

REGISTERED NUMBER: 4719160 (England and Wales)

**Report of the Directors and
Unaudited Financial Statements for the Year Ended 31st December 2007
for
Bankhall Investment Finance Limited**



Bankhall Investment Finance Limited

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for the Year Ended 31st December 2007**

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Bankhall Investment Finance Limited

**Company Information
for the Year Ended 31st December 2007**

DIRECTORS:

Mr Michael John Gordon
Mr Peter Mann

SECRETARY:

Mr Roger Quentin Phillips

REGISTERED OFFICE:

Skandia House
Portland Terrace
Southampton
SO14 7EJ

REGISTERED NUMBER:

4719160 (England and Wales)

Bankhall Investment Finance Limited

**Report of the Directors
for the Year Ended 31st December 2007**

The directors present their report with the financial statements of the company for the year ended 31st December 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the assessment, administration and monitoring of loans to the IFA marketplace

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

The directors made the decision to close the operation to new business on 27th August 2004 and as such there have been no loans issued since that date. The company is therefore not trading, however it is still actively operating the loans previously entered into. The directors are satisfied with the results for the year and the company's position at the year end.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2007

DIRECTORS

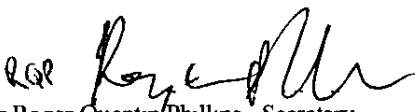
The directors shown below have held office during the whole of the period from 1st January 2007 to the date of this report

Mr Michael John Gordon
Mr Peter Mann

Other changes in directors holding office are as follows

Ms Suzanne Guy - resigned 28th August 2007

ON BEHALF OF THE BOARD:


Mr Roger Quentin Phillips - Secretary

Date 17/7/08

Bankhall Investment Finance Limited

**Income Statement
for the Year Ended 31st December 2007**

	Notes	2007 £	2006 £
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		<u>(4,719)</u>	<u>28,690</u>
OPERATING (LOSS)/PROFIT		<u>(4,719)</u>	<u>28,690</u>
Finance income	3	<u>2,420</u>	<u>5,821</u>
(LOSS)/PROFIT BEFORE TAX	4	<u>(2,299)</u>	<u>34,511</u>
Tax	5	<u>1,665</u>	<u>1,155</u>
(LOSS)/PROFIT FOR THE YEAR		<u><u>(634)</u></u>	<u><u>35,666</u></u>

The notes on pages 7 to 14 form part of these financial statements

Bankhall Investment Finance Limited
Statement of Recognised Income and Expense
for the Year Ended 31st December 2007

	2007 £	2006 £
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	<u>(634)</u>	<u>35,666</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	<u><u>(634)</u></u>	<u><u>35,666</u></u>

The notes on pages 7 to 14 form part of these financial statements

Bankhall Investment Finance Limited

**Balance Sheet
31st December 2007**

	Notes	2007 £	2006 £
ASSETS			
CURRENT ASSETS			
Trade and other receivables	6	-	45,000
Cash and cash equivalents	7	217,159	169,871
		<u>217,159</u>	<u>214,871</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	11,574	6,987
Tax payable		450	2,115
		<u>12,024</u>	<u>9,102</u>
NET CURRENT ASSETS		<u>205,135</u>	<u>205,769</u>
NET ASSETS		<u>205,135</u>	<u>205,769</u>
SHAREHOLDERS' EQUITY			
Called up share capital	9	1,000,000	1,000,000
Retained earnings	10	(794,865)	(794,231)
TOTAL EQUITY		<u>205,135</u>	<u>205,769</u>

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 31st December 2007

The members have not required the company to obtain an audit of its financial statements for the year ended 31st December 2007 in accordance with Section 249B(2) of the Companies Act 1985

The directors acknowledge their responsibilities for

- ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company

The financial statements were approved by the Board of Directors on its behalf by

