

COMPANY NUMBER 4133746

ALPHA PARTNERS LEASING LIMITED

Annual Report
for the Year Ended 31 December 2007

**Directors on
9th October 2008:**

M A Cowdry
C F Glenn
E Harkness
R Lyons
M N Morris
A Shilston

Secretary:

D J Goma
C H Jackson

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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 2007

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

The directors are responsible for preparing the Directors' 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 UK Accounting Standards.

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 of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, and
- prepare the financial statements on a 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

REVIEW OF THE BUSINESS

The group increased its turnover by 14% compared to the previous year. This was mainly due to growth in the group's lease engine portfolio.

The group opened the year with an engine lease portfolio of 107 aero engines and 26 industrial engines, and closed with 122 aero engines and an unchanged industrial engine portfolio. During the year the group acquired 16 engines and sold 1 engine. Monthly average net investment in the total engine portfolio (including both fixed assets and finance lease debtors) increased by approximately \$101m year on year.

The principal risks and uncertainties facing the group are the risk of engines being off lease for extended periods and the risk of customer bankruptcy and resultant bad debts. These risks were successfully managed during the year with an average of 2 engines off lease during the year and no material bad debts arising.

The subsidiary companies are financed by separate finance facilities. The key sources of finance within the group is a \$525m syndicated revolving credit facility to which certain group companies and affiliates are party. During the year an option was exercised to extend the term of this facility by one year to December 2012.

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.

REPORT OF THE DIRECTORS (continued)

FINANCIAL REVIEW

Results

The profit before taxation of the Company and its subsidiaries was US\$33,058,000 (2006 US\$30,047,000)

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US\$10,525,000 (2006 US\$6,422,000). The Directors declared interim dividends of US\$95,000 per A and B ordinary shares (2006 US\$72,500 per A and B ordinary shares). No further dividends are recommended. The total cost of dividends for 2007 is US\$19,000,000 (2006 US\$14,500,000).

DIRECTORATE

The Directors who held office through the year were as follows

M R H Arundell (resigned as alternate director 25 May 2007)

M A Cowdry

C G Freeman (resigned 28 April 2008)

C F Glenn

H Haid (resigned 27 March 2007)

E Harkness (appointed 28 April 2008)

R C Lyons (appointed 27 March 2007)

M N Morris (appointed alternate director 25 May 2007)

A Shilston

DIRECTORS' INTERESTS

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

PAYMENT TO SUPPLIERS

The Company seeks the best possible terms from suppliers and, in entering into binding purchasing contracts, gives consideration to quality, delivery, price and the terms of payment. The Company abides therewith whenever it is satisfied that suppliers have provided the goods or services in accordance with agreed terms and conditions. Trade Creditors (excluding creditors related to capital items) at 31 December 2007 represent 31 days of purchases (2006 27 days).

REPORT OF THE DIRECTORS (continued)

AUDITORS & ANNUAL GENERAL MEETINGS

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

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By Order of the Board

A handwritten signature in black ink, appearing to read 'C H Jackson', written over a horizontal line.

C H Jackson
Secretary
9th October 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPHA PARTNERS LEASING LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Alpha Partners Leasing Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement 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.

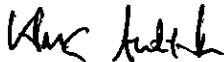
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

AUDITORS' REPORT (continued)

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 group's and the parent company's affairs as at 31 December 2007 and of the group's 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

9 April London
2008

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 US\$000	2006 US\$000
Turnover	2	96,515	84,808
Cost of sales		<u>(31,079)</u>	<u>(33,496)</u>
Gross profit		65,436	51,312
General and administrative costs		<u>(3,840)</u>	<u>(4,049)</u>
Operating profit		61,596	47,263
Profit on sale of fixed assets		<u>657</u>	<u>6,344</u>
Profit on ordinary activities before interest		62,253	53,607
Net interest payable	4	<u>(29,195)</u>	<u>(23,560)</u>
Profit on ordinary activities before taxation	3	33,058	30,047
Taxation	7	<u>(3,533)</u>	<u>(9,125)</u>
Profit for the financial year		<u>29,525</u>	<u>20,922</u>

