

FINSURE PREMIUM FINANCE LIMITED

ANNUAL REPORT 1998

Registration No. 1670887



FINSURE PREMIUM FINANCE LIMITED

DIRECTORS' REPORT

The Directors submit their report and accounts for the year to December 31, 1998.

Results and dividends

The profit on ordinary activities after taxation amounted to £315,000 (1997 - £44,000).

The Directors do not recommend the payment of a final dividend.

Review of the business and future developments

The company's principal activity is the transaction of premium finance business for all classes of insurance other than life assurance. The Directors anticipate that this business will continue to grow strongly during 1999.

Directors and their interests

The Directors who served during the year were as follows:

P M Bunker	
J Carrier	
H S Hughes	(appointed September 10, 1998)
A T Judt	(appointed September 10, 1998)

No Director had, at any time during the period, any interest in the shares of this company.

Mr P Chaplain was appointed a Director on April 15, 1999.

Payment of suppliers

It is the practice of the company to pay all suppliers within the terms of credit agreed with each supplier.

Year 2000 compliance

A group-wide programme, designed to address the full impact of the Year 2000 on the business, has been commissioned by the Board of the company's parent undertaking, The National Insurance and Guarantee Corporation PLC and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all of the Group's activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates to minimise exposure to the effects of the Year 2000. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on the business of Year 2000 related failures by the Group's significant brokers and policyholders and other third parties upon whom the Group relies for the provision of services. Formal communication has been initiated with these parties to ensure similar plans have been, or are being, implemented, by them.

The Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant failures or issues that might arise from the Year 2000.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to the computer hardware and software is estimated at £1m which is being expensed as incurred in the accounts of the parent undertaking, The National Insurance and Guarantee Corporation PLC.

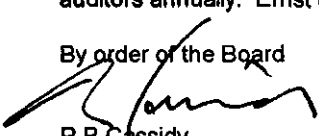
Post balance sheet events

There have been no significant post balance sheet events.

Auditors

Pursuant to Section 386 of the Companies Act 1995, the company has dispensed with the requirement to re-elect its auditors annually. Ernst & Young therefore automatically remain in office as auditors for the next financial year.

By order of the Board


P B Cassidy
Secretary
July 30, 1999.

FINSURE PREMIUM FINANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the Directors are required to :

- * select suitable accounting policies and then apply them consistently;
- * make judgments 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 accounts 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 accounts comply 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.

FINSURE PREMIUM FINANCE LIMITED

REPORT OF THE AUDITORS

to the members of Finsure Premium Finance Limited

We have audited the accounts on pages 4 to 8, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

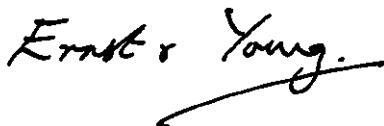
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at December 31, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

4 August 1999.

FINSURE PREMIUM FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended December 31, 1998

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Turnover	2	3,893	815
Administrative expenses		2,743	627
Operating profit		1,150	188
Interest receivable		4	4
Interest payable to parent undertaking		724	133
Profit on ordinary activities before taxation	3	430	59
Taxation charge	4	115	15
Retained profit for the financial year		315	44
Retained profit/(loss) brought forward		31	(13)
Retained profit carried forward		346	31

All activities dealt with in the profit and loss account relate to continuing activities.

There are no recognised gains and losses other than the profit for the year.

FINSURE PREMIUM FINANCE LIMITED

BALANCE SHEET **at December 31, 1998**

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Current assets			
Premium finance loans		21,604	7,067
Other debtors	5	45	48
Cash at bank and in hand		665	-
		<hr/>	<hr/>
		22,314	7,115
		<hr/>	<hr/>
Creditors: amounts falling due within one year			
Amounts due to parent undertaking		17,541	5,327
Other creditors	6	4,427	1,734
Bank overdraft		-	23
		<hr/>	<hr/>
		21,968	7,084
		<hr/>	<hr/>
Net current assets		346	31
		<hr/>	<hr/>
Capital and reserves:			
Called up share capital	7	-	-
Profit and loss account		346	31
		<hr/>	<hr/>
Shareholder's funds (equity interests)	8	346	31
		<hr/>	<hr/>

These accounts were approved by the Board of Directors on *July 30, 1999*

On behalf of the Board


J CARRIER


P M BUNKER

Directors

July 30, 1999.

