Company Registration No: 01670887

FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2008

Group Secretariat
The Royal Bank of Scotland Group plc
Gogarburn
P.O. Box 1000
Edinburgh EH12 1HQ

FINSURE PREMIUM FINANCE LIMITED

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FINSURE PREMIUM FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	T C Brittain M A Hesketh K P O'Keeffe
SECRETARY:	P A Hutchings
REGISTERED OFFICE:	Crown House 145 City Road London EC1V 1LP
AUDITORS:	Deloitte LLP London

Registered in England and Wales.

FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2008.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is the financing of insurance premiums.

The Company is a subsidiary of The Royal Bank of Scotland Group plc which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. The directors have reviewed these policies and consider them to be appropriate. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or through the Group's web site at www.rbs.com.

Review of the year

Business review

The directors are satisfied with the Company's performance in the year. The Company will be guided by its immediate parent company in seeking further opportunites for growth.

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

Financial performance

The Company's financial performance is presented in the Income Statement on page 5. At the end of the year, the financial position showed total assets of £156.7m (2007: £123.4m) and equity of £5.2m (2007: £3.8m).

Going concern

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

Principal risks and uncertainties

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

DIRECTORS AND SECRETARY

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

From 1 January 2008 to date the following changes have taken place:

Directors	Appointed	Resigned
C R Crawford		20 May 2008
A D Cornish	20 May 2008	17 December 2008
K P O'Keeffe	13 January 2009	

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

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

DIRECTORS' INDEMNITIES

In terms of Section 236 of the Companies Act 2006, Mr A D Cornish, Mr C R Crawford, Mr M A Hesketh and Mr K P O'Keeffe had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

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

AUDITORS

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

M A Hesketh
Director

31 March 2009

FINSURE PREMIUM FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINSURE PREMIUM FINANCE LIMITED

We have audited the financial statements of Finsure Premium Finance Limited ("the Company") for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the statement of changes in equity, cashflow statement, the accounting policies and the related notes 2 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

31 March 2009

FINSURE PREMIUM FINANCE LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Revenue	3	24,899	19,505
Administration expenses	4	(16,752)	(13,256)
Operating profit		**8,147**	**6,249**
Investment income	5	-	60
Finance costs	6	(6,204)	(5,334)
Profit before taxation		**1,943**	**975**
Tax charge	7	(554)	(335)
Profit for the year	8	**1,389**	**640**

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

The notes on pages 9 to 24 form part of these financial statements.

FINSURE PREMIUM FINANCE LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Deferred tax assets	10	200	229
Current assets			
Prepayments and accrued income		1,243	877
Loans and receivables	11	150,351	117,593
Cash and cash equivalents	12	4,871	4,714
		156,465	123,184
Total assets		**156,665**	**123,413**
EQUITY			
Share capital	13	1,000	1,000
Retained earnings	14	4,206	2,817
Total equity		**5,206**	**3,817**
LIABILITIES			
Current liabilities			
Borrowings	15	49,031	33,241
Trade and other payables and deferred income	16	102,009	86,093
Current Tax liabilities		419	262
		151,459	119,596
Total liabilities		**151,459**	**119,596**
Total equity and liabilities		**156,665**	**123,413**

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2009.
They were signed on its behalf by:

M A Hesketh
Director

The notes on pages 9 to 24 form part of these financial statements.

FINSURE PREMIUM FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2007		**1,000**	**2,177**	**3,177**
Profit for the year		-	640	640
Balance as at 31 December 2007	13,14	**1,000**	**2,817**	**3,817**
Profit for the year		-	1,389	1,389
Balance as at 31 December 2008	13,14	**1,000**	**4,206**	**5,206**

The profit for the year was entirely attributable to equity shareholders of the Company.

The notes on pages 9 to 24 form part of these financial statements.

