

**RFS (4) LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**COMPANY NUMBER. 1319326**



**RFS (4) LIMITED**  
**YEAR ENDED 31 DECEMBER 2007**  
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**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**OFFICERS AND PROFESSIONAL ADVISORS**

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**Directors**

S Gowler

**Secretary**

F Schneider

**Registered office**

Egale House  
78 St Albans Road  
Watford  
Hertfordshire  
WD17 1AF

**Solicitors**

Salans LLP  
Millennium Bridge House  
2 Lambeth Hill  
London  
EC4V 4AJ

**Auditors**

Deloitte LLP  
London

**RFS (4) LIMITED**  
**YEAR ENDED 31 DECEMBER 2007**  
**REPORT OF THE DIRECTORS**

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The Directors hereby submit their Report and the accounts for the year ended 31 December 2007

**Principal activities and review of the business**

RFS (4) Limited, (the company) is a limited company registered, incorporated and domiciled in England and Wales. The address of the company's registered office is on page 1

For the period 1 January 2007 to 2 July 2007

The principal activity of the company was the provision of retail vehicle financing to customers and wholesale financing to the Nissan and Renault network

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets, the management of risk also transferred to RCI Financial Services Limited

**Business Review**

The main objective of the company was to lease assets to third parties for an agreed term. For the period 1 January 2007 to 2 July 2007 the company continued to manage leasing transactions

In addition, the company is a subsidiary where the parent, RFS Limited, provided finance and associated services

At the beginning of the year, RFS Limited was a joint venture with 50% of its issued share capital being held by Capital Bank Plc, whose ultimate parent undertaking is HBOS Plc, and 50% by Renault Acceptance Limited, a subsidiary of Renault SA

On 2 July 2007 Renault Acceptance Limited purchased the 50% shareholding from Capital Bank plc with the result that from this date 100% of the issued share capital was held by subsidiaries of Renault SA

Following the share purchase, on 3 July 2007 the trade and assets of the company were transferred to RCI Financial Services Limited at book value. From this date the company was dormant

**Risk Management**

For the period 1 January 2007 to 2 July 2007

The key risks and uncertainties faced by the company were managed within the framework established for the HBOS group. The company did not have any exposure to foreign exchange risk. Interest rate risk is discussed below. The company was funded by its parent and its liquidity risk was managed within the HBOS group

## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **REPORT OF THE DIRECTORS (CONTINUED)**

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#### **Risk Management (continued)**

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets, the management of risk also transferred to RCI Financial Services Limited.

#### *Credit risk*

For the period 1 January 2007 to 2 July 2007

Management had a credit policy in place and the exposure to credit risk was monitored on an ongoing basis. Credit evaluations were performed for all customers.

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets, the management of credit risk also transferred to RCI Financial Services Limited.

#### *Interest rate risk*

For the period 1 January 2007 to 2 July 2007

The company had fixed rate agreements with customers.

Fixed rate agreements are where the customer is committed to pay interest at a fixed rate for the term of the agreement.

The company was funded on a short term basis and was exposed to interest rate risk in relation to fixed rate agreements. However, this was managed at the joint venture partner level where exposures were hedged.

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets, the management of interest rate risk also transferred to RCI Financial Services Limited.

#### *Residual risk*

For the period 1 January 2007 to 2 July 2007

The leasing portfolio included agreements where the company had a contingent liability in respect of the residual value of the assets. This area of credit policy was monitored by a separate residual value committee which met on a regular basis to consider the exposure taking into account current and projected industry trends in addition to its own risk management data.

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets, the management of residual risk also transferred to RCI Financial Services Limited.

## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **REPORT OF THE DIRECTORS (CONTINUED)**

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#### **Performance**

The company has conducted its activities throughout the year in a satisfactory manner. As stated in the Business Review, from 3 July 2007 onwards the company was dormant.

The company's loss after tax for the financial year is £3,760,000 (2006 loss after tax of £819,000).

The information about the use of financial instruments by the company is given in note 20 to the financial statements.

#### **Results and Dividends**

The results for the year are shown in the Income Statement on page 10. The directors do not recommend the payment of a dividend (2006: £nil).

#### **Going Concern**

As noted above, the business was transferred to RCI Financial Services Ltd on 3 July 2007 and the company is now dormant. As a result, it is the intention of the directors to wind the company up in due course. As a consequence, the directors have not adopted the going concern basis of accounting in preparing these financial statements.