15 July 2008

and were signed on

Mr Peter Mann - Director

The notes on pages 7 to 14 form part of these financial statements

Bankhall Investment Finance Limited

**Cash Flow Statement
for the Year Ended 31st December 2007**

	Notes	2007 £	2006 £
Cash flows from operating activities			
Cash generated from operations	14	44,868	(101,322)
Tax paid		-	1,155
Net cash from operating activities		<u>44,868</u>	<u>(100,167)</u>
 Cash flows from investing activities			
Interest received		<u>2,420</u>	<u>5,821</u>
Net cash from investing activities		<u>2,420</u>	<u>5,821</u>
 Increase/(Decrease) in cash and cash equivalents		<u>47,288</u>	<u>(94,346)</u>
Cash and cash equivalents at beginning of year	15	<u>169,871</u>	<u>264,217</u>
Cash and cash equivalents at end of year	15	<u><u>217,159</u></u>	<u><u>169,871</u></u>

The notes on pages 7 to 14 form part of these financial statements

Bankhall Investment Finance Limited

Notes to the Financial Statements for the Year Ended 31st December 2007

I ACCOUNTING POLICIES

Basis of preparation

The Financial Statements are presented in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU and effective at 31 December 2007. The Directors have adopted IAS 1 Presentation of Financial Statements - Capital Disclosure and IFRS 7 Financial Instruments Disclosure. The Directors have not adopted IFRS 8, Operating Segments, which although endorsed by the EU, is currently not mandatory until 2008.

The financial statements, which relate to the company above, are presented in pounds sterling and drawn up under the historic cost convention and in accordance with applicable accounting standards.

First time adoption of IFRS

IFRS1 First time adoption of International Financial Reporting Standards has been applied in preparing these financial statements. IFRS 1 sets out procedures that must be followed when adopting IFRS for the first time as a basis for the financial statements. The company is required to establish its IFRS accounting policies at 31 December 2007 and apply these retrospectively to determine the IFRS opening balance sheet at the date of transition, 1 January 2006.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Bankhall Investment Finance Limited

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2007**

1 ACCOUNTING POLICIES - continued

Provisions to cover guaranteed liabilities

Provisions to cover liabilities guaranteed by the company are based on appraisals of loans and advances. Specific provisions have been made in respect of all identified impaired advances. General provisions have been made in respect of all losses which although not yet specifically identified, are expected from experience to arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables do not carry any interest and are carried at their amortised cost, less appropriate allowances for estimated irrecoverable amounts.

Trade payables and other payables

Trade and other payables are not interest bearing and are stated at their amortised cost which is not materially different to cost and approximates to fair value.

Risk management and control

As a result of its normal business activities, the Company is exposed to a variety of risks, including operational, market, liquidity and credit risk.

The following section deals with the risk exposures of the Company, which result from its normal business activities.

Operational risk

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Within the Group, operational risk is sub-categorised by type such as criminal, legal, systems failure, regulatory and personnel risk. An independent operational risk function within the Company has the overall responsibility for establishing the framework within which operational risk is managed and for its consistent application across the Company. The framework is based on industry best practice and anticipated regulatory requirements. Day to day management of operational risk rests with line managers. It is managed through a combination of internal controls, processes and procedures and various risk mitigation techniques, including insurance and business continuity planning. The Group monitors operational risk through a variety of techniques, including the Board and Audit, Risk and Compliance Committee.

Fair values of financial assets and liabilities

The Directors consider that the fair value of all assets and liabilities are materially equal to their book value.

Geographical risk

All material exposures are UK resident.

Asset and Liability Maturities

All material assets and liabilities of the Company are considered to be less than 3 months.

Liquidity risk

The Company's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Company and to enable the group to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets, through committed wholesale funding facilities and through management control of growth of the business. Within this policy, the liquidity of the Company is appropriately managed.

2 EMPLOYEES AND DIRECTORS

Bankhall Investment Finance Limited

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2007**

There were no staff costs for the year ended 31 December 2007 (2006 - £nil). The directors were remunerated by the principals of the company. Their emoluments are deemed to be wholly attributable to the employing company. Accordingly, the staff costs include no emoluments for the directors (2006 - £nil).