The notes on pages 11 to 20 form part of these Financial Statements

All the results have been derived from continuing activities

As permitted by the Companies Act 1985, a separate profit and loss account for the Company has not been included in these Financial Statements. Of the Group "profit on ordinary activities after taxation" a profit of US\$19,000,000 (2006 US\$14,500,000) has been dealt with in the profit and loss account of the Company. In both 2006 and 2007 the Company profit on ordinary activities after taxation comprised dividends received from subsidiary undertakings.

There are no recognised gains or losses other than those disclosed in the profit and loss account above.

BALANCE SHEETS **AT 31 DECEMBER 2007**

	Notes	GROUP		COMPANY	
		2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Fixed assets					
Tangible assets	9	696,843	604,579	-	-
Current assets					
Stock	11	5,471	55	-	-
Debtors amounts falling due within one year	12	30,725	33,855	14,159	12,230
Debtors amounts falling due after more than one year	13	18,241	22,462	-	-
Cash at bank and in hand		420	1,121	-	-
		<u>54,857</u>	<u>57,493</u>	<u>14,159</u>	<u>12,230</u>
Creditors amounts falling due within one year	14	<u>(85,316)</u>	<u>(41,756)</u>	<u>(14,159)</u>	<u>(12,230)</u>
Net current (liabilities) / assets		<u>(30,459)</u>	<u>15,737</u>	<u>-</u>	<u>-</u>
Total assets less current liabilities		666,384	620,316	-	-
Creditors amounts falling due after more than one year	15	(482,061)	(450,051)	-	-
Provisions for liabilities and charges	16	<u>(78,435)</u>	<u>(74,902)</u>	<u>-</u>	<u>-</u>
Net assets		<u>105,888</u>	<u>95,363</u>	<u>-</u>	<u>-</u>
Capital and reserves					
Called up share capital	17	-	-	-	-
Capital reserve	18	42,708	42,708	-	-
Profit and loss account	19	63,180	52,655	-	-
Equity shareholders' funds		<u>105,888</u>	<u>95,363</u>	<u>-</u>	<u>-</u>

The Financial Statements were approved by the Board of Directors on 9th October 2008 and were signed on its behalf by



M N Morris
Director

The notes on pages 11 to 20 form part of these Financial Statements

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

		2007 US\$000	2006 US\$000
Cash flow from operating activities	A	109,739	67,091
Returns on investments and servicing of finance	B	(27,423)	(21,113)
Capital expenditure and financial investments	C	(122,631)	(93,485)
Equity dividends paid		(19,000)	(14,500)
Cash outflow before financing		(59,315)	(62,007)
Financing	D	58,614	61,508
Decrease in cash in the period		(701)	(499)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period		(701)	(499)
Cash flow from movement in borrowings		(58,614)	(61,508)
Movement in net debt in the period		(59,315)	(62,007)
Net debt at 1 January		(425,395)	(363,388)
Net debt at 31 December		(484,710)	(425,395)

ANALYSIS OF NET DEBT

	At beginning of year US\$000	Cashflow US\$000	At end of year US\$000
Cash in hand, at bank	1,121	(701)	420
Loan from related parties	(61,180)	2,129	(59,051)
Debt due within one year	(5,868)	(29,250)	(35,118)
Debt due after more than one year	(359,468)	(31,493)	(390,961)
Total	(425,395)	(59,315)	(484,710)

