

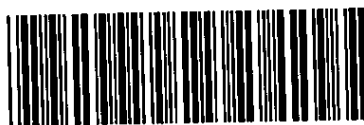
**INSURANCE FUNDING SOLUTIONS  
LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2006**

**Registered in England and Wales  
No. 2249354**

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# INSURANCE FUNDING SOLUTIONS LIMITED

## Report of the directors

The Directors submit their report together with the financial statements for the year ended 31 December 2006

### Principal Activity and Enhanced Business Review

The principal activity of the Company was the provision of credit finance by way of personal loans to customers in support of legal claims against third parties. The directors are not aware, at the date of this report of any likely changes in the company's activities in the next year.

A review of the company's risks is included in note 2 to the financial statements.

During the year the company did not write any new business but continued to manage the current loan portfolio. The directors consider the state of the company's affairs to be satisfactory. Going forward the directors will continue to reduce the loan portfolio in an economic manner.

The Abbey National plc group manages its operations on a divisional basis. For this reason, the company's directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Abbey National plc, which include the company, are discussed in the group's Annual Report which does not form part of this Report.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this Report should be construed as a profit forecast.

### Results and dividends

The profit for the year after taxation amounted to £5,147,105 (2005 profit £4,552,521).

The Directors do not propose payment of a dividend for the year (2005: £nil).

### Directors and their interests

The Directors who served throughout the year, except as noted, were

M C Jackson  
A T Rougier  
S J Taylor (resigned 28 February 2006)  
B M D Geiringer (appointed 31 August 2006, resigned 28 February 2007)  
P A Ramsell (appointed 8 June 2006, resigned 31 August 2006)

No Director of the Company has any interest in the shares of the Company, or of other Group Companies incorporated in Great Britain.

### Financial Instruments

The Company's financial risk management policies are outlined in note 2 to the financial statements.

# INSURANCE FUNDING SOLUTIONS LIMITED

## Report of the directors (continued)

### Directors' responsibility statement

The directors are responsible for preparing their report and financial statements. The directors have chosen to prepare accounts for the Company in accordance with International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

### Third Party Indemnities

During 2006, Abbey National plc applied the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004 to provide enhanced indemnities to the Directors of the Company against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnities remain in force as at the date of this Annual Report & Accounts. A copy of each of the indemnities is kept at the registered office address of Abbey National plc.

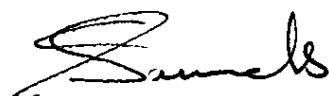
### Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in s234ZA of the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information (as defined in s234ZA of the Companies Act 1985) and to establish that the company's auditors are aware of that information.

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Deloitte & Touche LLP are deemed to have been reappointed as auditors of the Company.

### By Order of the Board



For and on behalf of  
Abbey National Secretariat Services Limited, Secretary

7 March 2007

Registered Office Address: Abbey National House, 2 Triton Square, Regent's Place, London NW1 3AN

# INSURANCE FUNDING SOLUTIONS LIMITED

## Independent auditors' report to the members of Insurance Funding Solutions Limited

We have audited the financial statements of Insurance Funding Solutions Limited for the year ended 31 December 2006 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. 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 Directors' 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 are 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 and 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 further 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 judgments made by the directors in the preparation of the financial statements, 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 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 2006 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.

### Separate opinion in relation to IFRSs

As explained in Note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

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 2006 and of its profit for the year then ended.

