Company Registration No: 01670887

FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

Group Secretariat
The Royal Bank of Scotland Group plc
3 Princess Way
Redhill
Surrey
RH1 1NP

FINSURE PREMIUM FINANCE LIMITED

CONTENTS

FINSURE PREMIUM FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	C R Crawford R D Houghton
SECRETARY:	P A Hutchings
REGISTERED OFFICE:	Crown House 145 City Road London EC1V 1LP
AUDITORS:	Deloitte & Touche LLP London

Registered in England and Wales.

FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity during the year was the financing of insurance premiums.

The profit for the year was £2,615,000 (2004: £1,128,000 loss) and this was transferred to reserves. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: £nil).

The financial and risk management objectives of the Company and information on the Company's exposure to market, credit and liquidity risk are contained in note 2 to the financial statements.

The directors do not anticipate any material change in either the type or level of activities of the Company.

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 2005 to date the following changes have taken place:

	Appointed
Secretary	
P A Hutchings	14 April 2005

The directors note with sadness the death of Mr P J Atkinson, Joint Company Secretary, on 21 January 2006.

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards. They are responsible for preparing accounts that present fairly the financial position, financial performance, and cash flows of the Company. In preparing those accounts, 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 accounts; 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 Annual report and accounts complies with the Companies Act 1985. 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.

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr C R Crawford and Mr R D Houghton have been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS

No director had an interest in the shares of the Company at any time during the year.

The interests of Mr C R Crawford in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of The National Insurance and Guarantee Corporation Limited.

The interests of Mr R D Houghton in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of RBS Insurance Group Limited.

Other than as disclosed, none of the directors in office at 31 December 2005 held any interests in the share or loan capital of the Company or any other group company at any time during the year.

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.

In the year ending 31 December 2006, RBSG will adhere to the following payment policy in respect of all suppliers. 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.

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

AUDITORS

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

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

Director
30 October 2006

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

We have audited the financial statements of Finsure Premium Finance Limited for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the accounting policies and the related notes to the accounts 2 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 other information contained in the directors' report and the other information in the annual report and consider the implications for our audit if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgments 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 and the group, 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:

1. The financial statements give a true and fair view, in accordance with those IFRSs as adopted for use in the European Union, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and

2. The financial statements have been properly prepared in accordance with the Companies Act 1985.

Separate opinion in relation to IFRS

As explained in Note 1.1, the Company, in addition to complying with its legal obligation to apply those IFRSs adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
30 October 2006

FINSURE PREMIUM FINANCE LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Continuing operations			
Revenue	3	14,195	14,845
Other operating income	4	17	99
Administration expenses	5	(9,328)	(14,522)
Operating profit		**4,884**	**422**
Investment income	6	89	63
Finance costs	7	(1,233)	(1,889)
Profit/(loss) before tax		**3,740**	**(1,404)**
Tax (charge)/credit	8	(1,125)	276
Profit/(loss) for the year	9	**2,615**	**(1,128)**

The profit for the current year and the loss for the prior year were 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

BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
ASSETS			
Non-current assets			
Deferred tax assets	11	3	-
Current assets			
Loans and receivables	12	78,008	62,427
Cash and cash equivalents	13	5,745	8,681
Current tax assets		380	1,428
		84,133	72,536
Total assets		**84,136**	**72,536**
EQUITY			
Share capital	14	1,000	1,000
Retained earnings/(losses)	15	867	(1,748)
Total equity		**1,867**	**(748)**
LIABILITIES			
Current liabilities			
Borrowings	16	41,036	29,164
Trade and other payables and deferred income	17	41,233	44,120
Total liabilities		**82,269**	**73,284**
Total equity and liabilities		**84,136**	**72,536**

The financial statements were approved by the board of directors and authorised for issue on 30 October
They were signed on its behalf by:

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 2005

	Notes	Share capital £'000	Retained (losses) / earnings £'000	Total £'000
Balance as at 1 January 2004		**1,000**	**(620)**	**380**
Loss for the year		-	(1,128)	(1,128)
Balance as at 31 December 2004	13,14	**1,000**	**(1,748)**	**(748)**
Profit for the year		-	2,615	2,615
Balance as at 31 December 2005	13,14	**1,000**	**867**	**1,867**