#### **Directors**

The Directors of the company during the year to 31 December 2007 were -

S Gowler	(appointed 2 July 2007)
L J Town	(resigned 2 July 2007)
G A Grant	(resigned 2 July 2007)
P A Cottle	(resigned 2 July 2007)

During the year no Director had any beneficial interest in the share capital of the company or of any of its subsidiaries.

#### **Supplier payment policy**

For the period 1 January 2007 to 2 July 2007

The company's suppliers were paid through HBOS Plc's centralised Accounts Payable department.

HBOS plc's policy for the payment of suppliers to 2 July 2007 was as follows

## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **REPORT OF THE DIRECTORS (CONTINUED)**

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#### **Supplier payment policy (continued)**

- Payment terms will be agreed at the start of the relationship with the supplier and will only be changed by agreement,
- Standard payment terms to suppliers of goods and services will be 30 days from receipt of correct invoice for satisfactory goods or services which have been ordered and received unless other terms are agreed in contract,
- Payment will be made in accordance with the agreed terms or in accordance with the law if no agreement has been made; and
- Suppliers will be advised without delay when an invoice is contested and disputes will be settled as quickly as possible

The average number of days credit given at 31 December 2007 was nil days (2006 18 days)

For the period 3 July 2007 to 31 December 2007

Following the transfer of the company's trade and assets the payment of suppliers was taken over by RCI Financial Services Ltd

#### **Directors' statement as to disclosure of information to auditors**

Each of the persons who is a director at the date of the approval of this report, except for the limitations set out in the Directors' preparation of financial statements section, confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

#### **Directors' preparation of the financial statements**

The directors have prepared the financial statements based on the accounting records made available to them

RFS (4) Limited has traded for many years, operating as a wholly owned subsidiary of RFS Limited, which itself was a wholly owned subsidiary of a joint venture between RAL Limited and Capital Bank. RFS (4) Limited has received unqualified audit reports up to and including the December 2006 year end

**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**REPORT OF THE DIRECTORS (CONTINUED)**

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**Directors' preparation of the financial statements (continued)**

In the course of 2007, the directors engaged Ernst & Young LLP to assess the trade and assets of the company with a view of RAL Limited buying from Capital Bank the joint venture partner's 50% share of the business

The due diligence mentioned above was completed successfully and based on it, on 2 July 2007 RAL Limited became the sole shareholder of RFS Limited and its subsidiaries, which included RFS (4) Limited. On 3 July 2007, the net assets and the trade of RFS (4) Limited were transferred across to another Renault SA subsidiary company, RCI Financial Services Limited. RCI Financial Services Limited integrated those net assets and the corresponding accounting balances into its books. The balances transferred were validated by the due diligence report received. An intercompany balance between RCI Financial Services Limited and RFS (4) Limited was created to reflect the value of the net assets transferred. RCI Financial Services Limited is in a position to confirm, and has confirmed, this balance to RFS (4) Limited.

Subsequently, RCI Financial Services Limited has continued trading and has received unqualified audit reports for 2007 and 2008 statutory accounts. The directors see this as proof of the balances transferred from RFS (4) Limited being correctly valued.

However in the course of the RFS (4) Limited statutory audit it has been discovered that the nature of the accounting records means that substantive evidence no longer exists following the transfer of the business and the related records to the accounting system of RCI Financial Services Limited, to support the separate assets, liabilities and transactions of the company as at July 2007. The directors have taken all the necessary steps to provide as much evidence as possible, exhausting all available means. Some evidence still remains missing, however the directors take the view that the asset transfer from RFS (4) Limited to RCI Financial Services Limited and the subsequent unqualified audits of the transferred balances, along with the subsequent confirmation of all remaining balances on the RFS (4) Limited balance sheet, provide sufficient comfort that the RFS (4) Limited accounts are appropriately presented for statutory reporting purposes.

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



**Steve Gowler**

**8 March 2010**



## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **REPORT OF THE DIRECTORS (CONTINUED)**

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#### **Statement of directors' responsibilities in respect of the report and the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with the applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs, as adopted by the European Union, and the Companies Act 1985.

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 IFRSs 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
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RFS (4) LIMITED**

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We have audited the financial statements of RFS (4) Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Recognised Income and Expenses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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 further information outside the Annual 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, except that the scope of our work was limited as explained below.

