMENT INCOME

	2012 £'000	2011 £'000
Interest receivable on loans to related parties (note 11)	1	-
Dividend received from subsidiary undertaking (note 11)	5 000	-
	5,001	-

4 FINANCE COSTS

	2012 £'000	2011 £'000
Interest payable on borrowings from related parties (note 11)	20	40

5 OPERATING PROFIT/(LOSS) BEFORE TAX

Profit/(loss) for the year is stated after charging

Auditor's remuneration

Fees for audit and non-audit services are borne by a related party, DL Insurance Services Limited (DLIS), a fellow subsidiary company

Fees paid to the auditor in respect of the statutory audit of the Company amount to £2 530 (2011 £1,000)

Staff costs and number of employees

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

Directors' emoluments

The total directors emoluments for services to the Group amounted to £1,076,930 (2011 £1,021 751)

No directors who served during this or the previous financial year were remunerated by the Company The amounts disclosed are total emoluments in relation to services performed by the directors for other Group companies as it is not appropriate to allocate remuneration to the Company

Emoluments excluding pension contributions paid to the highest paid director amounted to £551 841 (2011 £569,920)

A contribution of £62 414 (2011 £99,000) to a defined contribution scheme was made on behalf of the highest paid director Three directors (2011 four directors) had retirement benefits accruing under defined contribution pension schemes in respect of qualifying service No directors (2011 no directors) had benefits accruing under defined benefit pension schemes

During the year, no directors had exercised share options (2011 no directors)

6 TAX CREDIT

	2012 £'000	2011 £'000
Current taxation		
Tax credit for the year	5	10

The actual tax credit differs from the expected tax (charge)/credit computed by applying the standard rate of UK corporation tax of 24 5% (2011 26 5%) as follows

	2012 £'000	2011 £'000
Expected tax (charge)/credit	(1,220)	10
Effects of		
Non-taxable items	1 225	-
Actual tax credit for the year	5	10

7 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost less impairment Movements during the year were as follows

	2012 £'000	2011 £'000
At 1 January and at 31 December	7,013	7,013

The subsidiaries of the Company are shown below Their capital consists of ordinary shares

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Green Flag Limited	UK	100%	100%	Motor vehicle assistance
National Breakdown Recovery Club Limited	UK	100%	100%	Dormant
Nationwide Breakdown Recovery Services Limited	UK	100%	100%	Dormant

8 LOANS AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Loans to related parties (note 11)	247	3

9 BORROWINGS

	2012 £'000	2011 £'000
Preferred ordinary shares (Green Flag Holdings Limited) (note 11)	3	3
Fellow subsidiaries (note 11)	-	4 747
	3	4,750

The preferred ordinary shares were made up as follows

	2012	2011
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 shares The shares shall rank for dividend in priority to any other shares of the Company

10 SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted called up and fully paid		
Equity shares		
1,000,000 ordinary shares of £1	1,000	1,000
1 000 deferred ordinary shares of £1	1	1
	1,001	1,001

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 (2011 £1,000 000) and 1 000 deferred ordinary shares of £1 each amounting to £1 000 (2011 £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'

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

10 SHARE CAPITAL (continued)

Rights

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

Dividends

- Deferred ordinary shares shall not rank for dividend,
- 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 9 for further details on the rights attached to preferred ordinary shares

11 RELATED PARTIES

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly-owned by the UK Government

At 31 December 2012 Green Flag Group Limited's ultimate holding company was The Royal Bank of Scotland Group plc which is incorporated in the United Kingdom and registered in Scotland On 13 March 2013 the ultimate holding company ceased to be The Royal Bank of Scotland Group plc and became Direct Line Insurance Group plc The Company's immediate parent company is Green Flag Holdings Limited which is incorporated in the United Kingdom and registered in England and Wales

As at 31 December 2012 The Royal Bank of Scotland Group plc headed the largest group in which the Company is consolidated Copies of the consolidated accounts of The Royal Bank of Scotland Group plc may be obtained from The Secretary The Royal Bank of Scotland Group plc Gogarburn PO Box 1000, Edinburgh, EH12 1HQ Direct Line Insurance Group plc heads the smallest group in which the Company is consolidated Copies of the consolidated accounts of Direct Line Insurance Group plc may be obtained from The Secretary, Churchill Court Westmoreland Road, Bromley, BR1 1DP

The following transactions were carried out with other Group companies in the period 1 January to 31 December 2012

I Investment income

	2012 £'000	2011 £'000
Interest receivable (note 3)		
Fellow subsidiaries	1	-

	2012 £'000	2011 £'000
Dividends received (note 3)		
Subsidiaries	5,000	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

11 RELATED PARTIES (continued)

ii Finance costs

	2012 £'000	2011 £'000
Interest payable (note 4)		
Fellow subsidiaries	20	40

iii Loans to related parties (note 8)

	2012 £'000	2011 £'000
Fellow subsidiaries	247	3

Movements in loans to related parties were as follows	2012 £'000	2011 £'000
At 1 January	3	3
Loans advanced during year	4,991	-
Loan repayments received	(4,748)	-
Interest received (note 3)	1	-
At 31 December	247	3

Interest receivable on loans to related parties was based on a floating rate above LIBOR ranging from 0 52% to 1 05% (2011 0 71% to 1 04%)

iv Loans from related parties (note 9)

	2012 £'000	2011 £'000
Immediate parent company	3	3
Fellow subsidiaries	-	4 747
	3	4,750

Movements in loans from related parties were as follows	2012 £'000	2011 £'000
At 1 January	4 750	4 719
Loans advanced during year	-	-
Loan repayments made	(4,767)	(9)
Interest paid (note 4)	20	40
At 31 December	3	4,750

Interest payable on loans from related parties was based on a floating rate above LIBOR ranging from 0 52% to 1 05% (2011 0 71% to 1 04%)