The above were 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 2005

	Notes	2005 £'000	2004 £'000
Profit/(loss) for the year		2,615	(1,128)
Adjustments for:			
Investment revenues	6	(89)	(63)
Tax (expense)/credit		1,125	(276)
Depreciation of plant and equipment	10	-	2
Operating cash flows before movements in working capital		**3,651**	**(1,465)**
Net (increase)/decrease in loans and receivables		(15,582)	51,259
Net decrease in other debtors		-	524
Net decrease in inter-company creditor balances		(2,887)	(69,956)
Cash used by operations		**(14,817)**	**(19,638)**
Tax refund		(80)	-
Net cash used by operating activities		**(14,897)**	**(19,638)**
Cash flows from investing activities			
Interest received	6	89	63
Cash flow from financing activities			
Repayments of borrowings	19	(7,500)	-
Proceeds from borrowings	19	19,372	25,533
Net cash generated from financing activities		**11,872**	**25,533**
Net (decrease)/increase in cash and cash equivalents		(2,936)	5,958
Cash and cash equivalents at the beginning of the year	13	8,681	2,723
Cash and cash equivalents at the end of the year	13	**5,745**	**8,681**

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

1. ACCOUNTING POLICIES

1.1 Adoption of International Financial Reporting Standards

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulation. The financial statements also comply with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2004.

1.2 Basis of preparation

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

1.3 Revenue and cost recognition

Fees in respect of services are recognised as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable. The application of this policy to significant fee and cost types is outlined below.

Other administration costs - Related costs associated with broker commission received is recognised over twelve months.

1.4 Plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation (see below) and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

- Computer equipment - up to 5 years

1.5 Financial assets

Loans and receivables – financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. These are carried in the balance sheet at cost. The directors consider that the carrying amount of loans and receivables approximates their fair value.

1.6 Impairment of financial assets

Loans and receivables – a system based hold and chase process is applied should a customer fail to pay an instalment. If the second presentation of a failed instalment also fails, the broker is requested to cancel the clients insurance policy and the instalments outstanding written off pending recovery from the client or a returned premium from the Insurer.

1.7 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, except in relation to overseas earnings where remittance is controlled by the Group.

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

1. ACCOUNTING POLICIES (Continued)

1.8 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.

1.9 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.

1.10 Borrowings

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

Interest bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis in profit and loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

1.11 Accounting developments

The International Accounting Standards Board (IASB) has issued IFRS 7 'Financial Instruments: Disclosures' in August 2005. The standard replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure provisions in IAS 32 'Financial Instruments: Disclosure and Presentation'. IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of quantitative information about exposure to risks arising from financial instruments. The Standard is effective for annual periods beginning on or after 1 January 2007.

At the same time the IASB issued an amendment 'Capital Disclosures' to IAS 1 'Presentation of Financial Statements'. It requires disclosures about an entity's capital and the way it is managed. This amendment is also effective for annual periods beginning on or after 1 January 2007.

The Company is reviewing the above standards and amendments to determine their effect if any on its financial reporting.

2. MANAGEMENT OF FINANCIAL RISK

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

2.1 Financial risk

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

The Division is exposed to financial risk through its financial assets and financial liabilities (borrowings). The Division'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 Management Committee, which is made up of Senior Executives of both the Insurance Division and the Funds Management Committee.

The Investment Management Committee (IMC)

The IMC determines high level policy and controls, covering such areas as safety, liquidity and performance. It meets half-yearly to evaluate risk exposure, the current strategy and to consider investment recommendations submitted to it. Any strategy changes are included in a revised Terms of Reference for the Funds Management Committee and the Division's Investment Policy and Guidelines are updated to reflect the changes.

