

**Company Registration No: 01829405**

**W. & G. LEASE FINANCE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2007**

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

**MONDAY**



## **W. & G. LEASE FINANCE LIMITED**

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**W. & G. LEASE FINANCE LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**S J Caterer  
A S Devine  
A C Farnell  
P A Tubb**

**SECRETARY:**

**C J Whittaker**

**REGISTERED OFFICE:**

**The Quadrangle  
The Promenade  
Cheltenham  
Gloucestershire  
GL 50 1PX**

**AUDITORS:**

**Deloitte & Touche LLP  
Bristol**

**Registered in England and Wales**

## **W. & G. LEASE FINANCE LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2007

### **ACTIVITIES AND BUSINESS REVIEW**

#### **Activity**

The principal activity of the Company, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is the provision of fixed asset finance usually involving individually structured facilities

The Company is a subsidiary of The Royal Bank of Scotland Group plc which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's web site at rbs.com

#### **Review of the year**

##### *Business review*

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

During the year the following dividends were paid (2006: £nil), £5,390,000 on 21 June 2007, £12,000,000 on 27 September 2007, and £6,000,000 on 31 December 2007. Since year end a further dividend of £16,750,000 has been paid on 9 April 2008.

##### *Financial performance*

The Company's financial performance is presented in the Income Statement on Page 6.

At the end of the year, the financial position showed total assets of £602,584,000 (2006: £501,671,000).

##### *Other matters*

The company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks other than credit risk, further information on financial risk management policies and exposures is disclosed in Note 2. It also has exposure to asset risk on the residual value of property, plant and equipment. For more details see note 22.

Subsequent to the year-end, the Company has entered into a five year lease in relation to plant and associated machinery. More information is provided in note 25 to the accounts.

## **W. & G. LEASE FINANCE LIMITED**

### **DIRECTORS AND SECRETARY**

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1

From 1 January 2007 to date the following changes have taken place

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
T V Castledine		19 July 2007
A S Devine	19 July 2007	

### **DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Acts 1985 and 2006 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance, and cash flows of the Company. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Acts 1985 and 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the directors at the date of approval of this report confirms that

- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she ought to have taken 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 shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

## **W. & G. LEASE FINANCE LIMITED**

### **POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

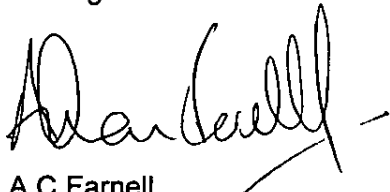
The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below

RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors

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

A handwritten signature in black ink, appearing to read 'A C Farnell', with a horizontal line extending from the end of the signature.

A C Farnell  
Director

Date 30 June 2008

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF W & G LEASE FINANCE LIMITED

We have audited the financial statements of W & G Lease Finance Limited ("the company") for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the cash flow statement and the related Notes 1 to 25. 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we also 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 within it.

### Basis of audit opinion

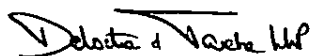
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

30 June 2008

**W. & G LEASE FINANCE LIMITED****INCOME STATEMENT**  
for the year ended 31 December 2007

<b>CONTINUING OPERATIONS</b>	<b>Note</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Revenue	4	23,179	22,915
Cost of sales	10	<u>(1,014)</u>	<u>(770)</u>
<b>GROSS PROFIT</b>		22,165	22,145
Other operating income	5	591	279
Administrative expenses	6	<u>(467)</u>	<u>(439)</u>
<b>OPERATING PROFIT</b>	6	22,289	21,985
Finance costs	8	<u>(18,997)</u>	<u>(17,825)</u>
<b>PROFIT BEFORE TAXATION</b>		3,292	4,160
Tax credit/(charge)	9	<u>3,337</u>	<u>(1,109)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	19	<u>6,629</u>	<u>3,051</u>