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.

# RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2007

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RFS (4) LIMITED

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### Basis of audit opinion (continued)

We planned 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. However, the evidence available to us was limited as a result of the transfer of the company's assets and trade to RCI Financial Services Limited. As described in note 1 to the financial statements, following this transfer, accounting for the leases and other assets, liabilities and transactions which previously comprised the company's trade has been transferred to the accounting system of RCI Financial Services Limited. Whilst RCI Financial Services Limited has prepared financial statements which comprise the assets and results of the combined business including the transferred business, the nature of those accounting records mean that it is no longer possible for the directors of the company to provide us with supporting evidence for the separate assets, liabilities and transactions of the company. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning the company's financial statements and, because of the significance of this limitation of scope, we have been unable to form a view on the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether 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 loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

In respect solely of the limitation of our work referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether proper accounting records have been maintained

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the directors' report is consistent with the financial statements.

### Emphasis of matter - Financial statements prepared other than on a going concern basis

Whilst we have been unable to form an opinion on the financial statements, we draw your attention to the fact that, as described in note 1, the financial statements have been prepared on a basis other than that of a going concern.



**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
8 March 2010

**RFS (4) LIMITED**  
**YEAR ENDED 31 DECEMBER 2007**  
**INCOME STATEMENT**

	Notes	2007	2006
		£'000	£'000
Finance lease income		4	152
Net operating lease income	2	1,314	2,052
Interest expense and similar charges	3	(570)	(1,598)
<b>Net income</b>		<u>748</u>	<u>606</u>
Administrative income/(expenses)		194	(1,416)
Operating income/(expenses)		1,114	(360)
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>2,056</u>	<u>(1,170)</u>
Income tax (expense)/credit	6	(5,816)	351
<b>(Loss) after tax for the financial year all attributable to equity shareholders</b>	16	<u>(3,760)</u>	<u>(819)</u>

The notes on pages 14 to 31 form part of the financial statements

On 3 July 2007 the business was transferred to RCI Financial Services Limited. The company has been dormant since that date, and hence the above represents discontinued operations.

**RFS (4) LIMITED****YEAR ENDED 31 DECEMBER 2007****STATEMENT OF RECOGNISED INCOME AND EXPENSE**

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	Notes	2007	2006
		£'000	£'000
Loss for the year		(3,760)	(819)
<b>Total recognised income and expense</b>		<u>(3,760)</u>	<u>(819)</u>
Effect of prior year adjustment on Retained earnings	16	-	(1,002)
		<u>(3,760)</u>	<u>(1,821)</u>

The notes on pages 14 to 31 form part of the financial statements

**RFS (4) LIMITED (COMPANY NUMBER: 1319326)**

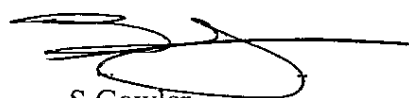
**AS AT 31 DECEMBER 2007**

**BALANCE SHEET**

	<b>Notes</b>	<b>2007</b>	<b>2006</b>
		<b>£'000</b>	<b>£'000</b>
<b>Assets</b>			
Operating leased assets	<b>7</b>	-	15,782
Deferred tax assets	<b>10</b>	-	-
Investment in subsidiaries	<b>8</b>	-	-
<b>Total non-current assets</b>		<u>-</u>	<u>15,782</u>
Cash and cash equivalents	<b>15</b>	-	35,925
Finance lease receivables	<b>9</b>	-	3,980
Amounts due from group undertakings	<b>17</b>	-	-
Current taxation debtor		-	6,549
Other current assets	<b>11</b>	-	1,606
Assets awaiting sale	<b>7</b>	-	2,680
<b>Total current assets</b>		<u>-</u>	<u>50,740</u>
<b>Total assets</b>		<u>-</u>	<u>66,522</u>
<b>Equity</b>			
Share capital	<b>16</b>	<b>1,000</b>	1,000
Retained earnings	<b>16</b>	<b>(4,859)</b>	(1,099)
<b>Total equity</b>		<u><b>(3,859)</b></u>	<u>(99)</u>
<b>Liabilities</b>			
Amounts owed to group undertakings and joint venture parties	<b>17</b>	<b>3,859</b>	48,501
Other liabilities	<b>12</b>	-	15,936
<b>Total current liabilities</b>		<u><b>3,859</b></u>	<u>64,437</u>
Deferred tax liabilities	<b>10</b>	-	2,184
<b>Total non-current liabilities</b>		<u>-</u>	<u>2,184</u>
<b>Total liabilities</b>		<u><b>3,859</b></u>	<u>66,621</u>
<b>Total equity and liabilities</b>		<u>-</u>	<u>66,522</u>