NOTES TO THE CASH FLOW STATEMENT

	2007 US\$000	2006 US\$000
Reconciliation of operating profit to operating cash flows		
Operating profit	61,596	47,263
Depreciation charges	31,024	25,589
Increase in stock	(5,416)	-
Decrease / (increase) in debtors	7,351	(17,807)
Increase in creditors	15,184	12,046
A. Net cash inflow from operating activities	<u>109,739</u>	<u>67,091</u>
Returns on investment and servicing of finance		
Interest received	101	112
Interest paid	(27,524)	(21,225)
B. Net cash outflow from returns on investment and servicing of finance	<u>(27,423)</u>	<u>(21,113)</u>
Capital expenditure		
Purchase of tangible fixed assets	(125,105)	(104,863)
Disposal of tangible fixed assets	2,474	11,378
C. Net cash outflow for capital expenditure and financial investments	<u>(122,631)</u>	<u>(93,485)</u>
Financing		
Increase / (decrease) in borrowings due within one year	29,250	(27)
Increase in borrowings due after one year	31,493	63,519
Decrease in loans from related parties	(2,129)	(1,984)
D. Net cash inflow from financing	<u>58,614</u>	<u>61,508</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Profit for the financial year	29,525	20,922	19,000	14,500
Dividends	(19,000)	(14,500)	(19,000)	(14,500)
Net addition to shareholders' funds	10,525	6,422	-	-
Opening Shareholders' funds	95,363	88,941	-	-
Closing Shareholders' funds	<u>105,888</u>	<u>95,363</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES

Basis of Accounting

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

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

Basis of Consolidation

In 2001, the first year the Financial Statements of the Company were prepared, the Company took advantage of the provisions within FRS 6 to account for its investment in its subsidiaries as a group reconstruction

The Group Financial Statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December 2007

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

Cost of Assets Held for Use in Operating Leases

The Group accrues for obligations to reimburse either existing or prospective lessees for the costs of future maintenance. Where the accruals have arisen from the acquisition of previously used assets, the asset cost is increased by the amount estimated to return the asset to a fully overhauled condition

Income from Finance Leases

Income is credited to the profit and loss account in proportion to the funds invested

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

Civil Aero Engines – 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

NOTES (continued)

Industrial Engines - The period up to the 20th anniversary of the engine being first bought into use or purchased for lease by the Company

Fixtures & Fittings – 5 years

Stock

Stock is stated at the lower of cost and net realisable value

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

2. ANALYSIS OF TURNOVER

	Operating Lease Rentals	Finance Lease Rentals	Fees and other income	Spare Parts Sales	Total
2007					
United Kingdom	42,844	268	852	622	44,586
Rest of Europe	9,211	524	-	-	9,735
USA	3,951	1,691	-	-	5,642
Canada	3,168	-	-	-	3,168
South America	6,841	-	-	-	6,841
Asia	26,543	-	-	-	26,543
	<u>92,558</u>	<u>2,483</u>	<u>852</u>	<u>622</u>	<u>96,515</u>
	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Fees and other income US\$000	Spare Parts Sales US\$000	Total US\$000
2006					
United Kingdom	37,519	374	527	665	39,085
Rest of Europe	11,263	752	-	-	12,015
USA	3,306	1,811	-	5,967	11,084
Canada	3,444	-	-	-	3,444
South America	6,123	-	-	-	6,123
Asia	13,057	-	-	-	13,057
	<u>74,712</u>	<u>2,937</u>	<u>527</u>	<u>6,632</u>	<u>84,808</u>

All the Group's business originates from the United Kingdom. The Directors are of the opinion that the Group is engaged in a single class of business and the analysis above is provided for information purposes only.