The Funds Management Committee (FMC)

The FMC's Terms of Reference includes:

- To ensure that the day-to day investment management is carried out effectively in accordance with the Investment Policy and Investment Guidelines
- To develop and maintain an investment strategy that is appropriate to the circumstances of the Division and satisfies all regulators
- To review the appointment and dismissal of investment advisers and the suitability of investment and dealing recommendations having regard to the nature of the investment and the circumstances of the Division
- Report non compliance to the Division and the RBS Insurance Group Limited Board

2. MANAGEMENT OF FINANCIAL RISK (Continued)

The FMC meets on a monthly basis to review summary portfolios and to review any new investment proposals. If there are any portfolio positions outside the investment strategy the fund manager is instructed to rectify the position.

The Investment Policy sets out its objectives as:

- The safety of the portfolio's principal both in economic terms and from an accounting and reporting perspective
- To maintain sufficient liquidity to provide cash need for operations
- To maximise the portfolio's total return within the constraints of the other objectives and the limits defined by the Investment Guidelines

To achieve these objectives the portfolio is required to be split between Operating Funds and Long-Term Funds. Operating Funds are those needed for current business operations and to support identified liabilities, together with an adequate safety margin, and must always be at least 35% of the total portfolio. The remainder of the portfolio is classified as long term. Derivatives may only be used for the purposes of reducing investment risks and efficient portfolio management. The Investment Guideline set out asset allocation rules and controls for each component part of the portfolio as follows:

Operating Funds

a) Asset Allocation - The Operating Funds segment of the investment portfolio shall only be invested in high quality liquid fixed and floating rate interest securities and in cash (bank deposits). Qualifying investments include:

- Bank Deposits
- Certificates of Deposit (CDs) and Commercial Paper (CP)
- Floating Rate Notes (FRNs)
- Government securities with maturities up to five years (including index linked)
- Listed Debt Securities with maturity up to five years

Investments should be managed to ensure a reasonably even spread of maturities over the forthcoming three-month period. In addition, the maturity profile must take account of any potential market price reduction due to interest rate or credit risk.

- Investments must be denominated in Sterling
- Investments in subordinated debt issued by Institutions authorised by the FSA may be made up to the specific limits agreed with The Royal Bank of Scotland Group plc risk management division
- All debt securities must have a pre-determined fixed coupon or an unrestricted variable coupon positively linked to a recognised market rate. They must also have a definitive maturity date
- The use of Futures and Forward Rate Agreements ("FRAs") are permitted strictly for the purpose of locking in yields or as an expedient method of investing in or hedging, subject to normal limits. It is expressly forbidden to use Futures or Options for gearing purposes
- Stock lending of securities is permitted within the limits agreed with The Royal Bank of Scotland Group plc risk management division

b) Controls - Bank Deposits up to one year may be approved by one member of the IMC. Other transactions must be approved by at least two members of the IMC. Any investment not specifically named in the limits agreed with The Royal Bank of Scotland Group plc risk management division must be approved by at least three members of the IMC.

2. MANAGEMENT OF FINANCIAL RISK (Continued)

Long Term Funds

a) Asset Allocation - To achieve its investment objective, the Long-Term Funds segment of the investment portfolio may be invested in the following asset classes, in addition to those mentioned in the Operating Funds.

- Equities
- Property
- Fixed Interest Debt Securities (five to fifteen years)
- Floating Rate Debt Securities (up to forty years)

Opportunistic investments in individual equity stocks will also be allowed up to a maximum of £50m and will be held as an Individual Equity Fund. This type of investment purchased for this portfolio would typically be those which are of undoubted credit quality and offer a good dividend yield. It is likely that such stocks would be liquid and traded on one of the major world stock exchanges.