There have been no other gains or losses in the financial year or prior year

The notes on pages 9 to 21 form part of these financial statements

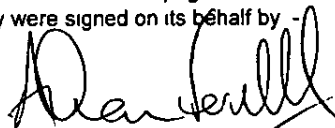


**W & G LEASE FINANCE LIMITED**

**BALANCE SHEET**  
as at 31 December 2007

	Note	2007 £'000	2006 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	20,411	5,215
Finance lease receivables	12	<u>475,526</u>	<u>412,077</u>
		<u>495,937</u>	<u>417,292</u>
<b>CURRENT ASSETS</b>			
Finance lease receivables	12	34,627	27,073
Trade and other receivables	13	21,408	5,735
Cash and cash equivalents	14	<u>50,612</u>	<u>51,571</u>
		<u>106,647</u>	<u>84,379</u>
<b>TOTAL ASSETS</b>		<u><b>602,584</b></u>	<u><b>501,671</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(15,829)	(13,241)
Bank overdraft and loans	16	<u>(9,134)</u>	<u>(12,865)</u>
		<u>(24,963)</u>	<u>(26,106)</u>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	15	(14,981)	(14,981)
Bank loans	16	(477,209)	(366,249)
Deferred tax liabilities	17	<u>(67,065)</u>	<u>(59,208)</u>
		<u>(559,255)</u>	<u>(440,438)</u>
<b>TOTAL LIABILITIES</b>		<u><b>(584,218)</b></u>	<u><b>(466,544)</b></u>
<b>NET ASSETS</b>		<u><b>18,366</b></u>	<u><b>35,127</b></u>
<b>EQUITY</b>			
Share capital	18	1	1
Retained earnings	19	<u>18,365</u>	<u>35,126</u>
<b>TOTAL EQUITY</b>		<u><b>18,366</b></u>	<u><b>35,127</b></u>

The financial statements on pages 6 to 21 were approved by the Board of Directors and authorised for issue on 30 June 2008. They were signed on its behalf by -



A C Farnell  
Director

The notes on pages 9 to 21 form part of these financial statements

**W. & G LEASE FINANCE LIMITED****CASH FLOW STATEMENT**  
for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
<b>NET CASH FROM OPERATING ACTIVITIES</b>	20	<u>(68,587)</u>	<u>36,162</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment		-	15
Purchases of property, plant and equipment		<u>(16,210)</u>	<u>(1,798)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(16,210)</u>	<u>(1,783)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(23,391)	-
New bank loans raised		<u>107,229</u>	<u>16,983</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>83,838</u>	<u>16,983</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(959)	51,362
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		51,571	209
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>50,612</u>	<u>51,571</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**1 SIGNIFICANT ACCOUNTING POLICIES**

**a BASIS OF ACCOUNTING**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, also complies with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

IFRS 7 'Financial Instruments: Disclosures' which became effective in this period introduces new disclosures relating to financial instruments but does not have any impact on the classification or valuation of the Company's financial instruments.

The directors do not believe the adoption of any Standards or Interpretations that have been issued but are not yet effective will have any material impact on the financial statements of the Company.

The judgements and assumptions involved in the Company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are those that relate to the criteria for assessing whether substantially all the significant risks and rewards of ownership lease assets are transferred to other entities.

**b INCOME UNDER FINANCE AND OPERATING LEASES**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**c PROGRESS PAYMENTS INCOME RECOGNITION**

Where assets are subject to progress payments being made prior to the commencement of the primary lease period, interest on the total of such payments at an appropriate rate is added to the cost of the asset and credited to the profit and loss account.

**d BORROWING COSTS**

All borrowing costs are recognised as an expense in the period in which they are incurred.

## **W & G LEASE FINANCE LIMITED**

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

#### **1 SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **e TAXATION**

Provision is made for taxation at current enacted rates on taxable profits

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

##### **f FOREIGN CURRENCY**

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in profit or loss for the period.

##### **g PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation on assets for hire under operating leases is charged over the lease term, using the straight-line method.

The balance sheet carrying values of operating lease assets include balances in respect of residual values, unguaranteed residual values are subject to regular review with any corrections being made through depreciation.

