

Company Registered No NI 21247

ULSTER BANK INSURANCE SERVICES LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

30 November 2010



**Group Secretariat
Ulster Bank Limited
11-16 Donegall Square East
Belfast
BT1 5UB**

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ULSTER BANK INSURANCE SERVICES LIMITED

NI 21247

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ULSTER BANK INSURANCE SERVICES LIMITED

NI 21247

DIRECTOR AND SECRETARY

DIRECTOR S Cruise

SECRETARY E Dignam

REGISTERED OFFICE 11 – 16 Donegall Square East
Belfast
BT1 5UB

BANKERS Ulster Bank Limited
11 – 16 Donegall Square East
Belfast
BT1 5UB

Registered in Northern Ireland

DIRECTOR'S REPORT

The director of Ulster Bank Insurance Services Limited ("the Company") presents his report and the financial statements for the year ended 30 November 2010. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

ACTIVITIES AND BUSINESS REVIEW**Principal activity**

The Company is a dormant company.

Business review

The Company did not trade during the year under review or the previous year, nor does the director expect that it will do so in the foreseeable future.

It remains the intention of the director to wind up the Company within the next 12 months.

Going concern

The director, having made such enquiries as he considered appropriate, including regarding the continuing availability of sufficient resources from the Ulster Bank Group ("the Group"), has prepared the financial statements on a basis other than that of going concern.

Dividends

The director does not recommend the payment of a dividend (2009 £nil).

Principal risks and uncertainties

The major risk associated with the Company's business is operational risk.

The Company is part of the Group which has established a comprehensive framework for managing risks, which is continually evolving as business activities change in response to market, credit, product and other developments. The policies for managing risks and the Company's exposure thereto are detailed in note 9 to the financial statements.

Director and secretary

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

From 1 January 2010 to date the following changes have taken place:

	Appointed	Resigned
Director		
S Cruise	22 March 2010	–
M Bamber	–	31 May 2011

In accordance with the Articles of Association of the Company, the director is not required to retire by rotation.

DIRECTOR'S REPORT (continued)**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

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

Company law requires the director to prepare a director's report and financial statements for each financial year and the director has elected to prepare them in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under Company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit and loss for the financial year as far as concern members of the Company. In preparing these financial statements, under International Accounting Standard 1, the director is required to

- properly select and apply suitable 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 IFRS 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 director is 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 director's report and financial statements comply with the requirements of the Companies Act 2006. He is 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.

Director's indemnities

In terms of section 236 of the Companies Act 2006, the director has not been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

Post balance sheet events

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

Approved by the Director



S Cruise
Director
23 August 2011

ULSTER BANK INSURANCE SERVICES LIMITED**NI 21247****BALANCE SHEET**
as at 30 November 2010

	Note	2010 £	2009 £
Assets			
Cash and cash equivalents	7	100,023	100,023
Total assets		100,023	100,023
Equity			
Share capital	8	100,000	100,000
Retained earnings		23	23
Total equity		100,023	100,023
Total liabilities and equity		100,023	100,023

The accompanying notes on pages 5 to 8 form an integral part of these financial statements

DIRECTOR'S DECLARATION

- 1 For the year ended 30 November 2010 the Company was entitled to an audit exemption under Section 480(1) of the Companies Act 2006
- 2 No members have required the Company to obtain an audit of its financial statements for the period in question in accordance with Section 476 of the Companies Act 2006
- 3 The director acknowledges his responsibility for
 - (a) ensuring the Company keeps accounting records, which comply with Section 386 of the Companies Act 2006, and
 - (b) preparing financial statements which fairly present the financial position of the Company as at the end of its financial period, and its financial performance for the period in accordance with International Accounting Standards referred to by Section 395 (1(b)) of the Companies Act 2006

The financial statements of the Company were approved by the director on 23 August 2011 and signed by



S Cruise
Director

NOTES TO THE FINANCIAL STATEMENTS**1 Accounting policies****a) Presentation of financial statements**

The financial statements are prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS). The Company's financial statements are presented in accordance with the Companies Act 2006.