FINSURE PREMIUM FINANCE LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Profit for the year		1,389	640
Adjustments for:			
Investment revenues	5	-	(60)
Finance costs	6	6,204	5,334
Tax charge	7	554	335
Operating cash flows before movements in working capital		**8,147**	**6,249**
Net increase in prepayments		(366)	(877)
Net increase in loans and receivables		(34,605)	(26,154)
Net decrease in inter-company balances - trading		13,218	9,847
Net decrease in inter-company balances - loans		1,719	689
Net increase in other operating liabilities		2,826	2,603
Cash used by operations		**(9,061)**	**(7,643)**
Interest paid		(6,204)	(5,334)
Taxation paid		(368)	(787)
Net cash used by operating activities		**(15,633)**	**(13,764)**
Cash flows from investing activities			
Interest received	5	-	60
Cash flow from financing activities			
Repayments of borrowings	18	(202,164)	(48,755)
Proceeds from borrowings	18	217,954	61,340
Net cash generated from financing activities		**15,790**	**12,585**
Net increase/(decrease) in cash and cash equivalents		157	(1,119)
Cash and cash equivalents at the beginning of the year	12	4,714	5,833
Cash and cash equivalents at the end of the year	12	**4,871**	**4,714**

The notes on pages 9 to 24 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements which should be read in conjunction with the directors' report are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with EU IAS regulation. The financial statements also comply with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis.

1.2 Revenue and cost recognition

Revenue represents interest income charged to the customers in respect of their contractual obligations to the Company for the provision of insurance premium finance loans. This interest is estimated using the Rule of 78 method, which management has determined to be a close approximation to the effective interest rate method.

Commission relates to expenses paid to brokers and is recognised over twelve months. All income arises in the United Kingdom.

1.3 Trade receivables

Loans and receivables – financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

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

1.4 Impairment of financial assets

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

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

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

For debts due from contract holders a bad debt provision of 100% is calculated on all instalments outstanding on credit agreements which are in excess of 3 months. Additionally, in respect of these credit agreements, instalments due between 1 and 3 months will also be provided for.

1.5 Taxation

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

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

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

1. ACCOUNTING POLICIES (Continued)

1.6 Transactions with related parties

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

1.7 Cash and cash equivalents

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

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

1.8 Borrowings

Borrowings comprise inter company loans. Interest on inter company loans is recognised in the income statement as a finance cost.

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

1.9 Accounting developments

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

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

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

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

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

ACCOUNTING POLICIES (Continued)

1.9 Accounting developments (Continued)

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

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

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

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

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

2. MANAGEMENT OF FINANCIAL RISK

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

2.1 Financial risk

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

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

The Company's financial risk exposure arises from loans and receivables due from, and loans to, related parties. Within loans and receivables, third party debtors represents the main exposure.

Borrowings from related parties carry a floating rate of interest which is reset on a monthly basis. Loans to third party debtors carry a fixed rate of interest.

2. MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.1 Market risk

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

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

Interest rate risk

Interest rate risk arises primarily from the Company's loans and receivables due from, and loans due to related parties as well as third party debtors.

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

Currency risk

The financial assets and liabilities are denominated in sterling and do not bear any exposure to currency risk.

The results of sensitivity testing are set out below. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity analysis
Interest rate and investment return	The impact of a change in market interest rates by +/- 1% (e.g. if a current interest rate is 2%, the impact of an immediate change to 1% or 3%)
Expenses	The impact of an increase in ongoing administrative expenses by 10%

Sensitivity as at 31 December 2008

	Interest rates + 1% £'000	Interest rates - 1% £'000	Expenses + 10% £'000
Impact on profit before tax	210	(210)	(1,675)
Impact (before tax) on shareholders' equity	210	(210)	(1,675)

Sensitivity as at 31 December 2007

	Interest rates + 1% £'000	Interest rates - 1% £'000	Expenses + 10% £'000
Impact on profit before tax	232	(232)	(1,326)
Impact (before tax) on shareholders' equity	232	(232)	(1,326)

Limitations of sensitivity analysis

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

2. MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.2 Credit risk

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

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

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

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

At 31 December 2008

	Neither past due nor impaired	Past due 1 - 30 days	Past due 31 - 60 days	Past due 61 - 90 days	Past due more than 91 days	Carrying value in the balance sheet	Financial assets that have been impaired
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand (notes 12 & 18)	4,871	-	-	-	-	**4,871**	-
Other loans and receivables (note 11)	146,537	2,457	788	450	119	**150,351**	370
	151,408	**2,457**	**788**	**450**	**119**	**155,222**	**370**

At 31 December 2007

	Neither past due nor impaired	Past due 1 - 30 days	Past due 31 - 60 days	Past due 61 - 90 days	Past due more than 91 days	Carrying value in the balance sheet	Financial assets that have been impaired
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand (notes 12 & 18)	4,714	-	-	-	-	**4,714**	-
Other loans and receivables (note 11)	115,243	1,468	679	114	89	**117,593**	142
	119,957	**1,468**	**679**	**114**	**89**	**122,307**	**142**

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

2 MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.2 Credit risk (Continued)

The following table analyses the credit quality of financial assets that are neither past due nor impaired by type of asset.

