

Company Registration No 01670887

FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007



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

FINSURE PREMIUM FINANCE LIMITED

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FINSURE PREMIUM FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T C Brittain
C R Crawford
M A Hesketh

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 report and the audited financial statements for the year ended 31 December 2007

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 which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual 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 rbs.com

Review of the year

The directors are satisfied with the development of the Company's activities during the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth.

The directors do not recommend payment of a final dividend (2006: £nil).

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 £123,413,000 and equity of £3,817,000.

The Company is funded by facilities from members of The Royal Bank of Scotland Group. It seeks to minimise its exposure to external financial risks; further information 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 2007 to date the following changes have taken place:

	Appointed	Resigned
Director		
R D Houghton		22 January 2007
M A Hesketh	22 January 2007	

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.

FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT (Continued)

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 holding office at the date of approval of this report confirms that

- (a) so far as he 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 ought to have taken to make himself 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 T C Brittain, Mr C R Crawford, Mr M A Hesketh and Mr R D Houghton 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 & 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

MARK HESKETH

23 April 2008

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 for the year ended 31 December 2007 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 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 responsibility 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 2007 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 & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

23 April 2008

FINSURE PREMIUM FINANCE LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £'000	2006 £'000
Revenue	3	19,505	15,500
Administration expenses	4	(13,256)	(10,405)
Operating profit		6,249	5,095
Investment income	5	60	68
Finance costs	6	(5,334)	(3,336)
Profit before taxation		975	1,827
Tax charge	7	(335)	(517)
Profit for the year	8	640	1,310

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 22 form part of these financial statements

FINSURE PREMIUM FINANCE LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Notes	2007 £'000	2006 £'000
ASSETS			
<i>Non-current assets</i>			
Deferred tax assets	9	229	3
<i>Current assets</i>			
Prepayments and accrued income		877	-
Loans and receivables	11	117,593	92,128
Cash and cash equivalents	12	4,714	5,833
		123,184	97,961
Total assets		123,413	97,964
EQUITY			
Share capital	13	1,000	1,000
Retained earnings	14	2,817	2,177
Total equity		3,817	3,177
LIABILITIES			
<i>Current liabilities</i>			
Borrowings	15	33,241	20,656
Trade and other payables and deferred income	16	86,093	73,644
Current tax liabilities		262	487
		119,596	94,787
Total liabilities		119,596	94,787
Total equity and liabilities		123,413	97,964

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2008
They were signed on its behalf by



Director **MARK HESKETH**

The notes on pages 9 to 22 form part of these financial statements

FINSURE PREMIUM FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2006		1,000	867	1,867
Profit for the year		-	1,310	1,310
Balance as at 31 December 2006	13,14	1,000	2,177	3,177
Profit for the year		-	640	640
Balance as at 31 December 2007	13,14	<u>1,000</u>	<u>2,817</u>	<u>3,817</u>

The above were entirely attributable to equity shareholders of the Company

The notes on pages 9 to 22 form part of these financial statements

FINSURE PREMIUM FINANCE LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £'000	2006 £'000
Profit for the year		640	1,310
Adjustments for			
Investment revenues	5	(60)	(68)
Finance costs	6	5,334	3,336
Tax charge	7	335	517
Operating cash flows before movements in working capital		6,249	5,095
Net increase in prepayments		(877)	-
Net increase in loans and receivables		(26,154)	(15,566)
Net decrease in inter-company balances - trading		9,847	15,765
Net decrease in inter-company balances - loans		689	1,446
Net increase in other operating liabilities		2,603	1,881
Cash (used by)/generated from operations		(7,643)	8,621
Interest paid		(5,334)	(3,336)
Taxation paid		(787)	351
Net cash (used by)/generated from operating activities		(13,764)	5,636
Cash flows from investing activities			
Interest received	5	60	68
Cash flow from financing activities			
Repayments of borrowings	18vi	(48,755)	(6,169)
Proceeds from borrowings	18vi	61,340	553
Net cash generated from/(used by) financing activities		12,585	(5,616)
Net (decrease)/increase in cash and cash equivalents		(1,119)	88
Cash and cash equivalents at the beginning of the year	12	5,833	5,745
Cash and cash equivalents at the end of the year	12	4,714	5,833

The notes on pages 9 to 22 form part of these financial statements

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 arose 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

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 and brokers a bad debt provision of 100% is calculated for all balances outstanding in excess of 3 months.

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.

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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.

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.

1.9 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.