The notes on pages 14 to 31 form part of the financial statements

Approved by the Board of Directors and authorised for issue on 8 March 2010 and signed on its behalf by



**S Gowler**  
**Director**

**RFS (4) LIMITED**  
**YEAR ENDED 31 DECEMBER 2007**  
**CASH FLOW STATEMENT**

	Notes	2007	2006
		£'000	£'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		2,056	(1,170)
Adjustments for			
Finance lease impairment		-	40
Operating lease depreciation	2	2,776	5,457
Movement in receivables		5,586	2,905
Movement in payables		(15,936)	4,697
Net (profit) on sale of operating leased assets		(475)	(108)
Movement in Intercompany		2,024	-
Cash generated from operations		(3,969)	11,821
Income taxes received/(paid)		384	(482)
<b>Net cash (used in)/from operating activities</b>		(3,585)	11,339
<b>Cash flows from investing activities</b>			
Purchase of operating leased assets	7	(539)	(7,961)
Proceeds from sale of operating leased assets		16,700	19,072
<b>Net cash from investing activities</b>		16,161	11,111
<b>Net increase in cash and cash equivalents</b>		12,576	22,450
<b>Cash and cash equivalents at 1 January</b>		(12,576)	(35,026)
<b>Cash and cash equivalents at 31 December</b>	15	-	(12,576)

The notes on pages 14 to 31 form part of the financial statements

## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **1. Accounting Policies**

##### **General information**

RFS (4) Limited is a company registered in the United Kingdom

##### **Statement of compliance**

The 2007 statutory financial statements set out on pages 10 to 31 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS)

The standards adopted by the company are those endorsed by the European Union and effective at the date the IFRS financial statements are approved by the Board

##### **Basis of preparation**

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

As a wholly owned subsidiary of Renault Acceptance Ltd, a company incorporated in Great Britain, the Company is exempt under Section 228(2) of the Companies Act 1985 from preparing consolidated financial statements. Consolidated financial statements are prepared by RCI Banque, a Company incorporated in France.



## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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#### **1. Accounting Policies (continued)**

##### **Directors' preparation of the financial statements**

The directors have prepared the financial statements based on the accounting records made available to them

RFS (4) Limited has traded for many years, operating as a wholly owned subsidiary of RFS Limited, which itself was a wholly owned subsidiary of a joint venture between RAL Limited and Capital Bank. RFS (4) Limited has received unqualified audit reports up to and including the December 2006 year end

In the course of 2007, the directors engaged Ernst & Young LLP to assess the trade and assets of the company with a view of RAL Limited buying from Capital Bank the joint venture partner's 50% share of the business

The due diligence mentioned above was completed successfully and based on it, on 2 July 2007 RAL Limited became the sole shareholder of RFS Limited and its subsidiaries, which included RFS (4) Limited. On 3 July 2007, the net assets and the trade of RFS (4) Limited were transferred across to another Renault SA subsidiary company, RCI Financial Services Limited. RCI Financial Services Limited integrated those net assets and the corresponding accounting balances into its books. The balances transferred were validated by the due diligence report received. An intercompany balance between RCI Financial Services Limited and RFS (4) Limited was recognized to reflect the value of the net assets transferred. RCI Financial Services Limited is in a position to confirm, and has confirmed, this balance to RFS (4) Limited.

Subsequently, RCI Financial Services Limited has continued trading and has received unqualified audit reports for 2007 and 2008 statutory accounts. The directors see this as proof of the balances transferred from RFS (4) Limited being correctly valued.

However in the course of the RFS (4) Limited statutory audit it has been discovered that the nature of the accounting records means that substantive evidence no longer exists following the transfer of the business and the related records to the accounting system of RCI Financial Services Limited, to support the separate assets, liabilities and transactions of the company as at July 2007. The directors have taken all the necessary steps to provide as much evidence as possible, exhausting all available means. Some evidence still remains missing, however the directors take the view that the asset transfer from RFS (4) Limited to RCI Financial Services Limited and the subsequent unqualified audits of the transferred balances, along with the subsequent confirmation of all remaining balances on the RFS (4) Limited balance sheet, provide sufficient comfort that the RFS (4) Limited accounts are appropriately presented for statutory reporting purposes.