b) Controls

- Investments will normally be denominated in Sterling. Suitable opportunities to invest in other currencies are permitted up to 10% (by reference to market value) of total invested funds
- Apart from currency investments, no other currency transactions are permitted except those which are specifically designed to hedge the risk associated with an underlying currency investment
- Bank Deposits up to one year may be approved by one member of the IMC, where there is a specific credit limit in place
- All debt securities must have a pre-determined fixed coupon or an unrestricted variable coupon positively linked to a recognised market rate. They must also have a definitive maturity date
- The use of Futures and Forward Rate Agreements ("FRAs") are permitted strictly for the purpose of locking in yields or as an expedient method of investing in or hedging, subject to normal limits. It is expressly forbidden to use Futures or Options for gearing purposes
- Stock lending of securities is permitted within the limits agreed with The Royal Bank of Scotland Group plc risk management division
- All equity purchases, with the exception of the Individual Equity Fund, must be purchased through one of the Investment Managers retained to run the equity funds. Any additional investments in any of the funds, other than reinvestment, must be approved by the IMC
- The RBS Insurance Group Limited Board must approve any property purchased for the sole purpose of investment. Other than owner occupied premises, property investments shall be restricted to single tenant occupied office buildings with a 'blue-chip' covenant
- Fixed interest investments with a maturity up to fifteen years may be purchased if approved by at least two members of the IMC and must be within the limits as agreed with The Royal Bank of Scotland Group plc risk management division. Any investment where no specific prior limit has been approved by The Royal Bank of Scotland Group plc risk management division must be approved by at least three members of the IMC
- Floating rate investments with a maturity up to forty years may be purchased if approved by at least two members of the IMC, and must be within the limits as agreed with The Royal Bank of Scotland Group plc risk management division. Any investment where no specific prior limit has been approved by The Royal Bank of Scotland Group plc risk management division must be approved by at least three members of the IMC
- As mentioned above any purchase for the Individual Equity Fund must not exceed the portfolio limit of £50m and must be approved by the IMC plus either the Chairman of RBS Insurance or the Chairman of The Royal Bank of Scotland Group plc. Due regard will be had to the regulator's admissibility limits and the total exposure aggregated with other debt or equity exposures to that name. Where the investment is to be made in a foreign currency, it is likely that the cost price would be hedged in the underlying currency

In general, the long-term fund will be invested in a manner such that at least 90% (by market value) of the investments are admissible assets for regulatory purposes.

The most important components of financial risk are market risk, credit risk and liquidity risk.

2. MANAGEMENT OF FINANCIAL RISK (Continued)

2.2.1 Market risk (comprising interest rate risk)

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

Exposure to market risk is managed in accordance with the guidelines set out in the RBS Insurance Division Investment Policy as detailed above.

The following tables indicate financial assets that are exposed to interest rate risk together with the corresponding range of applicable interest rates:

At 31 December 2005

Maturity date or contractual repricing date	Total - all within one year £'000
Exposed to cash flow interest rate risk	
Cash in hand and at bank (note 13 & 19)	5,745
Loans and other receivables (note 12 & 19)	10,273
Total fair value	**16,018**

Interest rate	Within one year % Interest rate
Cash in hand and at bank	3.50%
Loans and other receivables	4.78%

At 31 December 2004

Maturity date or contractual repricing date	Total - all within one year £'000
Exposed to cash flow interest rate risk	
Cash in hand and at bank (note 13 & 19)	8,681
Loans and other receivables (note 12 & 19)	-
Total fair value	**8,681**

Interest rate	Within one year % Interest rate
Cash in hand and at bank	3.75%
Loans and other receivables	0.00%

All balances shown above for the current and prior year are with related parties.

2. MANAGEMENT OF FINANCIAL RISK (Continued)

2.2.2 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 'Investment Counterparty'. This arises from the investment of monies in the range of investment vehicles permitted by the Investment Policy.

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

The following table analyses the credit exposure of the Company by type of asset.