##### **h FINANCIAL INSTRUMENTS**

The Company's financial asset categories are finance lease receivables and loan and receivables. Loan and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. This comprises 'bank overdraft and loans' and 'trade and other payables' in the balance sheet.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are not interest bearing and are stated at their nominal value.

The Company does not account for any financial asset or liabilities at fair value through profit or loss.

##### **i AMOUNTS RECEIVABLE UNDER FINANCE LEASES**

A lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

## **W & G LEASE FINANCE LIMITED**

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

#### **1 SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **j TRADE AND OTHER RECEIVABLES**

Trade and other receivables are measured at initial recognition fair value, and subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables do not carry any interest and are stated at their nominal value.

##### **k 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.

##### **l BORROWINGS**

Interest-bearing loans and bank overdrafts are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method.

##### **m 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. Trade and other payables are not interest bearing and are stated at their nominal value.

##### **n OPERATING PROFIT**

Operating profit is stated before charging or crediting investment income and finance costs.

##### **o DERIVATIVES**

The company has entered into an agreement that mitigates various taxation risks. This agreement is treated as a derivative financial instrument in the accounts.

Derivative financial instruments are recognised initially, and subsequently measured, at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Company's pricing and valuation methods are managed by the ultimate holding company, The Royal Bank of Scotland Group plc. Most of the Group's pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk, liquidity risk and future operational costs.

Derivatives are classified as fair value through profit and loss. Gains and losses arising from changes in fair value of a derivative are recognised as they arise in profit or loss.

#### **2 FINANCIAL RISK MANAGEMENT**

##### **a Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's policy is to avoid interest rate risk by entering into either variable lease or loans, where any movement in interest rates associated with the financing is charged or credited to the customer, or else fixed rate deals with the maturity of the lease or loan matched with its associated funding and fixing the borrowing cost at inception by the use of fixed rate loans or interest rate swaps. Some accounting volatility arises on these swaps due to accounting ineffectiveness on designated hedges, or because hedge accounting under IAS 39 is not achievable on certain items. The gain is primarily due to timing differences in income recognition between the derivative instruments and the economically hedged leases and loans.

## W & G LEASE FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 FINANCIAL RISK MANAGEMENT - continued

##### b Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimises currency risk by ensuring its leases and associated financing is in the same currency.

##### c Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits.

##### d Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Any maturity mis-match within the overall long-term structure of the Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise.

##### e Capital management

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the balance sheet.

#### 3 PARENT COMPANIES

The Company's immediate parent company is Royal Bank Leasing Limited.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the Company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The smallest subgroup into which the Company is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

#### 4 REVENUE

	2007	2006
	£'000	£'000

##### Finance leases

Rentals receivable	28,001	19,516
Amortisation	(6,145)	2,369
	<u>21,856</u>	<u>21,885</u>

##### Operating leases

Rentals receivable	<u>1,323</u>	<u>1,030</u>
	<u>23,179</u>	<u>22,915</u>

##### Capital cost of asset additions financed

Finance leases	77,383	3,075
Operating leases	<u>16,210</u>	<u>1,798</u>
	<u>93,593</u>	<u>4,873</u>

**W & G LEASE FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>5 OTHER OPERATING INCOME</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Profit on sale of finance lease	309	71
Fee income	244	165
Other income	38	43
	<u>591</u>	<u>279</u>

**6 OPERATING PROFIT**

Operating profit has been arrived at after charging	<b>2007 £'000</b>	<b>2006 £'000</b>
Fees & commissions	102	-
Management charge	358	391
Other	7	48
	<u>467</u>	<u>439</u>

Costs incurred in respect of audit services to the Company are included in the management charge as shown below

	<b>£</b>	<b>£</b>
Auditors' remuneration - for audit services	<u>41,684</u>	<u>29,809</u>

**7 STAFF COSTS**

All directors and employees are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the Company in the year

The average monthly number of employees was nil (2006 nil)

<b>8 FINANCE COSTS</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Interest payable to group undertakings	18,548	17,376
Dividend on preference shares	449	449
	<u>18,997</u>	<u>17,825</u>