At 31 December 2008

	AA £'000	A £'000	Not rated £'000	Total £'000
Cash in hand and at bank - group (note 12 & 18)	-	4,871	-	**4,871**
Other loans and receivables	-	-	146,537	**146,537**
Total assets bearing credit risk	-	**4,871**	**146,537**	**151,408**

At 31 December 2007

	AA £'000	A £'000	Not rated £'000	Total £'000
Cash in hand and at bank - group (note 12 & 18)	4,714	-	-	**4,714**
Other loans and receivables	-	-	115,243	**115,243**
Total assets bearing credit risk	**4,714**	-	**115,243**	**119,957**

Other loans and receivables due from policyholders, agents, brokers and intermediaries generally do not have a credit rating.

2.1.3 Liquidity risk

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

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

In all of the events considered the Company is comfortably able to meet its liabilities as they fall due.

Analysis of maturity of liabilities

For each category of financial liabilities, the following table shows the liability at 31 December 2008 analysed by remaining duration. The total liability is split by remaining duration in proportion to the cash-flows expected to arise during that period.

At 31 December 2008

	Total £'000	Within 1 year £'000	1-3 years £'000	3-5 years £'000	5-10 years £'000	Over 10 years £'000
Borrowings (note 15)	49,031	49,031	-	-	-	-
Bank overdrafts	-	-	-	-	-	-
Due to related parties (note 16)	82,510	82,510	-	-	-	-
Trade creditors & accruals (note 16)	172	172	-	-	-	-
Amounts owed to agents, intermediaries and brokers (note 16)	10,959	10,959	-	-	-	-
Deferred income (note 16)	8,368	8,368	-	-	-	-
Total	**151,040**	**151,040**	-	-	-	-

2 MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.3 Liquidity risk (Continued)

At 31 December 2007

	Total	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings (note 15)	33,241	33,241	-	-	-	-
Due to related parties (note 16)	69,420	69,420	-	-	-	-
Trade creditors & accruals (note 16)	201	201	-	-	-	-
Amounts owed to agents, intermediaries and brokers (note 16)	9,919	9,919	-	-	-	-
Deferred income (note 16)	6,553	6,553	-	-	-	-
Total	**119,334**	**119,334**	-	-	-	-

2.1.4 Capital risk management

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

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

3. REVENUE

	2008 £'000	2007 £'000
Commission from related parties (note 18)	202	125
Interest income from policyholders	24,239	18,794
Interest income from related parties (note 18)	458	586
	24,899	**19,505**

All revenue derives from activities in the United Kingdom.

4. ADMINISTRATION EXPENSES

	2008 £'000	2007 £'000
Marketing and administrative expenses	12,408	8,348
Commissions payable to related parties (note 18)	120	141
Management fees payable to related parties (note 18)	4,224	4,767
	16,752	**13,256**

5. INVESTMENT INCOME

	2008 £'000	2007 £'000
Interest income from related parties (note 18)	**-**	**60**

6. FINANCE COSTS

	2008 £'000	2007 £'000
Interest expense - borrowings from related parties (note 18)	**6,204**	**5,334**

7. TAX CHARGE

	2008 £'000	2007 £'000
Current taxation:		
Charge for the year	525	262
Under provision in respect of prior years	-	299
	525	**561**
Deferred taxation (note 10):		
Charge for the year	29	47
Over provision in respect of prior years	-	(273)
	554	**335**
Current Taxation	525	561
Deferred taxation (note 10)	29	(226)
Tax charge for the year	**554**	**335**

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

	2008 £'000	2007 £'000
Expected tax charge	554	292
Deferred tax provided at 28%	-	17
Adjustments in respect of prior years	-	26
Tax charge for the year	**554**	**335**

The aggregate current and deferred tax relating to items that are charged or (credited) to equity is £nil (2007: £nil).

8. PROFIT FOR THE YEAR

Auditors' remuneration

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

Fees paid to the auditors with respect to statutory audit of the Company amount to £8,500 (2007: £10,000).

There were no non-audit services incurred during the current nor preceding year.

Directors' emoluments

	2008 £'000	2007 £'000
Other emoluments	148	144
Company pension contributions	18	17
	166	**161**

8. PROFIT FOR THE YEAR (Continued)

Directors' emoluments (Continued)

Fees paid to directors during the year amounted to £nil (2007: £nil) and company pension contributions amounted to £18,103 (2007: £16,888).

