

Company Registration No: 03117146

ROYAL BANK ASSET 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



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30/06/2008
COMPANIES HOUSE**

ROYAL BANK ASSET FINANCE LIMITED

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ROYAL BANK ASSET 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
GL50 1PX**

AUDITORS:

**Deloitte & Touche LLP
Bristol**

Registered in England and Wales.

ROYAL BANK ASSET 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

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

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

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 \$498,050,000 (2006 \$544,395,000) and equity of \$8,861,000 (2006 deficit \$3,628,000). 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 is disclosed in Note 2. Since the year end the Company has declared final dividends of \$2,950,590 (\$14,679 per ordinary share) on 4 April 2008 (2006 nil).

The company's functional currency is the US dollar being the currency of the primary economic environment in which the company operates.

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

	Appointed	Resigned
Director		
T V Castledine		19 July 2007
A S Devine	19 July 2007	

ROYAL BANK ASSET FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 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 Act 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

RISK MANAGEMENT POLICY

Interest rate risk

The Company's policy is to avoid interest rate risk. Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee.

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of lessees 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. The Company has credit exposure to one finance lessee. The gross investment in the lease less unearned finance income represents the maximum credit exposure.

ROYAL BANK ASSET FINANCE LIMITED

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



S J Caterer
Director

Date 26 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL BANK ASSET FINANCE LIMITED

We have audited the financial statements of Royal Bank Asset 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 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 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

27 June 2008

ROYAL BANK ASSET FINANCE LIMITED**INCOME STATEMENT**
for the year ended 31 December 2007

	Note	2007 \$'000	2006 \$'000
CONTINUING OPERATIONS			
Revenue	4	18,387	24,721
Other operating income	5	568	612
Administrative expenses	6	<u>(492)</u>	<u>(186)</u>
OPERATING PROFIT	6	18,463	25,147
Finance costs	8	<u>(21,867)</u>	<u>(23,863)</u>
(LOSS)/PROFIT BEFORE TAXATION		(3,404)	1,284
Tax credit/(charge)	9	<u>15,893</u>	<u>(210)</u>
PROFIT FOR THE FINANCIAL YEAR	18	<u>12,489</u>	<u>1,074</u>

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

The notes on pages 9 to 18 form part of these financial statements

ROYAL BANK ASSET FINANCE LIMITED

BALANCE SHEET as at 31 December 2007

	Note	2007 \$'000	2006 \$'000
NON-CURRENT ASSETS			
Finance lease receivables	11	409,822	501,617
		<u>409,822</u>	<u>501,617</u>
CURRENT ASSETS			
Finance lease receivables	11	51,751	40,776
Trade and other receivables	12	1,500	2,002
Cash and cash equivalents	13	34,977	-
		<u>88,228</u>	<u>42,778</u>
TOTAL ASSETS		<u>498,050</u>	<u>544,395</u>
CURRENT LIABILITIES			
Trade and other payables	14	(16,217)	(8,072)
Bank overdraft and loans	15	(30,293)	(37,340)
		<u>(46,510)</u>	<u>(45,412)</u>
NON CURRENT LIABILITIES			
Bank loans	15	(344,363)	(401,411)
Deferred tax liabilities	16	(98,316)	(101,200)
		<u>(442,679)</u>	<u>(502,611)</u>
TOTAL LIABILITIES		<u>(489,189)</u>	<u>(548,023)</u>
NET ASSETS/(LIABILITIES)		<u>8,861</u>	<u>(3,628)</u>
EQUITY			
Share capital	17	-	-
Retained earnings/(deficit)	18	8,861	(3,628)
TOTAL EQUITY/(DEFICIT)		<u>8,861</u>	<u>(3,628)</u>

The financial statements on pages 6 to 18 were approved by the Board of Directors and authorised for issue on 26 June 2008. They were signed on its behalf by -



S J Caterer
Director

The notes on pages 9 to 18 form part of these financial statements

ROYAL BANK ASSET FINANCE LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 2007

	Note	2007 \$'000	2006 \$'000
NET CASH FROM OPERATING ACTIVITIES	19	<u>99,072</u>	<u>40,880</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>(64,089)</u>	<u>(40,915)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(64,089)</u>	<u>(40,915)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		34,983	(35)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>(6)</u>	<u>29</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>34,977</u>	<u>(6)</u>

ROYAL BANK ASSET FINANCE LIMITED

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.

The Company's functional currency is the US dollar being the currency of the primary economic environment in which the Company operates.

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 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.

c BORROWING COSTS

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

d 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.

e 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.

ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - Continued

f 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 payables' in the balance sheet.

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

g 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.

h TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at initial recognition at 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.

i 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.

j 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.

k 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.

l OPERATING PROFIT

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

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. Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee.

