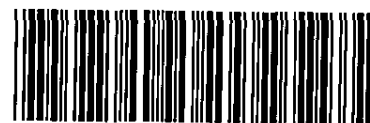


Company no 4125569

**C17 LEASING COMPANY PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2007**

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## **C17 LEASING COMPANY PLC**

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### **REPORT OF THE DIRECTORS**

The Directors present their annual report and the audited financial statements for the year ended 31st December 2007

#### **INCORPORATION**

The Company is incorporated in Great Britain

#### **ACTIVITIES**

The principal activity of the Company is the purchase of rights and title to certain rental instalments and the issue of notes

The Company entered into a Lease Purchase and Master Offer Agreement, as amended (the "LPMO Agreement") whereby the Company acquired the rights and title to lease rental payments (the "Lease Payments") in respect of four aircraft, and in certain circumstances a Termination Amount in respect of each aircraft (the "Termination Amounts"). The Lease Payments and the Termination Amounts (together the "Sterling Income Stream") are due from the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland on behalf of The Ministry of Defence (the "Authority") and were payable to McDonnell Douglas Corporation ("MDC") prior to assignment.

Pursuant to the LPMO Agreement the Company paid to MDC various amounts between 17th January 2001 and 2nd July 2001 each being an Offer (the "Offer"). The Offers consisted of an Initial Amount and Pre-Delivery Payment Amount. The aggregate price of all Offers paid during the period was US\$ 646,032,536 (the "Consideration") and was paid in exchange for the rights and title to payments from the Sterling Income Stream. The Consideration was financed through the issue of a £ 434,210,000 amortising loan note (see note 10), the proceeds of which, net of costs, were paid in US\$. The sterling proceeds of the issue were hedged with forward foreign exchange contracts, and paid to MDC on each Offer payment date.

Under the LPMO Agreement, each aircraft is leased for a Primary Period beginning on the scheduled delivery of the aircraft to the Authority, the first of which was delivered on 30th June 2001, the second on 31st July 2001, the third on 31st August 2001 and the final aircraft on 30th September 2001. In return the Authority will deliver pursuant to the LPMO Agreement, 14 semi-annual Lease Payments of £ 39,528,625 commencing 15th February 2002.

#### **BUSINESS REVIEW**

There has been no change in the activities of the Company.

#### **Key performance indicators, principal risks and uncertainties**

The profit for the year ended 31st December 2007 of £ 82,956 (2006 £ 137,703) was mainly attributable to the 0.01% interest differential on the loans and deposits. The gross margin, a key performance indicator for the company, is 2.5% (2006 2.2%).

Finance lease receivables have decreased to £ 75,575,273 at 31st December 2007 from £ 146,759,903 at 31st December 2006 and notes payable have decreased to £ 75,624,128 at 31st December 2007 from £ 146,916,113 at 31st December 2006 due to maturing deposit receipts and equivalent note repayments made in terms of the repayment schedule. No impairment losses were booked during the current year.

The principal risks faced by the Company are detailed in the financial instruments section below.

#### **DISSOLUTION**

The final lease receipt is due on 15th August 2008 at which time the Notes will be redeemed in full. It is the intention of the Directors to place the Company into voluntary liquidation as soon as possible after this date.

#### **DIVIDENDS**

The Directors do not recommend a dividend for the year (2006 £ Nil).

## **C17 LEASING COMPANY PLC**

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

#### **FINANCIAL INSTRUMENTS**

The Company's financial instruments comprise amounts due from a portfolio of lease receivables and amounts payable on loan notes. The Company has elected to take advantage of the exemption available for short-term debtors and creditors in respect of financial instrument disclosures.

The principal risks arising from the Company's financial instruments are interest rate risk, exchange rate risk and credit risk. The principal nature of such risks is summarised below.

#### **INTEREST RATE AND EXCHANGE RATE RISK EXPOSURE**

The Company assesses the exposure to interest rate, currency exchange and liquidity risk on a net basis. The Company's interest obligations arising on the notes in issue are fixed and are exceeded in amount, and matched in timing and in currency by the amounts arising under the sterling income stream. The Company therefore does not have a net exposure to changes in the value of currency, or prevailing interest rates.