None of the directors who served during this or the previous financial year were remunerated by the Company. The amounts disclosed above are those relating to their services as directors for the Company based on an estimated time allocation basis. Emoluments in relation to services performed by the directors for other group companies are not disclosed in the Company's financial statements.

Included in the above are emoluments, excluding pension contributions, paid to the highest paid director amounting to £141,252 (2007: £137,185).

A contribution of £17,460 (2007: £16,626) to a money purchase scheme was made on behalf of the highest paid director. Two directors (2007: three directors) had retirement benefits accruing under money purchase pension schemes in respect of qualifying service and two director (2007: one director) had benefits accruing under defined benefit pension schemes.

During the year no directors have exercised share options (2007: three directors).

9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

As at 31 December 2008

	Loans and receivables £'000	Other (amortised costs) £'000	Non-financial assets / liabilities £'000	Total £'000
Deferred tax assets	-	n/a	200	200
Prepayments and accrued income	-	n/a	1,243	1,243
Loans and receivables	150,351	n/a	-	150,351
Cash and cash equivalents	4,871	n/a	-	4,871
	155,222	n/a	1,443	156,665
Borrowings	n/a	49,031	-	49,031
Non financial liabilities	n/a	419	-	419
Trade and other payables and deferred income	n/a	-	102,009	102,009
	n/a	49,450	102,009	151,459
Equity				5,206
				156,665

9. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2007

	Loans and receivables £'000	Other (amortised costs) £'000	Non-financial assets / liabilities £'000	Total £'000
Deferred tax assets	-	n/a	229	229
Prepayments and accrued income	-	n/a	877	877
Loans and receivables	117,593	n/a	-	117,593
Cash and cash equivalents	4,714	n/a	-	4,714
	122,307	n/a	**1,106**	**123,413**
Borrowings	n/a	33,241	-	33,241
Current tax liabilities	n/a	-	262	262
Trade and other payables and deferred income	n/a	-	86,093	86,093
	n/a	**33,241**	**86,355**	**119,596**
Equity				3,817
				123,413

10. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Company, and the movements thereon, during the current and prior reporting periods.

	Other timing differences £'000
At 1 January 2007	**3**
Credit to the income statement	226
At 31 December 2007	**229**
Charge to the income statement	(29)
At 31 December 2008	**200**

The Finance Bill 2007 has reduced the corporation tax rate from 30% to 28% with effect from 1 April 2008. As a consequence the closing deferred tax assets have been recognised at 28%.

11. LOANS AND RECEIVABLES

	2008 £'000	2007 £'000
Receivables arising from the financing of insurance premiums:		
Due from contract holders	140,747	106,806
Less provision for impairment of receivables from contract holders	(370)	(142)
Due from agents, brokers and intermediaries	476	321
Receivables from related parties (note 18)	465	593
Loans to related parties (note 18)	6,103	7,822
Trade and other receivables	2,930	2,193
Total loans and receivables	**150,351**	**117,593**

12. CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash at bank and in hand		
- related parties (note 18)	**4,871**	**4,714**

Interest income received from deposits held with related parties was at the rate of 4.4% (2007: 5.5%).

13. SHARE CAPITAL

The Company's authorised share capital is made up of 1,000,100 £1 ordinary shares amounting to £1,000,100 (2007: £1,000,100).

The Company's issued and fully paid share capital is made up of 1,000,000 £1 ordinary shares amounting to £1,000,000 (2007: £1,000,000).

14. RETAINED EARNINGS

	£'000
Balance as at 1 January 2007	**2,177**
Profit for the year	640
Balance as at 31 December 2007	**2,817**
Profit for the year	1,389
Retained earnings at 31 December 2008	**4,206**

15. BORROWINGS

	2008 £'000	2007 £'000
Loans from related parties (note 18)	**49,031**	**33,241**
The borrowings are repayable as follows:		
On demand	**49,031**	**33,241**

The carrying value of the short term borrowings approximates to their fair value.

16. TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	2008 £'000	2007 £'000
Due to related parties (note 18)	82,510	69,420
Trade creditors and accruals	172	201
Amounts owed to agents, intermediaries and brokers	10,959	9,919
Deferred income	8,368	6,553
	102,009	**86,093**

Trade creditors are settled in accordance with contract terms, mostly within two months. Similarly, accruals are generally for goods and services for settlement mostly within two months.