The Company has also 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 Company has considered other new international accounting standards IFRS 8 'Operating Segments' and interpretations IFRIC 11 to 13, and has concluded that these will not apply to the Company. In addition the Company has also considered IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction' issued in July 2007. The interpretation is effective for accounting periods beginning on or after 1 January 2008 and is not expected to have material effect on the Company.

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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 an entity within RBS Insurance which constitutes the Insurance Division of The Royal Bank of Scotland Group plc. The RBS Group benefits from services provided by specialist teams and risk management procedures and controls which are applied across the Division. Within RBS Insurance, risk is managed both by individual entity and on a combined basis. 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 the Insurance Division and executed on their behalf by the Funds Management Committee.

The Company's financial risk exposure is minimal and arises from its loans and receivables due from insurance and reinsurance contract holders, as well as other members of the Royal Bank of Scotland Group.

These balances are all payable on demand and carry a floating rate of interest which is reset on a monthly basis.

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 liabilities and the value of assets held.

Interest rate risk

Interest rate risk arises primarily from the Company's loans and receivables due from insurance and reinsurance contract holders, as well as other members of the Royal Bank of Scotland Group.

A table showing the sensitivity of profits to changes in interest rates is included on the next page.

Currency risk

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

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2 MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.1 Market risk (Continued)

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 5%, the impact of an immediate change to 4% or 6%)
Expenses	The impact of an increase in ongoing administrative expenses by 10%

Sensitivity as at 31 December 2007

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

Sensitivity as at 31 December 2006

	Interest rates + 1%	Interest rates - 1%	Expenses + 10%
Impact on profit before tax (£'000s)	71	(71)	(1,041)
Impact (before tax) on shareholders' equity (£'000s)	71	(71)	(1,041)

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.

2.1.2 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.

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").

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2 MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.2 Credit risk (Continued)

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.

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 (note 12 & 18iv)	4,714	-	-	-	-	4,714	-
Other loans and receivables (note 11 & 18)	115,243	1,468	679	114	89	117,593	142
	119,957	1,468	679	114	89	122,307	142

At 31 December 2006

	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 (note 12 & 18iv)	5,833	-	-	-	-	5,833	-
Other loans and receivables (note 11 & 18)	90,550	961	330	266	21	92,128	33
	96,383	961	330	266	21	97,961	33

The Company does not hold any collateral as security.

There were no material financial assets that would have been past due or impacted had the terms not been renegotiated.

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

At 31 December 2007

	AA £'000	Not rated £'000	Total £'000
Cash in hand and at bank - group (note 12 & 18iv)	4,714	-	4,714
Other loans and receivables (note 11)	-	115,243	115,243
Total assets bearing credit risk	4,714	115,243	119,957

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2 MANAGEMENT OF FINANCIAL RISK (Continued)

2.1.2 Credit risk (Continued)

At 31 December 2006

	AA	Not	Total
	£'000	rated	£'000
		£'000	
Cash in hand and at bank - group (note 12 & 18iv)	5,833	-	5,833
Other loans and receivables (note 11)	-	90,550	90,550
Total assets bearing credit risk	5,833	90,550	96,383

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 Investment Guidelines. 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

The maturity profile of the Company's financial liabilities is outlined below

At 31 December 2007

	Total	Within	1-3	3-5	5-10	Over 10
	£'000	1 year	years	years	years	years
		£'000	£'000	£'000	£'000	£'000
Borrowings	33,241	33,241	-	-	-	-
Due to related parties	69,420	69,420	-	-	-	-
Trade creditors and accruals	201	201	-	-	-	-
Amounts owed to agents, intermediaries and brokers	9,919	9,919	-	-	-	-
Deferred income	6,553	6,553	-	-	-	-
Current tax liabilities	262	262	-	-	-	-
Total	119,596	119,596	-	-	-	-

At 31 December 2006

	Total	Within	1-3	3-5	5-10	Over 10
	£'000	1 year	years	years	years	years
		£'000	£'000	£'000	£'000	£'000
Borrowings	20,656	20,656	-	-	-	-
Due to related parties	59,573	59,573	-	-	-	-
Trade creditors and accruals	572	572	-	-	-	-
Amounts owed to agents, intermediaries and brokers	8,435	8,435	-	-	-	-
Deferred income	5,064	5,064	-	-	-	-
Current tax liabilities	487	487	-	-	-	-
Total	94,787	94,787	-	-	-	-

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

3 REVENUE

	2007	2006
	£'000	£'000
Commission	-	7
Commission from related parties (note 18i)	125	879
Interest income from policyholders	18,794	14,521
Interest income from related parties (note 18i)	586	93
	<u>19,505</u>	<u>15,500</u>