3 NET FINANCE INCOME

	2007	2006
	£	£
Finance income		
Deposit account interest	2,418	5,821
Other interest received	2	-
	<u>2,420</u>	<u>5,821</u>

4 (LOSS)/PROFIT BEFORE TAX

The loss before tax (2006 - profit before tax) is stated after charging

	2007	2006
	£	£
Auditors' remuneration	-	881
Auditors' remuneration for non audit work	-	(2,644)
	<u>-</u>	<u>(1,763)</u>

5 TAX

Analysis of the tax credit

	2007	2006
	£	£
Current tax		
Tax	-	1,106
Prior year	(1,665)	(2,261)
	<u>(1,665)</u>	<u>(1,155)</u>
Total tax credit in income statement	<u>(1,665)</u>	<u>(1,155)</u>

Bankhall Investment Finance Limited

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2007**

5 TAX - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2007 £	2006 £
(Loss)/profit on ordinary activities before tax	<u>(2,299)</u>	<u>34,511</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2006 - 19%)	(460)	6,557
Effects of		
Expenses not deductible for tax purposes	-	19
Capital allowance in excess of depreciation	(6)	(8)
Other timing differences	-	5,147
Adjustments in respect of previous periods	(1,665)	(2,261)
Use of tax losses brought forward	466	(10,609)
Total tax	<u>(1,665)</u>	<u>(1,155)</u>

Factors that may affect future tax charges

No unprovided deferred tax assets or liabilities existed at 31 December 2007 or 2006

UK consortium relief has been provided to all consortium investors holding more than 5% of the equity of the company and has been charged at 30% (2006- 30%)

A change in the rate of corporation tax from 30% to 28% was enacted in June 2007 and will be applicable from 1st April 2008. It is not expected that this will have any significant effect on the company's current liabilities and deferred tax asset.

6 TRADE AND OTHER RECEIVABLES

	2007 £	2006 £
Current		
Amounts owed by participating interests	<u>-</u>	<u>45,000</u>

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

Amounts due from participating interests are regarded as current assets based upon the intention that these financial assets are held.

Credit risk

The company's principal financial assets are bank balances and cash and trade and other receivables.

Liquidity risk

The company's approach to managing liquidity is to maintain sufficient liquid resources to cover fluctuations in funding.

Market risk

The company is not exposed to fluctuations in foreign exchange or interest rates within its markets.

Bankhall Investment Finance Limited

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2007**

7 CASH AND CASH EQUIVALENTS

	2007	2006
	£	£
Bank accounts	217,159	169,871
	<u> </u>	<u> </u>

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

8 TRADE AND OTHER PAYABLES

	2007	2006
	£	£
Current		
Amounts owed to participating interests	8,756	231
Accruals and deferred income	2,818	6,756
	<u> </u>	<u> </u>
	11,574	6,987
	<u> </u>	<u> </u>

Trade payables and other short-term liabilities are stated at their nominal value, without discounting. These principally comprise amounts outstanding for trade purchases and ongoing expenses and costs. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Amounts due to participating interests are regarded as current liabilities.

Credit risk

Trade payables and other short term liabilities are all payable within one year.

Liquidity risk

The company has sufficient working capital to meet all financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Market risk

The company is not exposed to fluctuations in foreign exchange or interest rates within its markets.

9 CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid			2007	2006
Number	Class	Nominal value	£	£
1,000,000	Ordinary shares	£1	1,000,000	1,000,000
			<u> </u>	<u> </u>

Ordinary share capital are classified as equity if they are non-redeemable by the shareholder and any dividends are discretionary and are recognised as distributions within equity.

Bankhall Investment Finance Limited
Notes to the Financial Statements - continued
for the Year Ended 31st December 2007

10 RESERVES

	Retained earnings £
At 1st January 2007	(794,231)
Deficit for the year	(634)
At 31st December 2007	<u>(794,865)</u>

11 RELATED PARTY DISCLOSURES

During the year, the company obtained a variety of services from a subsidiary of Bankhall Investment Management Limited, one of its participating interests. The company did not obtain any services from the remaining participating interests.