17. PARENT COMPANIES

The Company's immediate parent company is The National Insurance and Guarantee Corporation Limited.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest and smallest group into which the Company is consolidated, is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

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

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

18. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties.

i. Sales of services

	2008 £'000	2007 £'000
Sales of services (note 3):		
RBS Business Insurance Services Limited	458	586
The National Insurance and Guarantee Corporation Limited	202	125
	660	**711**
Interest received (note 5):		
National Westminster Bank Plc	-	**60**

Sales of services with related parties are usually negotiated on a cost plus basis, allowing for a margin ranging from 3.17% to 6.19% (2007: 5.49% to 6.64%).

Interest income received from deposits held with related parties was at the rate of 4.4% (2007: 5.5%). In 2008 surplus funds on the Company's bank account were transferred to National Insurance and Guarantee Corporation Ltd, another Group company. These funds were used to offset a long term borrowing and, consequently, reduce the borrowing costs charge for 2008.

18. RELATED PARTY TRANSACTIONS (Continued)

ii. Purchases of products and services

	2008 £'000	2007 £'000
Purchases of services (note 4):		
RBS Insurance Services Limited	4,224	4,767
The National Insurance and Guarantee Corporation Limited	120	141
	4,344	**4,908**
Interest paid (note 6):		
The National Insurance and Guarantee Corporation Limited	**6,204**	**5,334**

Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 3.17% to 6.19% (2007: 5.49% to 6.64%).

All employees were employed by RBS Insurance Services Limited, a fellow subsidiary company. Total employee costs, including directors' remuneration, recharged to the Company by RBS Insurance Services Limited during the year were £2,218,388 (2007: £2,367,000).

Employee costs recharged by RBS Insurance Services Limited includes the full costs of key managers and other staff in respect of share-based payments. The attribution among members of the Royal Bank of Scotland Group has regard to the needs of the group as a whole.

iii. Compensation of key management

The aggregate remuneration of directors and other members of key management during the year was as follows:

	2008 £'000	2007 £'000
Other emoluments	154	160
Company pension contributions	19	18
	173	**178**

Fees paid to directors during the year amounted to £173,000 (2007: £178,000).

iv. Year-end balances arising from sales/purchases of products/services

	2008 £'000	2007 £'000
Bank deposits held with related parties (note 12):		
National Westminster Bank Plc	**4,871**	**4,714**
Receivables from related parties (note 11):		
RBS Business Insurance Services Limited	458	586
The National Insurance and Guarantee Corporation Limited	7	7
	465	**593**

Movements in receivables from related parties were as follows:

	2008	2007
At 1 January	593	654
Transactions in the year	660	711
Settled in the year	(788)	(772)
At 31 December	**465**	**593**

18. RELATED PARTY TRANSACTIONS (Continued)

iv. Year end balances arising from sales/purchases of products/services (continued)

	2008 £'000	2007 £'000
Payables to related parties (note 16):		
RBS Insurance Services Limited	247	382
The National Insurance and Guarantee Corporation Limited	82,263	69,038
	82,510	69,420

Movements in payables to related parties were as follows:	2008 £'000	As Restated 2007 £'000
At 1 January	69,420	59,573
Transactions in the year	13,319	10,624
Interest charged	6,204	5,334
Reclassification of balances	(2,067)	(1,419)
Settled in the year	(4,366)	(4,692)
At 31 December	82,510	69,420

v. Loans to related parties

	2008 £'000	2007 £'000
Loans to related parties (note 11):		
RBS Business Insurance Services Limited	6,103	7,822

Movements in loans to related parties were as follows:	2008 £'000	2007 £'000
At 1 January	7,822	8,511
Loans advanced during year	13,986	17,978
Loan repayments received	(15,705)	(18,667)
At 31 December	6,103	7,822

vi. Loans from related parties

	2008 £'000	2007 £'000
Loans from related parties (note 15):		
The National Insurance and Guarantee Corporation Limited	49,031	33,241

18. RELATED PARTY TRANSACTIONS (Continued)

vi. Loans from related parties

Movements in loans from related parties were as follows:	2008 £'000	As Restated 2007 £'000
At 1 January	33,241	20,656
Loans advanced during the year	217,954	61,340
Loan repayments made	(204,231)	(50,174)
Reclassification of balances	2,067	1,419
At 31 December	**49,031**	**33,241**

vii. Tax

	2008 £'000	2007 £'000
Current tax liabilities are payable to related parties as follows:		
HM Revenue & Customs	**419**	-