##### **Going concern**

The business was transferred to RCI Financial Services Ltd on 3 July 2007 and the company has been dormant since that date. As a result, it is the intention of the directors to wind the company up in due course. As a consequence, the financial statements have been prepared on a basis other than that of a going concern.

## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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#### **1. Accounting Policies (continued)**

##### **Details of standards not yet effective**

There are a number of new standards and interpretations issued but not yet effective which the company has not applied in these accounts

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009) and IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009)
- IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 28 Investments in Associates (revised)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)
- IFRS 9 – Financial Instruments
- IAS 24 (revised Nov 2009) – Related Party Disclosures
- Amendments to IFRS 7 (Mar 2009) - Improving Disclosures about Financial

It is anticipated that the adoption of these standards will not have a significant impact on the accounts of the company except for additional disclosure and presentational requirements.

**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1. Accounting Policies (continued)**

**Investments in subsidiary undertakings**

Shares in subsidiaries are stated at cost unless, in the opinion of the Directors, there has been impairment in value, in which circumstance a provision is made

**Finance leases, instalment credit and operating leases**

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases. Together with instalment credit agreements, they are recorded at an amount equal to the net investment in the lease, less any provisions for impairment, within finance lease receivables.

The net investment in finance leases and instalment credit agreements represents the sum of the minimum payments receivable and unguaranteed residual value (gross investment in lease) discounted at the interest rate implicit in the lease. The difference between the gross investment in the lease and the net investment in the lease is recorded as unearned finance lease income.

All other assets leased to customers are classified as operating leases. These assets are separately disclosed in the balance sheet within operating leased assets and are recorded at cost less accumulated depreciation, which is calculated on a straight line basis. Operating leased assets are reviewed for impairment when there is an indication of impairment.

Income from finance leases and instalment credit agreements is credited to the income statement using the net investment method (before tax) to give a constant periodic rate of return. Initial direct costs incurred in arranging the lease are included in the initial measurement of the finance debtor and reduce income over the lease term.

Operating leased rentals are recognised in the income statement on a straight line basis over the lease term. Initial direct costs incurred are deferred and allocated to income over the lease term in proportion to the recognition of rental income.

**Assets awaiting sale**

Assets awaiting sale comprise operating leased assets where the agreements have reached their termination date, but the assets will not be sold until after the balance sheet date.

Any potential losses on disposal of these assets have been reflected in the Residual value impairment provision.

## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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#### **1. Accounting Policies (continued)**

##### **Impairment provisions**

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

Leasing impairment is assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant.

Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. This may be after a principal payment is missed.

The recoverable amount of finance lease receivables carried at amortised cost is calculated as the present value of future cash flows, discounted at the original effective interest rate in the lease.

The recoverable amount of other assets, including operating leases, is the greater of their net selling price and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If impaired, the carrying value is adjusted and the difference charged to the income statement.

Collective assessment groups assets that share similar risk characteristics and applies a collective impairment methodology based on existing risk conditions or events that have a strong correlation with a tendency to default.

In circumstances where an asset has been collectively assessed for impairment and no objective evidence of impairment exists, then it may be subject to a collective assessment. In this situation impairment may be incurred but not yet reported.

The reversal of an impairment loss for an asset is recognised immediately in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant change in value. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1. Accounting Policies (continued)**

**Financial Liabilities**

Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method

**Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates at the balance sheet date.

**Critical sources of estimation and uncertainty**

Details of the critical sources of estimation and uncertainty are discussed in the impairment provision policy.