All revenue derives from activities in the United Kingdom

4 ADMINISTRATION EXPENSES

	2007	2006
	£'000	£'000
Marketing and administrative expenses	8,348	5,686
Commissions payable to related parties (note 18ii)	141	274
Management fees to related parties (note 18ii)	4,767	4,445
	<u>13,256</u>	<u>10,405</u>

5 INVESTMENT INCOME

	2007	2006
	£'000	£'000
Interest income from related parties (note 18i)	60	64
Interest income from third party loans	-	4
	<u>60</u>	<u>68</u>

6 FINANCE COSTS

	2007	2006
	£'000	£'000
Interest expense - borrowings from related parties (note 18ii)	<u>5,334</u>	<u>3,336</u>

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

7 TAX CHARGE

	2007	2006
	£'000	£'000
Tax on profit on ordinary activities		
Current taxation		
Tax charge for the year	262	548
Under/(over) provision in respect of prior years	299	(31)
Current tax charge for the year	<u>561</u>	<u>517</u>
Deferred taxation		
Charge for the year	47	-
Over provision in respect of prior years	(273)	-
Tax charge for the year	<u>335</u>	<u>517</u>

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2006 30%) The differences are explained below -

	2007	2006
	£'000	£'000
Expected tax charge	292	548
Deferred tax provided at 28%	17	-
Adjustments in respect of prior years	26	(31)
Actual tax charge	<u>335</u>	<u>517</u>

The aggregate current and deferred tax relating to items that are charged or credited to equity is £nil (2006 £nil)

8 PROFIT FOR THE YEAR

Auditors' remuneration

Fees for audit services, included within marketing and administration expenses, are borne and recharged by a related party, RBS Insurance Services Limited These fees amount to £10,000 (2006 £2,947)

There were no non-audit services incurred during the current or preceding year

Directors' emoluments

	2007	2006
	£'000	£'000
Other emoluments	144	23
Company pension contributions	17	3
	<u>161</u>	<u>26</u>

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

8 PROFIT FOR THE YEAR (Continued)

Directors' emoluments (Continued)

Fees paid to directors during the year amounted to £nil (2006 £nil) and company pension contributions amounted to £16,888 (2006 £2,788)

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 £137,185 (2006 £21,742).

A contribution of £16,626 (2006 £2,667) to a money purchase scheme was made on behalf of the highest paid director. Three directors (2006 two directors) had retirement benefits accruing under money purchase pension schemes in respect of qualifying service and one director (2006 one director) had benefits accruing under defined benefit pension schemes.

During the year three directors have exercised share options (2006 two directors).

9 DEFERRED INCOME TAX

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

	Other timing differences £'000	
At 1 January 2006	3	
Credit to the income statement	-	
At 1 January 2007	3	
Credit to the income statement	226	
At 31 December 2007	229	
	2007	2006
	£'000	£'000
Deferred tax asset	229	3

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

10 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 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
Trade and other payables and deferred income	n/a	86,093	-	86,093
Current tax liabilities	n/a	-	262	262
	n/a	119,334	262	119,596
Equity				3,817
				123,413

As at 31 December 2006

	Loans and receivables £'000	Other (amortised costs) £'000	Non- financial assets / liabilities £'000	Total £'000
Deferred tax assets	-	n/a	3	3
Prepayments and accrued income	-	n/a	-	-
Loans and receivables	92,128	n/a	-	92,128
Cash and cash equivalents	5,833	n/a	-	5,833
	97,961	n/a	3	97,964
Borrowings	n/a	20,656	-	20,656
Trade and other payables and deferred income	n/a	73,644	-	73,644
Current tax liabilities	n/a	-	487	487
	n/a	94,300	487	94,787
Equity				3,177
				97,964

FINSURE PREMIUM FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

11 LOANS AND RECEIVABLES

	2007 £'000	2006 £'000
Receivables arising from the financing of insurance premiums		
Due from contract holders	106,806	81,185
Less provision for impairment of receivables from contract holders	(142)	(33)
Due from agents, brokers and intermediaries	321	171
Receivables from related parties (note 18iv)	593	654
Loans to related parties (note 18v)	7,822	8,511
Trade and other receivables	2,193	1,628
Accrued interest	-	12
Total loans and receivables	<u>117,593</u>	<u>92,128</u>