At 31 December 2005	AA £'000	Not rated £'000	Total £'000
Cash in hand and at bank - group (note 13 & 19)	5,745	-	**5,745**
Due from contract holders (note 12)	-	66,737	**66,737**
Less provision for impairment of receivables from contract holders	-	(368)	**(368)**
Due from agents, brokers and intermediaries	-	241	**241**
Receivables from related parties	-	316	**316**
Loans and other receivables - group (note 12 & 19)	-	9,957	**9,957**
Trade and other receivables - non group (note 12)	-	1,125	**1,125**
Total assets bearing credit risk	**5,745**	**78,008**	**83,753**

At 31 December 2004	AA £'000	Not rated £'000	Total £'000
Cash in hand and at bank - group (note 13 & 19)	8,681	-	**8,681**
Due from contract holders	-	65,843	**65,843**
Less provision for impairment of receivables from contract holders	-	(5,178)	**(5,178)**
Due from agents, brokers and intermediaries	-	852	**852**
Trade and other receivables - non group (note 12)	-	910	**910**
Total assets bearing credit risk	**8,681**	**62,427**	**71,108**

2.2.3 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 Investment Guidelines. The asset class and maturity parameters contained within this policy are summarised above. Compliance is monitored both in respect of the internal policy and the regulatory requirements of the FSA, where appropriate.

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

3. REVENUE

	2005 £'000	2004 £'000
Commission	87	268
Interest income from policyholders	12,349	14,308
Interest income from related parties (note 19)	1,759	269
	14,195	**14,845**

All revenue derives from activities in the United Kingdom.

4. OTHER OPERATING INCOME

	2005 £'000	2004 £'000
Profit/(loss) on sale of property, plant and equipment	-	-
Other income	**17**	**99**

5. ADMINISTRATION EXPENSES

	2005 £'000	2004 £'000
Marketing and administrative expenses	2,038	9,849
Depreciation (note 10)	-	2
Management fees from related parties (note 19)	5,359	4,424
Expenses for asset management services rendered	1,931	247
	9,328	**14,522**

6. INVESTMENT INCOME

	2005 £'000	2004 £'000
Interest income from related parties (note 19)	39	-
Interest income from third party loans	50	63
	89	**63**

7. FINANCE COSTS

	2005 £'000	2004 £'000
Borrowings from related parties (note 19)	**1,233**	**1,889**

8. TAX CHARGE/(CREDIT)

Tax on profit on ordinary activities	2005 £'000	2004 £'000
Current taxation:		
Income tax charge / (credit) for the year	1,121	(284)
Under provision in respect of prior periods	7	8
Current tax charge / (credit) for the year	**1,128**	**(276)**
Deferred taxation:		
Charge for the year	1	-
Over provision in respect of prior periods	(4)	-
Tax charge/(credit) for the year	**1,125**	**(276)**

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2004: 30%) as follows:

	2005 £'000	2004 £'000
Expected tax charge	1,122	(290)
IFRS adjustment	-	(25)
Non-deductible items	-	31
Adjustments in respect of prior periods	3	8
Actual tax charge	**1,125**	**(276)**

The aggregate current and deferred tax relating to items that are charged or (credited) to equity is £nil (2004: £nil).

9. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year is stated after charging:	2005 £'000	2004 £'000
Depreciation of plant and equipment	-	2

Auditors' remuneration

Fees for audit and non-audit services, included within marketing and administration expenses, are borne and recharged by a related party, RBS Insurance Services Limited. The amounts recharged in respect of audit services was £7,033 (2004: £7,033). There were no non-audit services incurred during the current or preceding year.

Employees

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

Directors' emoluments

No directors who served during this or the previous financial year were remunerated by the Company. Emoluments in relation to services performed by the directors for other group companies are not disclosed in the Company's financial statements.

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

10. PLANT AND EQUIPMENT

	Computer equipment and Total £'000
Cost	
At 1 January 2004	56
Additions	-
Disposals	(56)
At 31 December 2004 and 31 December 2005	-
Depreciation	
At 1 January 2004	54
Depreciation charge for the year	2
Eliminated on disposal	(56)
At 31 December 2004 and 31 December 2005	-
Net book amount	
At 31 December 2005	-
At 31 December 2004	-

11. DEFERRED INCOME TAX

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

	Accelerated capital allowances £'000
At 1 January and 31 December 2004	-
Credit to income statement	(3)
At 31 December 2005	(3)
Deferred tax asset	3