#### **CREDIT RISK EXPOSURE**

Credit risk represents the net loss that would be recognised at the reporting date if the Authority failed to perform as contracted. The Company's obligations to the holders of the notes in issue are limited to the amounts due and receivable from the Authority. However the Company is exposed to the credit risks if the lessee fails to pay on the date or there is an impairment in the carrying value of the assets. Similarly the Company is exposed to Liquidity risks if the Company is unable to meet its payment obligations when due.

#### **DIRECTORS**

The Directors who held office during the year and subsequently were -

V M Rapley  
O F J Pritchard

#### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office and a resolution to re-appoint them and for their remuneration to be fixed by the Directors will be proposed at the forthcoming Annual Meeting.

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

The Directors confirm that

- so far as the Directors are aware, there is no relevant information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves 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 s243ZA of the Companies Act 1985.

## **C17 LEASING COMPANY PLC**

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

#### **SUPPLIER PAYMENT POLICY**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction. There are no creditors at year end (2006 £ Nil)


#### **CORPORATE GOVERNANCE DISCLOSURES**

As the Company has only listed debt securities, it has availed itself of an exemption from the Financial Services Authority's requirements to make corporate governance disclosures and for auditor review thereof

#### **REGISTERED OFFICE**

8th Floor  
68 King William Street  
London  
EC4N 7DZ

#### **BY ORDER OF THE BOARD**



Authorised Signatory

**Mourant & Co Capital Secretaries Limited**

Secretary

Date 2 July 2008

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the financial year. 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 that disclose with reasonable accuracy at any time the financial position of the Company and 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C17 LEASING COMPANY PLC**

We have audited the financial statements of C17 Leasing Company plc for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 19. 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.

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 or material inconsistencies within it. Our responsibilities do not extend to any further information outside the Directors' 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. 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C17 LEASING COMPANY PLC - CONTINUED**

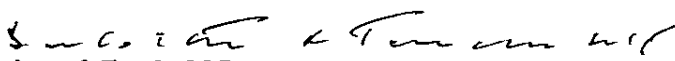
### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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

### **Emphasis of matter - financial statements prepared on a basis other than that of going concern**

Without qualifying our opinion, we draw attention to note 1 of the financial statements concerning the Company's ability to continue as a going concern and the basis on which the financial statements are prepared. The directors intend to voluntarily liquidate the Company after the final repayment of the loan notes in issue on 15 August 2008 and as such, the directors have not prepared the financial statements on a going concern basis.

  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London, United Kingdom

Date 26/07/08

**C17 LEASING COMPANY PLC****BALANCE SHEET****AS AT 31ST DECEMBER 2007**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>			
Debtors - due within one year	6	77,317,204	74,602,951
- due after one year	7	-	75,575,273
Cash at bank	8	775,998	701,820
		<u>78,093,202</u>	<u>150,880,044</u>
<b>CREDITORS: (amounts falling due within one year)</b>			
Interest payable on notes	9	( 1,711,404)	( 3,324,770)
Notes payable	9, 10	( 75,624,128)	( 71,291,985)
		<u>( 77,335,532)</u>	<u>( 74,616,755)</u>
<b>NET CURRENT ASSETS</b>		<b>757,670</b>	<b>76,263,289</b>
<b>CREDITORS: (amounts falling due after one year)</b>			
Notes payable	9, 10	-	( 75,624,128)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	11	( 320,203)	( 284,650)
		<u>( 320,203)</u>	<u>( 75,908,778)</u>
<b>NET ASSETS</b>		<b>£ 437,467</b>	<b>£ 354,511</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	12,500	12,500
Profit and loss account		424,967	342,011
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<b>£ 437,467</b>	<b>£ 354,511</b>

The financial statements were approved and authorised for issue by the Board of Directors on the **2 July** 2008 and were signed on its behalf by

Director: \_\_\_\_\_

*(The notes on pages 10 to 16 form part of these financial statements)*

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**C17 LEASING COMPANY PLC**

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**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST DECEMBER 2007**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Interest receivable	3	6,296,909	10,550,310
Interest payable	3	( 6,138,925)	( 10,314,117)
<b>GROSS PROFIT</b>		<b>157,984</b>	<b>236,193</b>
Administrative expenses	2	( 39,475)	( 39,475)
<b>OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	<b>118,509</b>	<b>196,718</b>
Taxation	4	( 35,553)	( 59,015)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>£ 82,956</b>	<b>£ 137,703</b>