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 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 Company's immediate parent company and 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 \$'000	2006 \$'000
Finance leases		
Rentals receivable	62,595	64,562
Amortisation	(44,208)	(39,841)
	<u>18,387</u>	<u>24,721</u>

The Company did not enter into any new leasing transactions during the year (2006: £nil).

ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 OTHER OPERATING INCOME

2007	2006
\$'000	\$'000

Exchange gain	<u>568</u>	<u>612</u>
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6 OPERATING PROFIT

Operating profit has been arrived at after charging

2007	2006
\$'000	\$'000

Management charge	161	186
Loss on disposal of finance leases	327	-
Other	<u>4</u>	<u>-</u>
	<u>492</u>	<u>186</u>

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

£	£
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Auditors' remuneration - for audit services	<u>9,118</u>	<u>7,226</u>
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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)

8 FINANCE COSTS

2007	2006
\$'000	\$'000

Interest payable to group undertakings	<u>21,867</u>	<u>23,863</u>
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ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 TAXATION

2007
\$'000

2006
\$'000

A) ANALYSIS OF TAX (CREDIT)/CHARGE FOR THE YEAR

Current tax credit		
- Group relief receivable on (loss)/profit for the year	(13,009)	(11,580)
- Adjustment in respect of prior periods	-	(1,883)
	<u>(13,009)</u>	<u>(13,463)</u>
Deferred tax - origination and reversal of timing differences		
- Current year	3,863	11,782
- Impact of rate change from 30% to 28%	(6,747)	-
- Adjustment in respect of prior periods	-	1,891
	<u>(15,893)</u>	<u>210</u>

B) FACTORS AFFECTING THE TAX (CREDIT)/CHARGE FOR THE YEAR

(Loss)/profit before tax	<u>(3,404)</u>	<u>1,284</u>
Tax on (loss)/profit at the standard rate of 30% (2006 30%)	(1,021)	385
Impact of rate change from 30% to 28%	(7,023)	-
Non-taxable income	(7,849)	(183)
Adjustment to tax charge in respect of previous periods	-	8
	<u>(15,893)</u>	<u>210</u>

10 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	461,573	461,573	542,393	542,393
Loans and receivables				
Trade and other receivables	1,500	1,500	2,002	2,002
Cash and cash equivalents	<u>34,977</u>	<u>34,977</u>	-	-
Financial assets	<u>498,050</u>	<u>498,050</u>	<u>544,395</u>	<u>544,395</u>
Financial liabilities measured at amortised cost				
Trade and other payables	16,217	16,217	8,072	8,072
Bank overdraft and loans	<u>374,656</u>	<u>374,656</u>	<u>438,751</u>	<u>438,751</u>
Financial liabilities	<u>390,873</u>	<u>390,873</u>	<u>446,823</u>	<u>446,823</u>

ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL INSTRUMENTS - Continued

b) Financial instrument - carrying amount by market risk exposure	2007 \$'000	2006 \$'000
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Interest rate risk

Financial assets		
- variable rate	496,550	542,393
- non-interest bearing	<u>1,500</u>	<u>2,002</u>
	498,050	544,395
Financial liabilities		
- variable rate	374,656	438,751
- non-interest bearing	<u>16,217</u>	<u>8,072</u>
	390,873	446,823

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

Currency risk

All financial instruments are in US dollars with the exception of certain group balances relating to tax amounts that will be settled at pre-determined rates in Sterling

	2007 \$'000	2006 \$'000
Trade and other payables to be settled in Sterling	<u>10,147</u>	<u>777</u>

If the functional currency had strengthened or weakened by 10% against Sterling then post-tax profit for the year would have been \$1,014,000 (2006 \$78,000) higher or lower

c) Financial asset - credit quality and concentration of credit risk B558

	2007 \$'000	2006 \$'000
Maximum credit exposure and neither past due nor impaired		
Finance lease receivables - one lessee in the shipping sector	461,573	542,393
Group undertakings	<u>36,477</u>	<u>2,002</u>
	<u>498,050</u>	<u>544,395</u>

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

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
2007				
Trade payables	16,217	-	-	-
Bank overdraft and loans	<u>47,393</u>	<u>43,395</u>	<u>136,681</u>	<u>221,942</u>
	<u>63,610</u>	<u>43,395</u>	<u>136,681</u>	<u>221,942</u>

ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL INSTRUMENTS - Continued

d) Liquidity risk - Continued	Less than 1 year \$'000	In the 2nd year \$'000	3 to 5 years \$'000	Over 5 years \$'000
2006				
Trade payables	8,072	-	-	-
Bank overdraft and loans	60,059	55,169	145,011	302,165
	<u>68,131</u>	<u>55,169</u>	<u>145,011</u>	<u>302,165</u>

11 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts receivable under finance leases				
Within one year	53,232	59,705	51,751	40,776
In the second to fifth years inclusive	231,852	238,821	190,968	174,039
After five years	<u>311,010</u>	<u>424,568</u>	<u>218,854</u>	<u>327,578</u>
	596,094	723,094	461,573	542,393
Less unearned finance income	<u>(134,521)</u>	<u>(180,701)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>461,573</u>	<u>542,393</u>	<u>461,573</u>	<u>542,393</u>
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)			409,822	501,617
Current finance lease receivables (recoverable within 12 months)			<u>51,751</u>	<u>40,776</u>
			<u>461,573</u>	<u>542,393</u>

The Company enters into finance leasing arrangements for 14 large ship deals. The average term of the finance leases entered into is 11 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 6.5% (2006: 6.5%) per annum.