12. LOANS AND RECEIVABLES

	2005 £'000	2004 £'000
Receivables arising from insurance and reinsurance contracts:		
Due from contract holders	66,737	65,843
Less provision for impairment of receivables from contract holders	(368)	(5,178)
Due from agents, brokers and intermediaries	241	852
Other loans and receivables:		
Receivables from related parties (note 2 & 19)	316	-
Loans to related parties (note 2 & 19)	9,957	-
Trade and other receivables	1,125	910
	78,008	**62,427**

13. CASH AND CASH EQUIVALENTS

	2005 £'000	2004 £'000
Cash at bank and in hand - related parties (note 2 & 19)	**5,745**	**8,681**

The effective interest rate on short term deposits with credit institutions was 3.50% (2004: 0.00%)

14. SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised:		
Equity shares 1 million and one hundred ordinary shares of £1 each	**1,000**	**1,000**
Issued and fully paid:		
Equity shares 1 million ordinary shares of £1 each At 1 January and 31 December	**1,000**	**1,000**

15. RETAINED EARNINGS/(LOSSES)

Retained earnings/(losses) at 31 December	**867**	**(1,748)**

16. BORROWINGS

	2005 £'000	2004 £'000
Loans from related parties (note 19)	**41,036**	**29,164**

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

17. TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	2005 £'000	2004 £'000
Due to related parties (note 19)	29,044	35,644
Trade creditors and accruals	371	329
Amounts owed to agents, intermediaries and brokers	7,530	4,345
Social security and other tax payables	-	(1)
Deferred income	4,288	3,803
	41,233	**44,120**

The directors consider that the carrying amount of payables approximates their fair value.

18. IMMEDIATE 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. 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.

19. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties.

i. Sales of services

	2005 £'000	2004 £'000
Sales of services		
The National Insurance and Guarantee Corporation Limited	82	269
Churchill Insurance Company Limited	886	-
RBS Business Insurance Services Limited	791	-
	1,759	**269**
Interest received		
National Westminster Bank Plc	**39**	**-**

Sales of services with related parties are usually negotiated on a cost plus basis, allowing for a margin ranging from 4.5% to 4.75%.

Interest income received from deposits held with related parties was at the rate of 3.50% (2004: nil).

ii. Purchases of products and services

	2005 £'000	2004 £'000
Purchases of services:		
The National Insurance and Guarantee Corporation Limited	353	-
Churchill Insurance Company Limited	-	3,418
Churchill Management Limited	-	1,006
RBS Insurance Services Limited	5,006	-
	5,359	**4,424**
Interest paid		
The National Insurance and Guarantee Corporation Limited	**1,233**	**1,889**

Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 4.5% to 4.75%.

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 £3,200,000 (2004: £2,818,000).

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19. RELATED PARTY TRANSACTIONS (Continued)

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

	2005 £'000	2004 £'000
Bank deposits held with related parties (note 13)		
National Westminster Bank Plc	**5,745**	**8,681**
Receivables from related parties (note 2 & 12)		
Churchill Insurance Company Limited	**316**	**-**
Movements in receivables from related parties were as follows:		
Transactions in the period	886	-
Settled in the period	(570)	-
At 31 December	**316**	**-**
Payables to related parties (note 17)		
The National Insurance and Guarantee Corporation Limited	26,272	29,763
RBS Insurance Services Limited	2,772	
Churchill Management Limited	-	1,006
Churchill Insurance Company Limited	-	4,875
	29,044	**35,644**
Movements in payables to related parties were as follows:		
At 1 January	35,644	69,903
Transactions in the period	5,277	8,560
Interest Paid	1,233	1,889
Settled in the period	(13,110)	(44,708)
At 31 December	**29,044**	**35,644**

iv. Loans to related parties

	2005 £'000	2004 £'000
Loans to related parties (note 2 & 12)		
RBS Business Insurance Services Limited	**9,957**	**-**

Movements in loans to related parties were as follows:

	2005 £'000	2004 £'000
At 1 January	-	-
Loans advanced during year	26,379	-
Loan repayments received	(17,213)	-
Interest charged	791	-
At 31 December	**9,957**	**-**