**W & G. LEASE FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>9 TAXATION</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
<b>A) ANALYSIS OF TAX (CREDIT)/CHARGE FOR THE YEAR</b>		
Current tax credit		
- Group relief receivable on profit for the year	(10,977)	(7,663)
- Adjustment in respect of prior periods	(217)	1,478
	<u>(11,194)</u>	<u>(6,185)</u>
Deferred tax - origination and reversal of timing differences		
- Current year	11,622	9,519
- Impact of rate change from 30% to 28%	(3,960)	-
- Adjustment in respect of prior periods	195	(2,225)
	<u>195</u>	<u>(2,225)</u>
Tax (credit)/charge	<u>(3,337)</u>	<u>1,109</u>
<b>B) FACTORS AFFECTING THE TAX (CREDIT)/CHARGE FOR THE YEAR</b>		
Profit before tax	<u>3,292</u>	<u>4,160</u>
Tax on profit at the standard rate of 30% (2006 30%)	988	1,248
Permanent difference - assets not qualifying for capital allowances	333	473
Impact of rate change from 30% to 28%	(4,772)	-
Permanent difference - disallowable expenses	136	135
Adjustment to tax charge in respect of previous periods	(22)	(747)
	<u>(22)</u>	<u>(747)</u>
Tax (credit)/charge	<u>(3,337)</u>	<u>1,109</u>



## NOTES TO THE FINANCIAL STATEMENTS

## 10 PROPERTY, PLANT AND EQUIPMENT

Assets for  
hire under  
operating  
leases  
£'000

## COST OR VALUATION

At 1 January 2006	5,912
Additions	1,798
Disposals	(196)
At 1 January 2007	7,514
Additions	16,210
At 31 December 2007	23,724

## ACCUMULATED DEPRECIATION AND IMPAIRMENT

At 1 January 2006	1,721
Charge for the year	770
Disposals	(192)
At 1 January 2007	2,299
Charge for the year	1,014
At 31 December 2007	3,313

## CARRYING AMOUNT

At 31 December 2007	20,411
At 31 December 2006	5,215

## 11 FINANCIAL INSTRUMENTS

## a) Carrying value and fair value of financial instrument by category

	Carrying value 2007 £'000	Fair value 2007 £'000	Carrying value 2006 £'000	Fair value 2006 £'000
Finance lease receivables	510,153	511,929	439,150	439,971
Loans and receivables				
Trade and other receivables	21,408	21,408	5,735	5,735
Cash and cash equivalents	50,612	50,612	51,571	51,571
Financial assets	582,173	583,949	496,456	497,277
Financial liabilities measured at amortised cost				
Trade and other payables	15,829	15,829	13,241	13,241
Bank overdraft and loans	486,343	484,567	379,114	379,114
Financial liabilities	502,172	500,396	392,355	392,355

**W. & G LEASE FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**11 FINANCIAL INSTRUMENTS - continued**

b) Financial instrument - carrying amount by market risk exposure	2007 £'000	2006 £'000
Interest rate risk		
Financial assets		
- variable rate	440,024	442,473
- fixed rate	120,741	48,248
- non-interest bearing	21,408	5,735
	<u>582,173</u>	<u>496,456</u>
Financial liabilities		
- variable rate	385,638	342,506
- fixed rate	100,705	36,608
- non-interest bearing	15,829	13,241
	<u>502,172</u>	<u>392,355</u>

If market interest rates had been higher or lower the profit or loss and equity of the Company would not have been materially affected

c) Financial asset - credit quality and concentration of credit risk	2007 £'000	2006 £'000
Neither past due nor impaired		
Counterparty	Sector	
10 Lessees	Natural Resources	366,098
2 Lessees	Film Productions	22,038
8 Lessees	Transport	122,017
		<u>510,153</u>
H M Revenue & Customs		15,723
Group undertakings		<u>54,240</u>
		<u>580,116</u>
		<u>494,311</u>
Past due but not impaired		
Less than one month past due	<u>2,057</u>	<u>2,145</u>
Maximum credit exposure	<u>582,173</u>	<u>496,456</u>