**2. Net operating lease income**

	2007 £'000	2006 £'000
Operating lease income	4,090	7,509
Operating lease depreciation	(2,776)	(5,457)
	<u>1,314</u>	<u>2,052</u>

**3. Interest expense and similar charges**

	2007 £'000	2006 £'000
Intra group and joint venture party interest	570	1,598
	<u>570</u>	<u>1,598</u>

**RFS (4) LIMITED****YEAR ENDED 31 DECEMBER 2007****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. Staff numbers and costs**

The company has no employees (2006 nil) It uses the services of a related undertaking for which a management charge, included in administrative expenses, is made

Auditors' remuneration for the audit of the statutory financial statements of £2,007 (2006 £5,250) is included within administrative expenses

**5. Directors' emoluments**

None of the Directors received any emoluments for their services as Directors of the company (2006 £nil)

**6. Income tax expense**

	2007 £'000	2006 £'000
<b>Current tax</b>		
Current tax charge/(credit) for the year	1,762	(4,911)
Adjustments in respect of earlier years	<u>6,104</u>	<u>35</u>
	<u>7,866</u>	<u>(4,876)</u>
<b>Deferred tax (note 10)</b>		
Deferred tax (credit)/charge for the period at a rate of 30% (2006 30%)	(1,190)	4,560
Adjustments in respect of earlier years	<u>(860)</u>	<u>(35)</u>
	<u>(2,050)</u>	<u>4,525</u>
Total income tax expense/(credit) in income statement	<u>5,816</u>	<u>(351)</u>

**RFS (4) LIMITED****YEAR ENDED 31 DECEMBER 2007****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6. Income tax expense (continued)****Reconciliation of effective tax rate**

The tax assessed for the year is higher than (2006 equal to) the standard rate of corporation tax in the UK of 30%. The difference is explained below

	2007 £'000	2006 £'000
<b>Current tax</b>		
Profit/(loss) on ordinary activities before tax	<u>2,056</u>	<u>(1,170)</u>
Tax on profit/(loss) on ordinary activities at the standard rate	618	(351)
Effect of		
Capital allowances in excess of depreciation	427	-
Movement in short term timing differences	718	-
Under provision for prior years' liability	6,104	-
Deferred tax adjustment in respect of accelerated capital allowances	(472)	-
Deferred tax adjustment in respect of short term timing differences	(718)	-
Deferred tax adjustment on prior year in respect of accelerated capital allowances	2,656	-
Deferred tax adjustment on prior year in respect of accelerated capital allowances	(3,517)	-
	<u>5,816</u>	<u>(351)</u>

**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Operating leased assets**

<b>Cost</b>	<b>Operating leases £'000</b>
Balance at 1 January 2006	61,776
Additions	7,961
Disposals	(33,136)
<b>At 31 December 2006</b>	<b>36,601</b>
Balance at 1 January 2007	36,601
Additions	539
Disposals	(9,019)
Transfer to RCI FS	(28,121)
<b>At 31 December 2007</b>	<b>-</b>
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2006	26,854
Depreciation charge for the year	5,745
Impairment	(288)
Disposals	(14,172)
<b>At 31 December 2006</b>	<b>18,139</b>
Balance at 1 January 2007	18,139
Depreciation charge for the year	2,777
Disposals	(5,134)
Transfer to RCI FS	(15,782)
<b>At 31 December 2007</b>	<b>-</b>
<b>Net Book Value</b>	
<b>At 31 December 2006</b>	
Operating leased assets	15,782
Assets awaiting sale	2,680
	<b>18,462</b>
<b>At 31 December 2007</b>	
Operating leased assets	-
Assets awaiting sale	-
	<b>-</b>

During the year, the company acquired, for cash, operating leased assets at a cost of £539,000 (2006 £7,961,000)

For 2006 assets awaiting sale relate to operating leased assets which have reached the end of their agreement period, and are awaiting sale. Assets awaiting sale are shown separately on the balance sheet



**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**8. Investment in subsidiary undertakings**

	<b>£</b>
Investment at 31 December 2007 and 2006	<u><b>6</b></u>

The company owns all the issued share capital of the companies listed below

The company's subsidiary undertakings, which are incorporated in the United Kingdom, are

	<b>Class of capital &amp; percentage held</b>	<b>Nature of business</b>	<b>Accounting reference date</b>
RFS (1) Limited	100% of Ordinary Shares	Provision of finance and associated services	31 March
RFS (2) Limited	100% of Ordinary Shares	Provision of finance and associated services	30 June
RFS (3) Limited	100% of Ordinary Shares	Provision of finance and associated services	30 September

**RFS (4) LIMITED****YEAR ENDED 31 DECEMBER 2007****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****9. Finance lease receivables**

