

COMPANY NUMBER 3780306

OMEGA LEASING LIMITED

Annual Report

for the Year Ended 31 December 2006

Directors on

27th March 2007: M R H Arundell
M A Garrett
N T Goldsworthy
H I Wilson

Secretaries:

D J Goma
C H Jackson

THURSDAY



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COMPANIES HOUSE

Registered Office 65 Buckingham Gate, London SW1E 6AT

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2006

The directors report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP)

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 financial statements comply with the Companies Act 1985. 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

REVIEW OF THE BUSINESS

All of the Company's business involves the leasing of commercial aero engines. The Company had an engine lease portfolio of 8 engines throughout the year (2005: 8 engines)

Both the level of business and the year end financial position were satisfactory and the Directors expect that the general level of activity will be sustained for the foreseeable future

FINANCIAL REVIEW

Results

The profit before taxation of the Company was US\$2,883,411 (2005: US\$2,613,690)

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US\$543,411 (2005: US\$359,091). In 2006 the Directors declared an interim dividend of US\$15,000 per ordinary share (2005: US\$15,000). They do not recommend the payment of any further dividend. The total cost of dividends for 2006 is US\$1,500,000 (2005: US\$1,500,000)

DIRECTORATE

The Directors who held office through the year were as follows

Director

M R H Arundell
M A Garrett
N T Goldsworthy
H I Wilson

DIRECTORS' INTERESTS

None of the Directors, or their immediate family, had any beneficial interest in the shares of the Company during the year

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that


(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) 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 section 234ZA of the Companies Act 1985

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

By Order of the Board



C Jackson
Secretary

27th March 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OMEGA LEASING LIMITED

We have audited the financial statements (the "financial statements") of Omega Leasing Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page number 2.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London, EC4Y 8BB

 London
27th March 2007

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 US\$	2005 US\$
Turnover	2	9,234,817	9,234,817
Cost of sales		<u>(2,683,372)</u>	<u>(2,683,372)</u>
Gross profit		6,551,445	6,551,445
General and administrative costs		<u>(111,082)</u>	<u>(105,752)</u>
Operating profit		6,440,363	6,445,693
Net interest payable	3	<u>(3,556,952)</u>	<u>(3,832,003)</u>
Profit on ordinary activities before taxation	4	2,883,411	2,613,690
Tax on profit on ordinary activities	5	<u>(840,000)</u>	<u>(754,599)</u>
Profit for the financial year		<u>2,043,411</u>	<u>1,859,091</u>

All results have been derived from continuing activities

The Company had no recognised gains or losses other than those recorded in the profit and loss account in either 2005 or 2006

The notes on pages 8 to 13 form part of these Financial Statements

BALANCE SHEET

AT 31 DECEMBER 2006

	Notes	2006 US\$	2005 US\$
Fixed assets			
Tangible assets	9	61,768,694	64,452,066
Current assets			
Debtors amounts falling due within one year	10	12,196,713	10,108,507
Debtors amounts falling due after one year	11	1,735,670	1,735,670
Cash		14,157	14,113
		<u>13,946,540</u>	<u>11,858,290</u>
Creditors amounts falling due within one year	12	<u>(2,722,265)</u>	<u>(2,579,024)</u>
Net current assets		<u>11,224,275</u>	<u>9,279,266</u>
Total assets less current liabilities		72,992,969	73,731,332
Creditors amounts falling due after more than one year	13	(58,834,014)	(60,955,788)
Provisions for liabilities and charges	14	<u>(10,750,000)</u>	<u>(9,910,000)</u>
Net assets		<u>3,408,955</u>	<u>2,865,544</u>
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account		<u>3,408,855</u>	<u>2,865,444</u>
Equity shareholder's funds	16	<u>3,408,955</u>	<u>2,865,544</u>

The Financial Statements were approved by the Board of Directors on 27th March 2007 and were signed on its behalf by



Hylda Wilson
Director

The notes on pages 8 to 13 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The Company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly-owned subsidiary undertaking of Alpha Partners Leasing Limited and its cash flows are included within the consolidated cash flow statement of that company

Under FRS8 the Company is exempt from the requirement to disclose related party transactions with the Alpha Partners Leasing Group and its joint venture undertakings on the grounds that it is a wholly-owned subsidiary undertaking of Alpha Partners Leasing Limited

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into US dollars at the rate ruling at the year end. Exchange differences, including those arising from currency conversions in the usual course of trading, are taken into account in determining profit on ordinary activities before taxation

Income from Operating Leases

Net income from operating leases, after charging depreciation and interest, is credited to the profit and loss account on a straight line basis

Depreciation

Fixed assets are depreciated on a straight line basis from the time that they are first brought into use so as to write off their cost, less estimated residual value, over the lesser of

- (i) the period up to the 25th anniversary of the engine being first delivered to an airline, or purchased for lease by the Company, and
- (ii) the anticipated remaining useful life of the airframe for which the engine is designed

Interest

Interest payable is charged to the profit and loss account as incurred

Taxation

Provision for taxation is made at the current rate and for deferred taxation, at the projected rate, on all timing differences, which have originated, but not reversed at the Balance Sheet date

NOTES (continued)

2. ANALYSIS OF TURNOVER BY DESTINATION

	2006 US\$	2005 US\$
United Kingdom	9,234,817	9,234,817

All the Company's business arises from operating leases originating in the United Kingdom