In both years past due amounts were paid or amended

Based on counterparty payment history the Company considers all the above financial assets including those past due to be of good credit quality

**W & G. LEASE FINANCE LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**d) Liquidity risk**

Contractual cashflows payable to maturity on financial liabilities on an undiscounted basis

	Less than 1 year £'000	In the 2nd year £'000	3 to 5 years £'000	Over 5 years £'000
<b>2007</b>				
Trade payables	15,829	-	-	-
Bank overdraft and loans	<u>52,486</u>	<u>48,998</u>	<u>145,529</u>	<u>636,941</u>
	<u>68,315</u>	<u>48,998</u>	<u>145,529</u>	<u>636,941</u>
<b>2006</b>				
Trade payables	13,241	-	-	-
Bank overdraft and loans	<u>37,566</u>	<u>36,150</u>	<u>137,346</u>	<u>522,809</u>
	<u>50,807</u>	<u>36,150</u>	<u>137,346</u>	<u>522,809</u>

**12 FINANCE LEASE RECEIVABLES**

	Gross investment in lease		Present value of minimum lease payments	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Amounts receivable under finance leases</b>				
Within one year	35,442	27,775	34,627	27,073
In the second to fifth years inclusive	153,965	139,314	133,992	118,203
After five years	<u>607,286</u>	<u>588,887</u>	<u>341,534</u>	<u>293,874</u>
	796,693	755,976	510,153	439,150
Less unearned finance income	<u>(286,540)</u>	<u>(316,826)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>510,153</u>	<u>439,150</u>	<u>510,153</u>	<u>439,150</u>
<b>Analysed as</b>				
Non-current finance lease receivables (recoverable after 12 months)			475,526	412,077
Current finance lease receivables (recoverable within 12 months)			<u>34,627</u>	<u>27,073</u>
			<u>510,153</u>	<u>439,150</u>

The Company enters into finance leasing arrangements for various equipment. The average term of the finance leases entered into is 15 years (2006 14 years)

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2006 £nil)

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate contracted approximates 4.8% (2006 5.5%) per annum

**W & G LEASE FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>13 TRADE AND OTHER RECEIVABLES</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Trade debtors	2,057	2,145
Amounts due from group undertakings	3,628	2,794
Other debtors	15,723	796
	<u>21,408</u>	<u>5,735</u>

<b>14 CASH AND CASH EQUIVALENTS</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Short term deposits with Group undertakings	50,338	51,191
Bank account with group undertakings	274	380
	<u>50,612</u>	<u>51,571</u>

<b>15 TRADE AND OTHER PAYABLES</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Amounts falling due within one year		
Payments received on account	1,033	1,313
Trade creditors	266	-
Amounts due to group undertakings	12,247	9,577
Other creditors	2,283	2,351
	<u>15,829</u>	<u>13,241</u>

After 5 years,

Preference shares	<u>14,981</u>	<u>14,981</u>
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Upon the winding up of the company preference shareholders will receive the right to a fixed part of the capital or otherwise to participate in the distribution of the company's assets. The preference shares do carry the right to a fixed dividend but do not carry any voting rights. The Company has authorised 20,000,000 million redeemable cumulative preference shares of £1 classified as liabilities, of which 14,981,000 million are issued and fully paid.

<b>16 BANK OVERDRAFT AND LOANS</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Loan amount due to group undertakings	<u>486,343</u>	<u>379,114</u>
The borrowings are repayable as follows		
On demand or within one year	9,134	12,865
In the second year	20,364	12,944
In the third to fifth year inclusive	66,720	45,516
After five years	<u>390,125</u>	<u>307,789</u>
	486,343	379,114
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(9,134)</u>	<u>(12,865)</u>
Amounts due for settlement after 12 months	<u>477,209</u>	<u>366,249</u>

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries.

The effective interest rate on the loan is at 5.9% (2006: 4.9%) p.a.