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Gross investment in finance leases, receivable		
No later than one year	-	2,772
Later than 1 year and no later than 5 years	-	1,524
Later than 5 years	-	-
	<u>-</u>	<u>4,296</u>
Unearned future finance income on finance leases	-	(306)
	<u>-</u>	<u>3,990</u>
Impairment provisions	-	(10)
Net investment in finance leases	<u>-</u>	<u>3,980</u>
The net investment in finance leases may be analysed as follows		
	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
No later than one year	-	2,568
Later than 1 year and no later than 5 years	-	1,412
Later than 5 years	-	-
Net investment in finance leases	<u>-</u>	<u>3,980</u>

The unguaranteed residual value is £nil (2006 £nil)

The cost of assets acquired during the year for the purpose of finance leasing was £62,000 (2006 £9,437,000)

**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Deferred tax assets and liabilities**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax liabilities	-	2,184
Deferred tax assets	-	-
Net position	<u>-</u>	<u>2,184</u>

The movement for the year in the company's net deferred tax position was as follows

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward as at 1 January	<b>2,184</b>	(2,341)
(Credit)/charge to income for the year (note 6)	<b>(2,050)</b>	4,525
Transferred with trade and assets	<b>(134)</b>	-
Balance carried forward as at 31 December	<u>-</u>	<u>2,184</u>

**Deferred tax liabilities**

	Capital allowances on assets leased to customers	Total
	<b>£'000</b>	<b>£'000</b>
Liability as at 1 January 2007	2,184	2,184
Charge to income for the year (note 6)	2,183	2,183
Transferred with trade and assets	<b>(4,367)</b>	<b>(4,367)</b>
Liability carried forward as at 31 December 2007	<u>-</u>	<u>-</u>

**RFS (4) LIMITED****YEAR ENDED 31 DECEMBER 2007****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****10. Deferred tax assets and liabilities (continued)****Deferred tax assets**

	£'000
Asset as at 1 January 2007	-
(Credit) to income for the year	(4,233)
Transferred with trade and assets	4,233
Liability carried forward as at 31 December 2007	<u>-</u>

**11. Other current assets**

	2007 £'000	2006 £'000
Other debtors	-	1,606
	<u>-</u>	<u>1,606</u>

**12. Other liabilities**

	2007 £'000	2006 £'000
VAT	-	34
Other creditors	-	15,902
	<u>-</u>	<u>15,936</u>

**13. Operating lease minimum lease receipts**

The future minimum rentals receivable under non cancellable operating leases are as follows

	2007 £'000	2006 £'000
Less than one year	-	4,800
Between one and five years	-	2,981
	<u>-</u>	<u>7,781</u>

**RFS (4) LIMITED****YEAR ENDED 31 DECEMBER 2007****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****14. Significant leasing arrangements****Operating leases**

The company leases vehicles under operating leases for any period up to five years

**Finance leases**

The company leases vehicles under finance leases for any period up to five years

**15. Cash and cash equivalents**

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Bank balances	-	653
Amounts due from RFS Limited group undertakings and joint venture parties	-	35,272
Cash and cash equivalents	-	35,925
Amounts due to RFS Limited group undertakings and joint venture parties	-	(48,501)
Cash and cash equivalents in the statement of cash flows	-	(12,576)

**16. Capital and reserves****Reconciliation of shareholders' funds**

	<b>Share capital</b> <b>£'000</b>	<b>Retained earnings</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Balance at 31 December 2005 as originally stated	1,000	1,234	2,234
Effect of prior year adjustment net of tax <b>21</b>	-	(512)	(512)
Effect of prior year adjustment net of tax <b>21</b>	-	(1,002)	(1,002)
Balance at 1 January 2006	<b>1,000</b>	<b>(280)</b>	<b>720</b>
Loss for the year	-	(819)	(819)
Balance at 31 December 2006	<b>1,000</b>	<b>(1,099)</b>	<b>(99)</b>
Loss for the year	-	(3,760)	(3,760)
Balance at 31 December 2007	<b>1,000</b>	<b>(4,859)</b>	<b>3,859</b>

**RFS (4) LIMITED****YEAR ENDED 31 DECEMBER 2007****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****16. Capital and reserves (continued)****Share Capital**

	2007 £	2006 £
<b>Authorised</b>		
A ordinary shares of £1 each	500,001	500,001
B ordinary shares of £1 each	500,001	500,001
C ordinary shares of £1 each	2	2
	<u>1,000,004</u>	<u>1,000,004</u>
<b>Allotted, called up and fully paid</b>		
A ordinary shares of £1 each	500,001	500,001
B ordinary shares of £1 each	500,001	500,001
C ordinary shares of £1 each	2	2
	<u>1,000,004</u>	<u>1,000,004</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company