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

19. RELATED PARTY TRANSACTIONS (Continued)

v. Loans from related parties

	2005 £'000	2004 £'000
Loans from related parties		
The National Insurance and Guarantee Corporation Limited	**41,036**	**29,164**

Movements in loans from related parties were as follows:

	2005 £'000	2004 £'000
Loans from related parties		
At beginning of year	29,164	3,631
Loans advanced during year	19,372	25,533
Loan repayments made	(7,500)	-
At 31 December	**41,036**	**29,164**

20. TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The Company's previous financial statements under UK GAAP were for the year ended 31 December 2004 and the date of transition to IFRSs was therefore 1 January 2004.

(1) Significant differences between the Company's UK GAAP and IFRS accounting policies

	UK GAAP	IFRS
a.	**Revenue recognition** Revenue was recognised on execution of the contract and the excess over the acquisition costs was deferred over the period of the contract.	IFRS requires the use of the percentage of completion method when accounting for interest. Under this method, revenue is recognised over the duration of the underlying insurance contract (Rule *of 78 method*), to which these interest income relates. The impact of the IFRS transition as at 1 January 2004 and 31 December 2004, was an increase in trade and other payables and deferred income by £997,000 and £827,000 respectively, with a corresponding reduction in retained earnings.
b.	**Cost recognition** All costs were written off as they were incurred.	Costs of aquiring the business is deferred over the period of the contract. The impact of the IFRS transition as at 1 January 2004 and 31 December 2004, was £1,434,000 and £910,000 increase in loans and receivables respectively, with a corresponding increase in retained earnings.

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

20. TRANSITION TO IFRS (Continued)

(2) Analysis of IFRS adjustments, excluding IAS 32

Opening balance sheet at 1 January 2004

	Notes	UK GAAP £'000	Effect of transition to IFRSs £'000	IAS £'000
ASSETS				
Non-current assets				
Office equipment		2	-	2
Current assets				
Loans and receivables	a	113,929	1,434	115,363
Cash and cash equivalents		2,723	-	2,723
		116,652	1,434	118,086
Total assets		116,654	1,434	118,088
EQUITY				
Share capital		1,000	-	1,000
Retained earnings	a, b	(1,056)	436	(620)
Total equity		(56)	436	380
Current liabilities				
Trade and other payables and deferred income	b	116,710	998	117,708
Total liabilities		116,710	998	117,708
Total equity and liabilities		116,654	1,434	118,088

Reconciliation of shareholders' funds as at 1 January 2004

		£'000
UK GAAP shareholders' funds		(56)
Standards applicable to all periods:		
Loans and receivables	a	1,434
Trade and other payables and deferred income	b	(998)
Shareholders' funds under IFRS		**380**

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

20. TRANSITION TO IFRS (Continued)

Balance sheet at 31 December 2004

		UK GAAP £'000	Effect of transition to IFRSs £'000	IAS £'000
ASSETS				
Current assets				
Loans and receivables	a	61,517	910	62,427
Cash and cash equivalents		8,681	-	8,681
Current tax assets		1,428	-	1,428
Total current assets		71,626	910	72,536
Total assets		71,626	910	72,536
EQUITY				
Share capital		1,000	-	1,000
Retained earnings	a, b	(1,831)	83	(1,748)
Total equity		(831)	83	(748)
Non-current liabilities				
Borrowings		29,164	-	29,164
Current liabilities				
Trade and other payables and deferred income	b	43,293	827	44,120
Total liabilities		72,457	827	73,284
Total equity and liabilities		71,626	910	72,536

Income statement for the year ended 31 December 2004

		UK GAAP £'000	Effect of transition to IFRSs £'000	IAS £'000
Revenue	a	14,674	171	14,845
Other operating income		99	-	99
Administration expenses	b	(13,998)	(524)	(14,522)
Operating profit		775	(353)	422
Investment income		63	-	63
Finance costs		(1,889)	-	(1,889)
Profit before tax		(1,051)	(353)	(1,404)
Tax credit		276	-	276
Loss for the year	a, b	(775)	(353)	(1,128)