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London  
March 2007

# INSURANCE FUNDING SOLUTIONS LIMITED

## Income Statement

For the year ended 31 December 2006

Continuing operations	Notes	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Revenue	3	9,712,388	13,435,187
Other operating income	3	1,223,237	807,322
Movement in loan loss allowances	11	21,729,055	5,173,171
Administrative expenses		(21,422,782)	(4,303,718)
Profit from operations	5	11,241,898	15,111,962
Finance costs	7	(3,887,381)	(8,608,359)
Profit before tax		7,354,517	6,503,603
Tax charge	8	(2,207,412)	(1,951,082)
<b>Profit attributable to equity holders of the company</b>		<b>5,147,105</b>	<b>4,552,521</b>

The notes on pages 7 to 14 are an integral part of these financial statements

## Statement of Recognised Income and Expense

For the year ended 31 December 2006

The Company has no recognised income or expenses other than the results for the current and previous year as set out in the Income Statement

# INSURANCE FUNDING SOLUTIONS LIMITED

## Balance Sheet

At 31 December 2006

	Notes	2006 £	2005 £
<b>Non-current assets</b>			
Property, plant and equipment	9	-	-
Deferred tax assets	10	6,019,209	25,612
<b>Total non-current assets</b>		6,019,209	25,612
<b>Current assets</b>			
Loans	11	21,610,359	38,262,032
Trade and other receivables	12	4,119	-
Cash and cash equivalents		2,229,395	710,054
<b>Total current assets</b>		23,843,873	38,972,086
<b>Current liabilities</b>			
Trade and other payables	13	(31,138,874)	(67,680,856)
Current tax liabilities		(4,100,139)	(1,859,153)
Bank overdrafts	14	(179,507)	(160,232)
Provision	15	(20,000,000)	-
<b>Total current liabilities</b>		(55,418,520)	(69,700,241)
<b>Net current liabilities</b>		(31,574,647)	(30,728,155)
<b>Net liabilities</b>		<b>(25,555,438)</b>	<b>(30,702,543)</b>
<b>Equity</b>			
Share capital	16	12,500	12,500
Accumulated losses	17	(25,567,938)	(30,715,043)
<b>Total equity shareholders' deficit</b>		<b>(25,555,438)</b>	<b>(30,702,543)</b>

The notes on pages 7 to 14 are an integral part of these financial statements

The financial statements were approved by the board of directors and authorised for issue on 7 March 2007. They were signed on its behalf by *M. Jackson*

Director *M. L. Jackson*

# INSURANCE FUNDING SOLUTIONS LIMITED

## Cash Flow Statement

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Net cash from operating activities	18	(46,661,641)	(1,677,637)
<b>Operating activities</b>			
Receipt of payments from customers		56,123,336	-
Payments to customers		(7,961,629)	-
<b>Net cash from operating activities</b>		<b>48,161,707</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		1,500,066	(1,677,637)
Cash and cash equivalents at beginning of year		549,822	2,227,459
<b>Cash and cash equivalents at end of year</b>		<b>2,049,888</b>	<b>549,822</b>

# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 1 Accounting Policies

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union that are effective or available for early adoption at the company's reporting date. The company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention.

The company has adopted the following new or revised IFRS:

- a) The amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts" relating to Financial Guarantee Contracts
- b) The company has decided to early adopt IFRS 7 "Financial Instruments: Disclosure". The company is going to adopt the amendments to IAS 1 "Presentation of Financial statements" in 2007.

#### Revenue recognition

##### (a) Interest income

Interest income on financial instruments held at amortised cost is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts. Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### (b) Fees and commissions

Fees and commissions, which are not an integral part of the effective interest rate, are recognised when the service has been provided.

#### Financial assets

The Company classifies its financial assets on initial recognition. Management has classified all of its assets as loans and receivables.

#### Loans and receivables

Loans and receivables are non-derivative financial assets. They arise when the Company provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently measured at amortised cost, using the effective interest method, described above. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all of the risks and rewards of ownership.

#### Impairment of financial assets at amortised cost

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted, are experiencing significant financial difficulty, or the debt has been restructured to reduce the burden to the borrower.

Impairment losses are assessed individually for the financial assets that are individually significant and individually or collectively for assets that are not individually significant.

For individually assessed assets, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of the estimated future cash flows from the asset or group of assets discounted at the original effective interest rate of the asset.



# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 1 Accounting Policies (continued)

#### Impairment of financial assets at amortised cost (continued)

In making collective assessment for impairment, financial assets are assessed for each portfolio segmented by similar risk characteristics. Future cash flows from these portfolios are estimated based on historical loss experience. The historical loss experience is adjusted for current observable data, to reflect the effects of current conditions not affecting the period of historical experience. The loss is discounted at the effective interest rate, except where portfolios meet the criteria for short-term receivables. The impact of the discounting is reported through interest receivable within the income statement and represents the unwind of the discount.

Impairment losses are recognised in profit and loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for 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.

#### Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Pensions and other post retirement benefits

The Company participates in two pension schemes:

##### (a) Abbey National Group Defined Benefits Scheme

This is a multi employer scheme. The Company accounts for this scheme as if it were a defined contributions scheme as it is not possible to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The amounts charged to the profit and loss account in respect of this scheme are the contributions payable in the year.

##### (b) Abbey National Group Money Purchase Scheme

The company participates in an Abbey National Group money purchase scheme. The amounts charged to the profit and loss account are the contributions payable in the year.

#### Property, plant and equipment

Property, plant and equipment, includes office fixtures and equipment.

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Items of property, plant and equipment are reviewed for indications of impairment at each reporting date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit reported as other operating expenses. Repairs and renewals are charged to the income statement when the expenditure is incurred.

Classes of property, plant and equipment are depreciated on a straightline basis over their useful life as follows:

Office fixtures and equipment	5 to 8 years
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The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Current taxes, including deferred taxes

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 1 Accounting Policies (continued)

#### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short term investments in securities

#### Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

### 2 Financial risk factors

The Company's activities might expose it to a variety of financial risks credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance

Risk management is carried out by the central risk management function of the Abbey Group. Authority flows from the Abbey National plc Board of Directors to the Chief Executive Officer and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management or oversight. Their authority is derived from the person they are intended to assist

### 3 Revenue

An analysis of the company's revenue is as follows

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Interest recognised on trade receivables	9,712,388	13,435,187
Commission fees	1,223,237	807,322
	<b>10,935,625</b>	<b>14,242,509</b>

### 4 Restructuring costs

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Redundancy costs	-	850,813

### 5 Profit from operations

Profit from operations has been arrived at after charging

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Depreciation of property, plant and equipment	-	22,031
Staff costs	725,373	2,114,748
Provision charge	20,000,000	-

Fees payable to the company's auditors for the audit of the company's annual accounts for the current year are £6,500 (2005 £6,500) and have been borne by the Company's immediate parent undertaking Abbey National plc, for which no recharge has been made in the current or prior year

# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 5 Profit from operations (continued)

#### Retirement Benefit Obligation

The company is unable to identify its share of the underlying assets and liabilities of the various pension schemes in operation throughout the Abbey National Group and has, therefore, accounted for its contributions to the pension schemes as if they were defined contribution schemes. Details of the scheme and any associated deficit or surplus appear in the accounts of Abbey National plc.

An amount of £23,978 was recognised as an expense for defined contribution plans in 2006 (2005 £52,863)

### 6 Staff costs

The average monthly number of employees (including executive directors) was

	2006 Number	2005 Number
Directors	1	2
Administrative staff	12	24
	<b>13</b>	<b>26</b>

Their aggregate remuneration comprised

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Wages and salaries	541,952	827,374
Redundancy costs	-	850,813
Social security	54,707	111,149
Other staff costs	104,736	272,549
Pension costs	23,978	52,863
	<b>725,373</b>	<b>2,114,748</b>

#### Directors' emoluments and interests

The aggregate emoluments received by the Directors of the Company were

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Salaries and fees	15,451	447,387
Performance related payments	13,333	105,700
Other taxable benefits	-	670
Total emoluments excluding pension contributions	28,784	553,757
Compensation for loss of office	-	280,847
	<b>28,784</b>	<b>834,604</b>

The aggregate emoluments above exclude emoluments received by Directors in respect of their primary duties as Directors or officers of Abbey National plc. No apportionment of this remuneration has been made.