The Company is incorporated in the UK and registered in Northern Ireland. The financial statements are prepared on the historical cost basis. The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The intention of the director is to liquidate the Company. International Accounting Standard (IAS) 1 25 "Presentation of Financial Statements" requires the financial statements in such circumstances to be prepared on a basis other than that of a going concern. This did not have an impact on the valuation of the assets or liabilities of the Company.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2010. They have had no material effect on the Company's financial statements for the year ended 30 November 2010.

b) Foreign currencies

The Company's financial statements are presented in sterling which is the functional currency of the Company.

c) Capital

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the Company is not regulated it maintains a level of capital and reserves consistent with Group policy, paying dividends and receiving additional capital commensurate with its plans for the immediate future.

d) Cash and cash equivalents

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

e) Accounting developments

The IASB issued 'Improvements to IFRS' in January 2010 implementing minor changes to IFRS, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording. The revisions are effective for annual periods beginning on or after 1 July 2010 and are not expected to have a material effect on the Company. A further revision was issued in May 2010 and is effective for annual periods beginning on or after 1 January 2011, which are also not expected to have a material effect on the Company.

The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments: Recognition and Measurement' in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)**e) Accounting developments (continued)**

In October 2010, IFRS 9 was updated to include the classification and measurement of liabilities. It is not markedly different from IAS 39 except for liabilities measured at fair value, where the movement is due to changes in the credit rating of the issuer it is recognised in Other Comprehensive Income rather than in profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2013.

This standard makes major changes to the framework for the classification and measurement of financial assets and will have an effect on the Company's financial statements. The Company is assessing this impact which is likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project.

2 Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the director, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements.

3 Statement of Comprehensive Income

The Company did not trade during the financial year or the preceding financial year. It received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A Statement of Comprehensive Income is therefore not presented.

4 Statement of Changes in Equity

The Company did not trade during the financial year or the preceding financial year. It received no income and incurred no expenditure. There was no movement in the Company reserves. Consequently a Statement of Changes in Equity has not been prepared. The Company's total equity comprises of reserves of £23 (2009: £23) and the share capital as disclosed in Note 8.

ULSTER BANK INSURANCE SERVICES LIMITED**NI 21247****NOTES TO THE FINANCIAL STATEMENTS (continued)****5 Cash Flow Statement**

The Company did not trade during the financial year or the preceding financial year. It received no income and incurred no expenditure. Consequently a Cash Flow Statement has not been prepared.

6 Director's Emoluments

The director of the Company did not receive remuneration for specific services provided to the Company.

7 Cash and cash equivalents

	2010 £	2009 £
Cash balances at bank - Group	<u>100,023</u>	<u>100,023</u>

8 Share capital

	2010 £	2009 £
Equity shares		
Authorised		
100,000 Ordinary Shares of £1	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 Ordinary Shares of £1	<u>100,000</u>	<u>100,000</u>

The Company has one class of Ordinary Shares which carry no right to fixed income.

9 Risk management

The Company's risk management function is fully integrated with the risk management function of the Group. As a result, the policies and procedures used to manage risk have been incorporated within those of the Group.

The major risk to which the Company is exposed is operational risk. The Group has established clear risk policies, including limits, reporting lines and control procedures. This framework is designed to provide tight control and is reviewed regularly by both Executive and Board Committees.

The Group has established a comprehensive framework for managing risks which is continually evolving as the Group's business activities change in response to market, credit, product and other developments.

Operational risk

Operational risks are inherent in the Company's business. Operational risk losses occur as the result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The key processes include risk and control assessment, scenario analysis, loss data collection, new product approval process, key risk indicators, notifiable events process and the self certification process. The implementation of this process is facilitated and overseen by operational risk teams, with internal audit providing independent evaluation of the control framework.

ULSTER BANK INSURANCE SERVICES LIMITED**NI 21247****NOTES TO THE FINANCIAL STATEMENTS (continued)****10 Related parties**

On 1 November 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. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

The Company did not enter into any transactions with the UK Government or UK Government controlled bodies during the year and had no balances with the UK Government and affiliated bodies as at 30 November 2010.

The Company's immediate parent company is Ulster Bank Limited.

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

The smallest subgroup into which the Company is consolidated is Ulster Bank Limited, a company incorporated in Northern Ireland. The financial statements for Ulster Bank Limited can be obtained from The Secretary, 11 – 16 Donegall Square East, Belfast, BT1 5UB.

Included in the Company's Balance Sheet are the following balances with other related parties:

	2010	2009
Assets	£	£
Cash balances at bank	100,023	100,023

Key management

The Company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the Group are not specifically recharged.

In the Company and the Group, key management comprise the director of the Company and members of the Group Executive Management Committee. The emoluments of the director of the Company are met by the Group.

The director of the Company did not receive remuneration for specific services provided to the Company.

11 Post balance sheet events

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