12 CASH AND CASH EQUIVALENTS

	2007 £'000	2006 £'000
Cash at bank and in hand		
- related parties (note 18iv)	<u>4,714</u>	<u>5,833</u>

The effective interest rate on short - term deposits with credit institutions was 5.5% (2006 5.15%)

13 SHARE CAPITAL

The Company's authorised share capital is made up of 1,000,100 £1 ordinary shares amounting to £1,000,100 (2006 £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 (2006 £1,000,000)

14 RETAINED EARNINGS

	£'000
Balance as at 1 January 2006	867
Profit for the year	<u>1,310</u>
Balance as at 31 December 2006	2,177
Profit for the year	640
Retained earnings at 31 December 2007	<u>2,817</u>

15 BORROWINGS

	2007 £'000	2006 £'000
Loans from related parties (note 18vi)	<u>33,241</u>	<u>20,656</u>
The borrowings are repayable as follows		
On demand	<u>33,241</u>	<u>20,656</u>

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

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

16 TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	2007	2006
	£'000	£'000
Due to related parties (note 18iv)	69,420	59,573
Trade creditors and accruals	201	572
Amounts owed to agents, intermediaries and brokers	9,919	8,435
Deferred income	6,553	5,064
	86,093	73,644

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. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ

18 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties

i Sales of services

	2007	2006
	£'000	£'000
Sales of services (note 3)		
Churchill Insurance Company Limited	-	318
RBS Business Insurance Services Limited	586	561
The National Insurance and Guarantee Corporation Limited	125	93
	711	972
Interest received (note 5)		
National Westminster Bank Plc	60	64

Sales of services with related parties are usually negotiated on a cost plus basis, allowing for a margin ranging from 5.49% to 6.64% (2006: 4.50% to 4.75%)

Interest income received from deposits held with related parties was at the rate of 5.5% (2006: 5.15%)

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

18 RELATED PARTY TRANSACTIONS (Continued)

ii Purchases of products and services

	2007	2006
	£'000	£'000
Purchases of services (note 4)		
RBS Insurance Services Limited	4,767	4,445
The National Insurance and Guarantee Corporation Limited	141	274
	<u>4,908</u>	<u>4,719</u>
Interest paid (note 6)		
The National Insurance and Guarantee Corporation Limited	<u>5,334</u>	<u>3,336</u>

Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 5.49% to 6.64% (2006 4.50% 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 £2,367,000 (2006 £2,971,000)

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

	2007	2006
	£'000	£'000
Other emoluments	160	32
Company pension contributions	18	3
	<u>178</u>	<u>35</u>

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

	2007	2006
	£'000	£'000
Bank deposits held with related parties (note 12)		
National Westminster Bank Plc	<u>4,714</u>	<u>5,833</u>
Receivables from related parties (note 11)		
RBS Business Insurance Services Limited	586	561
The National Insurance and Guarantee Corporation Limited	7	93
	<u>593</u>	<u>654</u>

Movements in receivables from related parties were as follows

At 1 January	654	316
Transactions in the year	711	972
Settled in the year	(772)	(634)
At 31 December	<u>593</u>	<u>654</u>

FINSURE PREMIUM FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

18 RELATED PARTY TRANSACTIONS (Continued)

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

	2007	2006
	£'000	£'000
Payables to related parties (note 16)		
Churchill Insurance Company Limited	-	36
RBS Insurance Services Limited	382	308
The National Insurance and Guarantee Corporation Limited	69,038	59,229
	69,420	59,573

	2007	2006
	£'000	£'000
Movements in payables to related parties were as follows		
At 1 January	59,573	43,808
Transactions in the year	10,624	19,853
Interest charged	3,915	2,505
Settled in the year	(4,692)	(6,593)
At 31 December	69,420	59,573

v Loans to related parties

	2007	2006
	£'000	£'000
Loans to related parties (note 11)		
RBS Business Insurance Services Limited	7,822	8,511

	2007	2006
	£'000	£'000
Movements in loans to related parties were as follows		
At 1 January	8,511	9,957
Loans advanced during year	17,978	18,688
Loan repayments received	(18,667)	(20,134)
At 31 December	7,822	8,511

vi Loans from related parties

	2007	2006
	£'000	£'000
Loans from related parties (note 15)		
The National Insurance and Guarantee Corporation Limited	33,241	20,656

	2007	2006
	£'000	£'000
Movements in loans from related parties were as follows		
At 1 January	20,656	26,272
Loans advanced during the year	61,340	553
Loan repayments made	(50,174)	(7,000)
Interest charged	1,419	831
At 31 December	33,241	20,656