One Director will be receiving benefits under a defined benefits scheme (2005 one) and no Directors (2005 none) are receiving benefits under a defined contribution scheme.

The Company did not enter into any loans, quasi loans or credit transactions with persons who are or were directors, connected persons or officers of the company in the current year.

No Director had a material interest in any contract with the Company or any of its subsidiaries at any time during the year. The Directors did not have any interests in shares or debentures of these subsidiaries. One of the directors had a service contract with the Company during the year.

# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 7 Finance costs

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Interest on other loans	-	183,806
Interest on loans from group undertakings	3,887,381	8,424,553
	<b>3,887,381</b>	<b>8,608,359</b>

### 8 Tax

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Current tax		
UK corporation tax	8,200,279	1,859,153
Adjustments in respect of prior periods	730	90,000
	<b>8,201,009</b>	<b>1,949,153</b>
Deferred tax (note 10)		
Origination and reversal of timing difference	(5,993,597)	1,929
	<b>2,207,412</b>	<b>1,951,082</b>

Corporation tax is calculated at 30% (2005 30%) of the estimated assessable profit/(loss) for the year

The charge for the year can be reconciled to the profit per the income statement as follows

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Profit before tax		
Continuing operations	7,354,517	6,503,603
Tax at the UK corporation tax rate of 30% (2005 30%)	2,206,355	1,951,081
Non allowable expenditure	327	-
Adjustments to charge in respect of prior periods	730	1
<b>Tax expense for the year</b>	<b>2,207,412</b>	<b>1,951,082</b>

### 9 Property, plant and equipment

	Office fixtures and equipment £	Total £
<b>Cost or valuation</b>		
At 1 January 2005	190,787	190,787
Disposals	(190,787)	(190,787)
<b>At 31 December 2005</b>	-	-
At 1 January 2006	-	-
<b>At 31 December 2006</b>	-	-
<b>Accumulated depreciation and impairment</b>		
At 1 January 2005	152,492	152,492
Charge for the year	22,031	22,031
Eliminated on disposals	(174,523)	(174,523)
<b>At 31 December 2005</b>	-	-
At 1 January 2006	-	-
<b>At 31 December 2006</b>	-	-
<b>Carrying amount</b>		
At 31 December 2006	-	-
At 31 December 2005	-	-

# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 10 Deferred tax assets

The following are the major deferred tax assets recognised by the company and the movements thereon during the current and prior year

	Short term timing differences	Accelerated tax depreciation	Total
	£	£	£
At 1 January 2005	-	27,541	27,541
(Charge) to income	-	(1,929)	(1,929)
<b>At 31 December 2005 and 1 January 2006</b>	<b>-</b>	<b>25,612</b>	<b>25,612</b>
Credit/(charge) to income	6,000,000	(6,403)	5,993,597
<b>At 31 December 2006</b>	<b>6,000,000</b>	<b>19,209</b>	<b>6,019,209</b>

### 11 Loans

	2006 £	2005 £
Loans to customers	60,018,725	106,437,648
Loan loss allowances	(38,408,366)	(68,175,616)
<b>Net loans to customers</b>	<b>21,610,359</b>	<b>38,262,032</b>

	2006 £	2005 £
<b>Movement in loan loss allowances</b>		
Balance at 1 January	(68,175,616)	(88,531,989)
Loan loss allowances write-offs	8,038,195	15,183,202
Decrease in loan loss allowances	21,729,055	5,173,171
<b>Balance at 31 December</b>	<b>(38,408,366)</b>	<b>(68,175,616)</b>

The directors consider that the carrying amount of the loans approximates to their fair value

### 12 Trade and other receivables

	2006 £	2005 £
Amounts due from group companies	4,119	-

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

### 13 Trade and other payables

	2006 £	2005 £
Amounts due to group companies	21,952,858	58,538,968
Amounts due to group companies – in respect of Group Payment Arrangement	4,100,140	-
Accrued and deferred income	785,631	1,174,215
Other payables	4,300,245	7,967,673
	<b>31,138,874</b>	<b>67,680,856</b>