**Continuing operations**

All items dealt with in arriving at the profit for the current year and prior year relate to continuing operations

**Recognised gains and losses**

There are no recognised gains and losses other than the profit attributable to the shareholders of the Company of £ 82,956 for the year ended 31st December 2007 and the profit of £137,703 for the year ended 31st December 2006, and therefore no separate statement of total recognised gains and losses has been presented

*(The notes on pages 10 to 16 form part of these financial statements)*

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**C17 LEASING COMPANY PLC**

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**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31ST DECEMBER 2007**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Net cash inflow from operating activities	14	367,097	532,116
<b>Capital expenditure and financial investment</b>			
Capital element of finance lease rental payments received		71,184,630	67,043,397
<b>Net cash flow from capital expenditure and financial investment</b>		71,184,630	67,043,397
<b>Net cash inflow before use of liquid resources and financing</b>		71,551,727	67,575,513
<b>Financing</b>			
Repayment of loan notes		( 71,477,549)	( 67,477,591)
<b>Net cash outflow from financing</b>		( 71,477,549)	( 67,477,591)
<b>Increase in cash in the year</b>		£ 74,178	£ 97,922

*(The notes on pages 10 to 16 form part of these financial statements)*

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST DECEMBER 2007**

**1. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The significant accounting policies used and applied consistently throughout the current and prior years are set out below.

The Directors have adjusted the format of the profit and loss account as allowed under Companies Act 1985, Schedule 4, paragraph 3(3).

It is the intention of the Directors to recommend to the Shareholders that the Company be voluntarily liquidated as soon as practicable. As such the Financial Statements are not prepared on a going concern basis.

**Interest income from lease rentals and loan note interest expense**

Interest income and expense is accounted for on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount.

**Loan notes**

Loan notes are measured at initial recognition at fair value being the principal issued less funding costs, and are subsequently measured at amortised cost using the effective interest rate method.

**Finance lease rentals - company as lessor**

Finance lease rentals are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

**Bank interest**

Bank interest is recognised on an accruals basis, using the effective interest rate method.

**Management fees**

Management and Company administration fees have been paid in advance and are being charged to the profit and loss account as earned over the expected life of the Company.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2007****1. ACCOUNTING POLICIES (CONTINUED)****Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

**2. PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER CHARGING:**

	<u>2007</u>	<u>2006</u>
Company administration fees	16,814	16,814
Auditors' remuneration		
- fees for audit of the Company's accounts	17,676	17,676
- other services pursuant to legislation taxation services	4,985	4,985
	<hr/>	<hr/>
	£ 39,475	£ 39,475
	<hr/>	<hr/>

**3 INTEREST RECEIVABLE / INTEREST PAYABLE**

	<u>2007</u>	<u>2006</u>
<b>Interest receivable</b>		
Bank interest receivable	61,823	78,725
Interest receivable on finance lease receivables	6,235,086	10,471,585
	<hr/>	<hr/>
	£ 6,296,909	£ 10,550,310
	<hr/>	<hr/>
<b>Interest payable</b>		
Interest payable on loan note	( 6,138,925)	( 10,314,117)
	<hr/>	<hr/>
	£ ( 6,138,925)	£ ( 10,314,117)
	<hr/>	<hr/>

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**C17 LEASING COMPANY PLC**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2007****4 TAXATION**

## i) Analysis of tax charge on ordinary activities

	<u>2007</u>	<u>2006</u>
Deferred tax - origination of timing differences	£ ( 35,553)	£ ( 59,015)

## ii) Factors affecting the tax charge for the current period

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30%. The differences are explained below

	<u>2007</u>	<u>2006</u>
Profit on ordinary activities before tax	£ 118,509	£ 196,718
Tax charge of 30% thereon	( 35,553)	( 59,015)
Movement in short term timing differences	35,553	59,015
Current tax charge for the year	£ -	£ -

The Company is taxed on a discounting transaction basis under Schedule D Case III and on the basis the Company's lease receivables are taxed upon receipt

**5 DIRECTORS AND EMPLOYEES**

None of the Directors received any emoluments for their services to the Company in the current or prior year