12 TRADE AND OTHER RECEIVABLES

	2007 \$'000	2006 \$'000
Other debtors	<u>1,500</u>	<u>2,002</u>

ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 CASH AND CASH EQUIVALENTS	2007 \$'000	2006 \$'000
Short term deposits with group undertakings	32,472	-
Bank account with group undertakings	<u>2,505</u>	<u>-</u>
	<u>34,977</u>	<u>-</u>
14 TRADE AND OTHER PAYABLES	2007 \$'000	2006 \$'000
Amounts due to group undertakings	<u>16,217</u>	<u>8,072</u>
15 BANK OVERDRAFT AND LOANS	2007 \$'000	2006 \$'000
Bank overdraft due to group undertakings	-	6
Loan amount due to group undertakings	<u>374,656</u>	<u>438,745</u>
	<u>374,656</u>	<u>438,751</u>
The borrowings are repayable as follows		
On demand or within one year	30,293	37,340
In the second year	27,575	34,082
In the third to fifth year inclusive	96,872	92,118
After five years	<u>219,916</u>	<u>275,211</u>
	374,656	438,751
Less Amounts due for settlement within 12 months (shown under current liabilities)	<u>(30,293)</u>	<u>(37,340)</u>
Amounts due for settlement after 12 months	<u>344,363</u>	<u>401,411</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 variable at 5.2 (2006 5.5%)		
16 DEFERRED TAX		Deferred taxation \$'000
Movements during the year		
At 1 January 2006		87,527
Charge to income statement		<u>13,673</u>
At 1 January 2007		101,200
Credit to income statement		<u>(2,884)</u>
At 31 December 2007		<u>98,316</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	<u>98,316</u>	<u>101,200</u>

ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 SHARE CAPITAL

	31 December 2007 Base currency	31 December 2006 Base currency	31 December 2007 \$ equivalent	31 December 2006 \$ equivalent
Authorised				
- Deferred shares of £1 each	1,000	1,000	1,423	1,423
- Ordinary shares of \$1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
			<u>101,423</u>	<u>101,423</u>
Allotted, called-up and fully paid				
- Deferred shares of £1 each	2	2	3	3
- Ordinary shares of \$1 each	<u>201</u>	<u>201</u>	<u>201</u>	<u>201</u>
			<u>204</u>	<u>204</u>

The deferred shares carry no dividend or voting rights and have no preferential rights to return of capital on winding up. The Company may repurchase the shares at any time for an aggregate consideration of \$1. The Company has ordinary voting shares which carry no right to fixed income.

The value attributed to Sterling share capital is based on the exchange rate prevailing at the date of issue.

18 RETAINED EARNINGS

	\$'000
Balance at 1 January 2006	(4,702)
Profit for the financial year	<u>1,074</u>
Balance at 1 January 2007	(3,628)
Profit for the financial year	<u>12,489</u>
Balance at 31 December 2007	<u>8,861</u>

Since the year end the Company has declared final dividends of \$2,950,590 (\$14,679 per ordinary share) on 4 April 2008 (2006: nil).

19 NOTES TO THE CASH FLOW STATEMENT

	2007 \$'000	2006 \$'000
(Loss)/profit before tax	(3,404)	1,284
Adjustments for		
Interest expense	21,867	23,863
Decrease in receivables	81,322	25,355
Increase/(decrease) in payables	<u>-</u>	<u>(67)</u>
Cash generated by operations	99,785	50,435
Income taxes received	22,378	12,799
Interest paid	<u>(23,091)</u>	<u>(22,354)</u>
Net cash from operating activities	<u>99,072</u>	<u>40,880</u>

ROYAL BANK ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20 RELATED PARTY TRANSACTIONS

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

2007	2006
\$'000	\$'000

Royal Bank Leasing Limited

Transactions during the period

- Management charge paid to related party
- Interest on loan paid to related party
- Group relief received

161	186
21,867	23,863
<u>22,378</u>	<u>12,799</u>

Group relief owed to related party

Outstanding balance owed to the related party

(10,147)	(777)
<u>(358,401)</u>	<u>(446,817)</u>

The Royal Bank of Scotland plc

Bank account held with related party

<u>2,505</u>	<u>(6)</u>
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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.