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE ACCOUNTS

Year ended December 31, 1998

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with section 226 of and schedule 4 to the Companies Act 1985 and with applicable accounting standards.

Turnover

Credit interest is accounted for in the period in which loans are processed; a provision for unearned credit interest is made based on the reducing capital balances outstanding on loans.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

Cash flow statements

As permitted by Financial Reporting Standard No. 1 (revised), a cash flow statement is not presented in these accounts as the company is a wholly owned subsidiary of Skandia Insurance Company Limited (publ), the consolidated accounts of which are publicly available.

2. Turnover

	<u>1998</u> £'000	<u>1997</u> £'000
Lease rentals receivable	-	12
Net earnings from premium finance loans	<u>3,893</u>	<u>803</u>
	<u>3,893</u>	<u>815</u>

All the above income arises in the UK.

3. Profit on ordinary activities before taxation

There is no charge in the accounts for auditor's remuneration as these costs are borne by the parent undertaking, The National Insurance and Guarantee Corporation PLC.

All the Directors who served throughout the year, with the exception of A T Judt, were also Directors of The National Insurance and Guarantee Corporation PLC and were remunerated by that company for their services to the group as a whole. Details of their remuneration are included within the aggregate remuneration of that company and can be found in the accounts of The National Insurance and Guarantee Corporation PLC.

The company has no employees.

4. Taxation

	<u>1998</u> £'000	<u>1997</u> £'000
Group relief - current year @ 31.0%	133	13
Group relief - prior year @ 31.5%	(18)	2
	<u>115</u>	<u>15</u>

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE ACCOUNTS (continued) Year ended December 31, 1998

5. Other debtors

	<u>1998</u> £'000	<u>1997</u> £'000
Loans to brokers		
Amounts falling due in:		
Less than one year	11	10
One to two years	11	10
Two to five years	<u>17</u>	<u>28</u>
	39	48
Prepayments	<u>6</u>	<u>-</u>
	<u>45</u>	<u>48</u>

6. Other creditors

	<u>1998</u> £'000	<u>1997</u> £'000
Due to insurance brokers and agents	2,260	1,020
Accruals	2,034	644
Group relief	<u>133</u>	<u>70</u>
	<u>4,427</u>	<u>1,734</u>

7. Share capital

	<u>1998</u> £'000	<u>1997</u> £'000
<u>Authorised</u>		
100 ordinary shares of £1 each	-	-
<u>Allotted, called up and fully paid</u>		
100 ordinary shares of £1 each	-	-

8. Reconciliation of movement in shareholder's funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At January 1, 1997	-	(13)	(13)
Profit for the year	<u>-</u>	<u>44</u>	<u>44</u>
At December 31, 1997	<u>-</u>	<u>31</u>	<u>31</u>
At January 1, 1998	-	31	31
Profit for the year	<u>-</u>	<u>315</u>	<u>315</u>
At December 31, 1998	<u>-</u>	<u>346</u>	<u>346</u>

9. Related party transactions

Exemption

The company has taken advantage of the exemption under paragraph 17 of FRS8 "Related Party Disclosures" as at least 90% of its voting rights are controlled within the group of companies, of which it is a member.

FINSURE PREMIUM FINANCE LIMITED

NOTES TO THE ACCOUNTS (continued) **Year ended December 31, 1998**

10. Capital commitments

The company had no contracted capital commitments at December 31, 1998 (1997 - £Nil).

11. Contingent liabilities

There were no contingent liabilities at December 31, 1998 (1997 - £Nil).

12. Ultimate and intermediate parent undertakings

The ultimate parent undertaking is Skandia Insurance Company Limited (publ), a company incorporated in Sweden.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up of which the company is a member is the Skandia Insurance Company Limited and the parent undertaking of the smallest such group is The National Insurance and Guarantee Corporation PLC which is registered in England and Wales. Copies of the accounts of Skandia Insurance Company Limited (publ) are available from Crown House, 145 City Road, London, EC1V 1LP.