None of the Directors had any material interest in any contract of significance in relation to the business of the Company during the current or prior year. The Company does not have any employees (2006 Nil)

**6 DEBTORS : AMOUNTS DUE WITHIN ONE YEAR**

	<u>2007</u>	<u>2006</u>
Prepayments	-	39,475
Interest receivable on finance lease receivables	1,738,536	3,376,070
Bank interest receivable	3,395	2,776
Amounts receivable pursuant to finance leases	75,575,273	71,184,630
	£ 77,317,204	£ 74,602,951

**7 DEBTORS: AMOUNTS DUE AFTER ONE YEAR**

	<u>2007</u>	<u>2006</u>
Amounts receivable pursuant to finance leases	£ -	£ 75,575,273

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**C17 LEASING COMPANY PLC**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2007**

<b>8 CASH AT BANK</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
JP Morgan Chase Bank - current account	12,500	12,500
JP Morgan Chase Bank - issuer account	763,498	689,320
	<hr/>	<hr/>
	£ 775,998	£ 701,820
	<hr/>	<hr/>
<b>9 CREDITORS</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Amounts falling due within one year</b>		
Interest payable on notes	1,711,404	3,324,770
Notes payable (see note 10)	75,624,128	71,291,985
	<hr/>	<hr/>
	£ 77,335,532	£ 74,616,755
	<hr/>	<hr/>
<b>Amounts due after one year</b>		
Notes payable (see note 10)	-	75,624,128
	<hr/>	<hr/>
	£ -	£ 75,624,128
	<hr/>	<hr/>
<b>10. NOTES PAYABLE</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>£ 434,210,000 5.8325% Fixed Rate Notes due 2008</b>		
Maturity profile		
Amounts due <1 year	75,624,128	71,291,985
Amounts falling due in >1 year	-	75,624,128
	<hr/>	<hr/>
	£ 75,624,128	£ 146,916,113
	<hr/>	<hr/>

The notes were issued on 17th January 2001 and mature on 15th August 2008. The initial aggregate outstanding principal amount at issue was £ 434,210,000.

The notes bear interest at the fixed rate of 5.8325% on the principal amount outstanding, payable semi-annually in arrears commencing 15th February 2002. Payments of principal are made in accordance with the Offering Document, on each payment date commencing 15th February 2002.

The notes constitute a direct, secured and unconditional obligation of the Company and denominations thereof rank pari passu amongst themselves. The notes have been secured against the Company's rights in respect of the Lease Instalments, the Termination sums, the LPMO Agreement and the Company's bank accounts and other assets. A Post Maturity Call Option was granted to C17 Holdings Limited, the parent company, to acquire any outstanding notes, plus any accrued interest thereon, for a consideration of £ 0.01 per note.

The notes are listed on the London Stock Exchange.

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**C17 LEASING COMPANY PLC**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2007****11. PROVISION FOR LIABILITIES AND CHARGES**

	<u>2007</u>	<u>2006</u>
Movement on deferred taxation balance in the year		
At 1st January 2007	( 284,650)	( 225,635)
Charged to profit and loss account	( 35,553)	( 59,015)
At 31st December 2007	<u>£ ( 320,203)</u>	<u>£ ( 284,650)</u>
Deferred tax is provided as follows		
	<u>2007</u>	<u>2006</u>
Short term timing differences	<u>£ ( 320,203)</u>	<u>£ ( 284,650)</u>

**12. CALLED UP SHARE CAPITAL**

	<u>2007</u>	<u>2006</u>
AUTHORISED		
50,000 ordinary shares of £ 1 each	<u>£ 50,000</u>	<u>£ 50,000</u>
ISSUED AND PARTLY PAID		
50,000 ordinary shares of £ 1 each, quarter paid	<u>£ 12,500</u>	<u>£ 12,500</u>

**13 RECONCILIATION OF MOVEMENTS  
IN EQUITY SHAREHOLDERS' FUNDS**

	<u>2007</u>	<u>2006</u>
Profit for the year	82,956	137,703
Opening equity shareholders' funds	<u>354,511</u>	<u>216,808</u>
Closing equity shareholders' funds	<u>£ 437,467</u>	<u>£ 354,511</u>