3. NET INTEREST PAYABLE

	2006 US\$	2005 US\$
Interest payable on		
Loans from related parties	4,365,440	4,501,441
Other	106	-
	4,365,546	4,501,441
Interest receivable on		
Loans to related parties	(808,206)	(669,147)
Other	(388)	(291)
	(808,594)	(669,438)
Net interest payable	3,556,952	3,832,003

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 US\$	2005 US\$
After charging		
Depreciation of owned tangible fixed assets	2,683,372	2,683,372
Auditors' remuneration	4,966	4,435

NOTES (continued)

5. TAXATION CHARGE

	2006 US\$	2005 US\$
Current tax		
UK Corporation tax at 30%	-	-
Adjustment in respect of prior periods	-	(170,401)
	-	(170,401)
Deferred tax origination and reversal of timing differences		
In respect of current year	840,000	775,000
Adjustment in respect of prior periods	-	150,000
	840,000	925,000
Total tax charge	840,000	754,599
Reconciliation of tax charge		
Profit on ordinary activities before tax	2,883,411	2,613,690
Nominal charge at UK corporate tax rate of 30%	865,023	784,107
Income not taxable	(25,023)	(9,107)
Capital allowances in excess of depreciation	170,000	(60,000)
Other timing differences for the period	(1,010,000)	(715,000)
Adjustment to prior years	-	(170,401)
Current tax	-	(170,401)

6. DIVIDENDS – Ordinary Shares

	2006 US\$	2005 US\$
Interim dividend per share US\$15,000 (2005 US\$15,000)	1,500,000	1,500,000

7. EMOLUMENTS OF DIRECTORS

The Company paid no emoluments to the Directors in respect of their services during the year

8. EMPLOYEE INFORMATION

The Company is charged a proportion of the costs of employment of those employees with contracts of employment with a related party but whose time is partly dedicated to the business of the Company

NOTES (continued)

9. TANGIBLE FIXED ASSETS

	ASSETS HELD FOR USE IN OPERATING LEASES US\$
Cost at 1 January 2006 and 31 December 2006	75,680,728
Depreciation at 1 January 2006	11,228,662
Provided during the year	2,683,372
Depreciation at 31 December 2006	13,912,034
Net book values	
As at 31 December 2006	61,768,694
As at 31 December 2005	64,452,066

10. DEBTORS – Amounts Falling Due Within One Year

	2006 US\$	2005 US\$
Amounts owed by holding company	12,196,713	10,108,507
	<u>12,196,713</u>	<u>10,108,507</u>

11. DEBTORS – Amounts Falling Due After More Than One Year

	2006 US\$	2005 US\$
Group relief receivable	1,735,670	1,735,670
	<u>1,735,670</u>	<u>1,735,670</u>

12. CREDITORS – Amounts Falling Due Within One Year

	2006 US\$	2005 US\$
Accruals and deferred income	257,975	257,444
Amount owed to		
holding company	8,595	8,595
related parties	2,455,695	2,312,985
	<u>2,722,265</u>	<u>2,579,024</u>

NOTES (continued)

13. CREDITORS – Amounts Falling Due After More Than One Year

	2006 US\$	2005 US\$
Amounts owed to related parties	58,834,014	60,955,788
	<u>58,834,014</u>	<u>60,955,788</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION	2006 US\$	2005 US\$
At 1 January	9,910,000	8,985,000
Amount charged to the profit and loss account	840,000	775,000
Adjustment in respect of prior periods	-	150,000
At 31 December	<u>10,750,000</u>	<u>9,910,000</u>

The analysis of the deferred tax provision is as follows

Accelerated capital allowances	16,750,000	16,920,000
Other timing differences	(6,000,000)	(7,010,000)
Potential liability	<u>10,750,000</u>	<u>9,910,000</u>

15. SHARE CAPITAL

	2006 US\$	2005 US\$
Authorised		
US\$1 ordinary shares	100	100
Issued and fully paid		
US\$1 ordinary shares	100	100

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	US\$
Opening shareholders' funds	2,865,544
Profit for the financial year	2,043,411
Dividends paid on equity shares	(1,500,000)
Closing shareholders' funds	<u>3,408,955</u>

NOTES (continued)

17. ULTIMATE HOLDING COMPANIES

Rolls-Royce Group plc, a company registered in England and Wales, and GATX Corporation, a company registered in the United States, are the joint ultimate holding companies. Copies of Rolls-Royce Group plc's consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT and those of GATX Corporation from 500 West Monroe, Chicago, IL60661-3676, Illinois, USA

Alpha Leasing Limited, a company registered in England and Wales, is the immediate holding company. Alpha Leasing Limited is wholly owned by Alpha Partners Leasing Limited, which heads the smallest and largest group in which the results of the Company are consolidated. Copies of its consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT

18. RELATED PARTY TRANSACTIONS

In the course of normal operations, the Company has contracted on an arms length basis with subsidiary and joint venture undertakings of the Rolls-Royce Group plc. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the Financial Statements are summarised below

	<u>2006</u> <u>US\$</u>	<u>2005</u> <u>US\$</u>
Sale of goods, services and fixed assets to	<u>9,234,817</u>	<u>9,234,817</u>

19. CONTINGENT LIABILITIES

The Company and certain affiliates are party to a loan facility. The Company provides guarantees in respect of the obligations of its holding company and in respect of related parties of \$130 million (2005 US\$134 million)