At the balance sheet date the amount due from Norwich Union Life Holdings Limited, one of its participating interests, was £nil (2006- £45,000)

At the balance sheet date the amount due to Skandia UK Limited, one of its participating interests, was £nil (2006 - £nil)

At the balance sheet date the amount due to Bankhall Investment Management Limited, one of its participating interests, was £8,756 (2006 - £230)

12 ULTIMATE CONTROLLING PARTY

In the directors' opinion the company is a joint venture between the following principals

- Norwich Union Life Holdings Limited, 8 Surrey Street, Norwich, Norfolk, NR1 3NG
- Skandia UK Limited, Skandia House, Portland Terrace, Southampton, Hampshire SO14 7EJ
- Bankhall Investment Management Limited, 3 Barrington Road, Altrincham, Cheshire, WA14 1GY

and therefore does not have an immediate or ultimate parent company

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
(Loss)/Profit for the financial year	(634)	35,666
Issue of shares		
Net (reduction)/addition to shareholders' funds	(634)	35,666
Opening shareholders' funds	<u>205,769</u>	<u>170,103</u>
Closing shareholders' funds	<u><u>205,135</u></u>	<u><u>205,769</u></u>

Bankhall Investment Finance Limited

**Notes to the Cash Flow Statement
for the Year Ended 31st December 2007**

14 RECONCILIATION OF (LOSS)/PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2007	2006
	£	£
(Loss)/profit before tax	(2,299)	34,511
Finance income	-	(26,550)
	<u>(2,420)</u>	<u>(5,821)</u>
Decrease in trade and other receivables	(4,719)	2,140
Increase/(Decrease) in trade and other payables	45,000	85,726
	<u>4,587</u>	<u>(189,188)</u>
Cash generated from operations	<u><u>44,868</u></u>	<u><u>(101,322)</u></u>

15 CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow in respect of cash and cash equivalents are in respect of these balance sheet amounts

Year ended 31st December 2007

	31/12/07	1/1/07
	£	£
Cash and cash equivalents	<u>217,159</u>	<u>169,871</u>

Year ended 31st December 2006

	31/12/06	1/1/06
	£	£
Cash and cash equivalents	<u>169,871</u>	<u>264,217</u>

16 GUARANTEES AND PROVISIONS FOR LIABILITIES

On 18 June 2003, Bankhall Investment Finance entered into an agreement with the Bank of Scotland to act as guarantor for a £30m term facility which was in place until 31 July 2006

Norwich Union Life Holdings Limited and Skandia UK Limited have provided joint and several guarantees amounting to £15m to cover material losses arising from default by borrowers. The Bank of Scotland has not called upon these guarantees to date.

Under the terms of the agreement Bankhall Investment Finance Limited introduces organisations of Independent Financial Advisers (IFAs) requiring funding to the Bank of Scotland. The loan is advanced by the Bank of Scotland directly to the IFA organisation with Bankhall Investment Finance Limited providing a full guarantee to the Bank of Scotland in the event of loan default by the IFA organisation.

During 2007 one of the loans was repaid in full and as at 31 December 2007 there were two outstanding loans totalling £197,504 and owed to the Bank of Scotland by various IFA organisations. No new loans had been issued during the year. The balance outstanding at March 2008 was £173,232.

Bankhall Investment Finance Limited

**Notes to the Cash Flow Statement
for the Year Ended 31st December 2007**

17 EXPLANATION OF TRANSITION TO IFRS

This is the first year that the company has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31 December 2006 and the date of transition to IFRSs was therefore 1 January 2007.

The company is required to show the impact on the balance sheets at 1 January 2006, 31 December 2006 and 31 December 2007. The company is also required to disclose the impact on the income and expenditure accounts for the year ending 31 December 2006 and the year ending 31 December 2007.

In respect of each of the above balance sheets and income and expenditure accounts, the transition from UK GAAP to IFRS has resulted in no adjustments.