**14 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING  
ACTIVITIES**

	<u>2007</u>	<u>2006</u>
Operating profit on ordinary activities before taxation	118,509	196,718
Decrease in prepayments	39,475	39,475
Decrease in debtors	1,636,915	1,541,644
Decrease in creditors	( 1,613,366)	( 1,520,818)
Non-cash movement in effective interest payable on loan notes	<u>185,564</u>	<u>275,097</u>
Net cash inflow from operating activities	<u>£ 367,097</u>	<u>£ 532,116</u>

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2007****15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<u>2007</u>	<u>2006</u>
Increase in cash in the year	74,178	97,922
Decrease in loan notes	71,477,549	67,477,591
Non-cash movement in amortised cost of loan notes	( 185,564)	( 275,097)
Net debt as at 1st January	( 146,214,293)	( 213,514,709)
Net debt as at 31st December	<u>£ ( 74,848,130)</u>	<u>£ ( 146,214,293)</u>

**16. ANALYSIS OF CHANGES IN NET DEBT**

	<u>2006</u>	<u>Cash flow</u>	<u>2007</u>
Cash in hand, at bank	701,820	74,178	775,998
Debt due within one year	( 71,291,985)	( 4,332,143)	( 75,624,128)
Debt due after one year	( 75,624,128)	75,624,128	-
Total net debt	<u>£ ( 146,214,293)</u>	<u>£ 71,366,163</u>	<u>£ ( 74,848,130)</u>

**17. FINANCIAL INSTRUMENTS**

The Company's financial instruments comprise amounts due from a portfolio of lease receivables and amounts payable on loan notes. As the Company's obligations are limited to the amounts due and received from the Authority, the capital exposure risk is reduced to other parties. The Company does not recommend any dividends so the risk is reduced. However any other unforeseen liabilities arising from the financial instruments has been considered and managed accordingly. The Company has elected to take advantage of the exemption available for short-term debtors and creditors in respect of financial instrument disclosures.

**Interest rate and exchange rate risk exposure**

The Company assesses the exposure to interest rate, currency exchange and liquidity risk on a net basis. The Company's interest obligations arising on the notes in issue are fixed and are exceeded in amount, and matched in timing and in currency by the amounts arising under the sterling income stream. The Company therefore does not have a net exposure to changes in the value of currency, or prevailing interest rates.

**Credit risk exposure**

Credit risk represents the net loss that would be recognised at the reporting date if the Authority failed to perform as contracted. The Company's obligations to the holders of the notes in issue are limited to the amounts due and receivable from the Authority. However, the Company is exposed to the credit risks if the lessee fails to pay on the date or there is an impairment in the carrying value of the assets. Similarly the Company is exposed to liquidity risks if the Company is unable to meet its payment obligations when due.

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**C17 LEASING COMPANY PLC**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2007****17 FINANCIAL INSTRUMENTS (continued)****Interest rate profile of financial assets and financial liabilities**

	<u>2007</u>		<u>2006</u>	
	Effective interest rate	Amount	Effective interest rate	Amount
<b>Financial assets</b>				
Lease receivables	6.084%	£ 75,575,273	6.084%	£ 146,759,903
<b>Financial liabilities</b>				
Loan notes payable	5.8325%	£ 75,708,475	5.8325%	£ 146,916,113

**Liquidity analysis of company's financial assets and financial liabilities**

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Due <1 year	75,575,273	75,708,475	71,184,630	71,291,985
Due in >1 year	-	-	75,575,273	75,624,128
	£ 75,575,273	£ 75,708,475	£ 146,759,903	£ 146,916,113

The amounts disclosed for 2007 are undiscounted future cash flows

**Fair values**

The carrying amount of financial assets and liabilities approximate to their fair value

**18. RELATED PARTIES**

Each of V M Rapley and O F J Pritchard is an employee of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provide ongoing administrative services to the Company at commercial rates.

Company administration fees were paid at the outset of the transaction and were transferred from prepayments to the profit and loss account at an amount of £ 16,814 per year. At year end no amount is held within prepayments (2006 £ 16,814).

**19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The Company's immediate holding company, and the parent of the smallest and largest groups into which the results of the Company are consolidated is C17 Holdings Limited, a company incorporated in Great Britain. The ultimate holding company is Stanhope Gate Trustees Limited, as trustee of the C17 Charitable Trust, an English registered trust established for charitable purposes.