**17. Amounts owed by and to group undertakings and joint venture parties**

	2007 £'000	2006 £'000
<b>Current assets</b>		
Amounts owed by RFS Limited group undertakings and joint venture parties	-	35,272
	<u>2007 £'000</u>	<u>2006 £'000</u>
<b>Current liabilities</b>		
Amounts owed to RCI Financial Services Limited	3,859	-
Amounts owed to RFS Limited group undertakings and joint venture parties	<u>-</u>	<u>48,501</u>

The above amounts are repayable on demand

# RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2007

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18. Related parties

Key management personnel and members of their close families have not undertaken any transactions with RFS (4) Limited in the normal course of business

The company had the following reportable transactions with related parties

Transactions included within		HBOS Plc Group		Renault SA Group		Other related parties	
Income statement	Description	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Income	Earned finance charges subsidy receivable	-	-	3,228	4,577	-	-
Income	New business subsidy receivable	-	-	320	1,925	-	-
Net operating lease income	Other commission payable	-	-	32	112	-	-
Interest expense and similar charges	Intra group interest	570	1,598	-	-	-	-
Administrative expenses	Management charge	353	1,202	-	-	-	-
<b>Outstanding balances included within</b>							
Balance sheet	Description						
Current assets	New business subsidy receivable	-	-	-	-	-	-
Current assets	Amounts owed by group undertakings and joint venture parties	-	-	-	-	3,859	35,272
Current liabilities	Amounts owed to group undertakings and joint venture parties	-	-	-	-	-	48,501
Current liabilities	New business subsidy payable	-	-	-	11,099	-	-

### 19. Parent undertaking

RCI Banque SA heads the smallest group into which the accounts of the company are consolidated and Renault SA is the ultimate parent undertaking and heads the largest group into which the accounts of the company are consolidated. The consolidated accounts of Renault SA may be obtained from its registered office at 27-33, Quai Le Gallo - 92513 Boulogne-Billancourt Cedex, France

## **RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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#### **20. Financial instruments**

Details of the significant accounting policies and methods for each class of financial instrument are disclosed in note 1.

Exposure to credit and interest rate risks arises in the normal course of the company's business

#### **Credit risk**

For the period 1 January 2007 to 2 July 2007 -

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers. A common practice is to require collateral from customers in relation to loan and lease products, which for the majority of customer arrangements substantially mitigates the credit risk involved.

The principal collateral types for loans and receivables are

- Legal title and charges over vehicles under finance leases or loans,
- Charges over business assets such as premises inventory and accounts receivable

In the case of customer default the value of the repossessed collateral provides a source of protection

Loans and receivables consist of a large number of customers based on their risk profile. Credit scoring is performed based on publicly available information and historical information from past transactions. Applications for new leases or loans must be approved based on a formal internal credit scoring process.

Deposits are frequently required and taken from customers based on their risk profile. Ongoing credit evaluation and monitoring is performed on the financial condition of accounts receivable.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets the company does not face any exposure to credit risk.

#### **Fair values**

There are no differences between the carrying amounts shown in the balance sheet and the fair value.



**RFS (4) LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**20. Financial instruments (continued)**

**Interest rate risk**

For the period 1 January 2007 to 2 July 2007

The company has fixed rate agreements with customers

Fixed rate agreements are where the customer is committed to pay interest at a fixed rate for the term of the agreement

The company is funded on a short term basis and is exposed to interest rate risk in relation to fixed rate agreements. However, this is managed at the joint venture partner level where exposures are hedged.

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets, the management of interest rate risk also transferred to RCI Financial Services Limited.

**Liquidity risk**

For the period 1 January 2007 to 2 July 2007

Liquidity risk is the risk that the company is unable to meet payment obligations associated with its financial liabilities when they fall due.

The management of liquidity is primarily carried out centrally in France in accordance with practices and limits set by the Renault Group global policy.

Liquidity requirements are managed prudently. This consists of financing assets by longer dated liabilities and thus maintaining a positive liquidity gap sustained throughout the year.

For the period 3 July 2007 to 31 December 2007

The company was dormant and not trading for this period. Following the transfer of the company's trade and assets, the management of interest rate risk also transferred to RCI Financial Services Limited.