**NOTES TO THE FINANCIAL STATEMENTS**

**17 DEFERRED TAX**

Movements during the year	Deferred taxation £'000
At 1 January 2006	51,914
Charge to income statement	<u>7,294</u>
At 1 January 2007	59,208
Charge to income statement	<u>7,857</u>
At 31 December 2007	<u>67,065</u>

Full provision has been made for the potential amount of deferred taxation shown below

	2007 £'000	2006 £'000
Accelerated capital allowances on assets financed	64,227	56,649
Other temporary differences	<u>2,838</u>	<u>2,559</u>
	<u>67,065</u>	<u>59,208</u>

**18 SHARE CAPITAL**

	2007 Number of shares	2006 Number of shares	2007 £'000	2006 £'000
Authorised				
Ordinary Share capital of £1	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>
Allotted, called up and fully paid				
Ordinary Share capital of £1	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>

The Company has one class of ordinary voting shares which carry no right to fixed income

**19 RETAINED EARNINGS**

	£'000
Balance at 1 January 2006	32,075
Profit for the financial year	<u>3,051</u>
Balance at 1 January 2007	35,126
Dividends paid	(23,390)
Profit for the financial year	<u>6,629</u>
Balance at 31 December 2007	<u>18,365</u>

During the year the following dividends were paid (2006 £nil), £5,390,000 (£5,390 per share) on 21 June 2007, £12,000,000 (£12,000 per share) on 27 September 2007, and £6,000,000 (£6,000 per share) on 31 December 2007. Since year end a further dividend of £16,750,000 (£16,750 per share) has been paid on 9 April 2008.

**W & G. LEASE FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**20 NOTES TO THE CASH FLOW STATEMENT**

	2007 £'000	2006 £'000
Profit before tax	3,292	4,160
Adjustments for		
Depreciation on assets for hire under operating leases	1,014	770
Interest expense	18,997	17,825
Profit on disposal of assets held under operating leases	-	(11)
Operating cash flows before movements in working capital	23,303	22,744
(Increase)/decrease in receivables	(85,845)	21,188
(Decrease)/increase in payables	(79)	105
Cash generated by operations	(62,621)	44,037
Income taxes received	10,360	5,959
Interest paid	(16,326)	(13,834)
Net cash from operating activities	<u>(68,587)</u>	<u>36,162</u>

**21 OPERATING LEASE ARRANGEMENTS**

The future minimum lease payments receivable under non-cancellable operating leases are as follows

	2007 £'000	2006 £'000
Within one year	6,655	1,172
In the second to fifth years inclusive	15,700	3,154
After five years	237	724
	<u>22,592</u>	<u>5,050</u>

**22 RESIDUAL VALUE EXPOSURE**

The table below gives details in respect of unguaranteed residual values included in the carrying value of operating lease assets at the balance sheet date

	2007 £'000	2006 £'000
Year in which residual value will be recovered		
Within 1 year	404	63
Between 1-2 years	12	404
Between 2-5 years	11,784	254
More than 5 years	4,892	712
Total	<u>17,092</u>	<u>1,433</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 23 RELATED PARTY TRANSACTIONS

During the period, the Company entered into the following related party transactions

	2007 £'000	2006 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Management charge paid to related party	358	391
- Interest on loan paid to related party	18,548	17,376
- Additional borrowing from related party	<u>107,229</u>	<u>16,983</u>
Group relief owed to related party	3,627	2,794
Outstanding balance owed to the related party	<u>(444,624)</u>	<u>(334,706)</u>
The Royal Bank of Scotland plc		
Bank account held with related party	<u>274</u>	<u>380</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Both The Royal Bank of Scotland plc and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.

## 24 DERIVATIVES AT FAIR VALUE

The company has entered into an agreement with a third party so that it has removed various taxation risks such as the risk that the rate of corporation tax changes.

The agreement matures in 2021 and the current valuation of the agreement has been calculated as nil. Any movement in the valuation of the derivative will be taken through the profit and loss account.

## 25 POST BALANCE SHEET EVENT

The company entered a 5 year lease for plant and machinery on 7 April 2008 for an amount of £217m.