The directors consider that the carrying amount of trade and other payables approximates to their fair value

### 14 Bank overdrafts

	2006 £	2005 £
Bank overdrafts	179,507	160,232

# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 15 Provisions

	2006 £	2005 £
<b>Loan loss provision</b>		
Balance at 1 January	-	-
Additional provision in the year	20,000,000	-
<b>Balance at 31 December</b>	<b>20,000,000</b>	<b>-</b>

The provision relates to legal expenditure and other professional fees that the directors estimate will be incurred in respect of the resolution of disputes connected with run off of the loan portfolio

### 16 Share capital

	2006 £	2005 £
<b>Authorised</b>		
50,000 ordinary shares of £1 each	50,000	50,000
<b>Called up but not paid</b>		
12,500 ordinary shares of £1 each	12,500	12,500

### 17 Accumulated losses

	£
Balance at 1 January 2005	(35,267,564)
Profit for the year	4,552,521
<b>Balance at 31 December 2005 and 1 January 2006</b>	<b>(30,715,043)</b>
Profit for the year	5,147,105
<b>Balance at 31 December 2006</b>	<b>(25,567,938)</b>

### 18 Notes to the cash flow statement

	2006 £	2005 £
Profit for the year from continuing operations	5,147,105	4,552,521
Adjustments for		
Tax	2,207,412	1,951,082
Depreciation	-	22,031
Operating cash flows before movements in working capital	7,354,517	6,525,634
(Increase)/decrease in loans	(31,510,034)	85,940,148
(Increase) in trade and other receivables	(4,119)	-
(Decrease) in trade and other payables	(40,642,122)	(94,143,419)
Increase in provisions	20,000,000	-
Cash generated by operations	(44,801,758)	(1,677,637)
Tax paid	(1,859,883)	-
<b>Net cash flow from operating activities</b>	<b>(46,661,641)</b>	<b>(1,677,637)</b>

Cash and cash equivalents comprise cash at bank, bank overdraft and other short-term highly liquid investments with a maturity of three months or less

### 19 Contingent liabilities and commitments

As at 31 December 2006 there were £1,217,838 (2005 £6,472,104) of undrawn standby facilities

# INSURANCE FUNDING SOLUTIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 20 Related party transactions

The following were the balances with related parties as at 31 December 2006 and 31 December 2005

	Finance costs		Expenses		Amounts due from/(to) group companies	
	2006 £	2005 £	2006 £	2005 £	2006 £	2005 £
Abbey National Treasury Services plc	318,688	3,773,387	-	-	4,119	(32,450,015)
Abbey National plc	3,568,693	4,651,166	1,422,782	4,004,116	(26,052,998)	(26,088,953)

The directors consider that the carrying amount of intercompany balances approximates to their fair value and they are included in trade and other receivables (note 12) and trade and other payables (note 13). Amounts owed to Abbey National Treasury Services plc is an interest bearing loan with a maturity of within one month and amount owed to immediate UK parent undertaking is also interest bearing.

### Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures"

	2006 £	2005 £
Short-term employee benefits	28,784	553,757
Post-employment benefits	9,295	25,711
Termination benefits	-	280,847
Share-based payment	-	1,956
	<b>104,695</b>	<b>862,271</b>

### 21 Parent undertaking and controlling party

The Company's immediate parent company is Abbey National plc

The Company's ultimate controlling party is Banco Santander Central Hispano S A, a company incorporated in Spain. Banco Santander Central Hispano, S A is the parent undertaking of the largest group of undertakings for which group accounts are drawn up. Abbey National plc is the immediate parent undertaking of the smallest group of undertakings for which group accounts are drawn up.

Copies of all sets of group accounts, which include the results of the company, are available from Abbey Secretariat, Abbey National House, 2 Triton Square, Regents Place, London, NW1 3AN