NOTES (continued)**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2007 US\$000	2006 US\$000
After charging		
Depreciation of owned tangible fixed assets	31,024	25,589
Realised exchange losses	8	66
Operating lease rentals payable – hire of plant and equipment	4	9
Auditors' remuneration – audit fee	116	111

4. GROUP NET INTEREST PAYABLE

	2007 US\$000	2006 US\$000
Interest payable on		
Bank loans and overdrafts	24,341	18,798
Loans from related parties	4,220	4,365
Other borrowings	735	509
	<u>29,296</u>	<u>23,672</u>
Interest receivable	<u>(101)</u>	<u>(112)</u>
Group net interest payable	<u>29,195</u>	<u>23,560</u>

5. EMOLUMENTS OF DIRECTORS

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

6. EMPLOYEE INFORMATION

	2007 US\$000	2006 US\$000
Employment costs		
Salaries	2,337	3,069
Social security costs	255	362
Other pension costs	215	157
	<u>2,807</u>	<u>3,588</u>
Average number of employees during the year	<u>20</u>	<u>21</u>

For the purposes of this note, employees are taken as being those people with contracts of employment with a related party but whose time is partly dedicated to the business of the Company and Group and whose costs of employment are therefore proportionately charged to the Group

NOTES (continued)**7. TAXATION**

	2007 US\$000	2006 US\$000
Deferred tax origination and reversal of timing differences		
In respect of current year	9,054	9,125
Adjustment in respect of prior periods	(601)	-
Adjustment in respect of reduction in tax rate	(4,920)	-
	<u>3,533</u>	<u>9,125</u>
 Reconciliation of Tax Charge		
Profit on ordinary activities before tax	33,058	30,047
Nominal charge at UK corporate tax rate of 30%	9,917	9,014
Expenses not deductible for tax purposes	71	765
Income not taxable	(269)	(654)
Capital allowances for period in excess of depreciation	(13,798)	(13,645)
Other timing differences for period	4,744	4,520
Tax differential on timing differences in period	(665)	-
Current tax	<u>-</u>	<u>-</u>

8. DIVIDENDS – Ordinary Shares

	2007 US\$000	2006 US\$000
US\$95,000 per A share (2006 US\$72,500 per A share)	9,500	7,250
US\$95,000 per B share (2006 US\$72,500 per B share)	9,500	7,250
	<u>19,000</u>	<u>14,500</u>

NOTES (continued)

9. TANGIBLE FIXED ASSETS

GROUP	Assets Held for Use in Operating Leases US\$000	Fixtures & Fittings US\$000	Total US\$000
Cost at 1 January 2007	715,265	524	715,789
Additions	125,091	14	125,105
Disposals	(2,473)	-	(2,473)
Cost at 31 December 2007	837,883	538	838,421
Depreciation at 1 January 2007	110,768	442	111,210
Provided during the year	31,007	17	31,024
Released on disposals	(656)	-	(656)
Depreciation at 31 December 2007	141,119	459	141,578
Net book values			
at 31 December 2007	696,764	79	696,843
at 31 December 2006	604,497	82	604,579

- 1 The cost of assets held for use in operating leases includes maintenance reserves of US\$1,416,208 (2006 US\$1,416,208) as explained in Note 1

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Capital expenditure commitments				
Contracted but not provided for	30,606	81,423	-	-

10. INVESTMENTS – Subsidiary Undertakings

Company	2007 US\$	2006 US\$
Shares at cost	200	200

11. STOCK

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Spare parts held for engine repairs	5,471	55	-	-

NOTES (continued)

12. DEBTORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Finance lease receivables	4,047	3,570	-	-
Engine pre-delivery payments	17,291	15,875	-	-
Trade debtors	1,121	927	-	-
Other debtors	46	43	-	-
Prepayments and accrued income	557	511	-	-
Amounts owed by subsidiary undertakings related parties	- 7,663	- 12,929	14,159	12,230
	<u>30,725</u>	<u>33,855</u>	<u>14 159</u>	<u>12,230</u>

13. DEBTORS – Amounts Falling Due After One Year

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Finance lease receivables	16,236	20,283	-	-
Trade debtors	269	443	-	-
Amounts owed by related parties	1,736	1,736	-	-
	<u>18,241</u>	<u>22,462</u>	<u>-</u>	<u>-</u>

Investment in Finance Leases

Rents receivable in the year	<u>6,053</u>	<u>7,201</u>	<u>-</u>	<u>-</u>
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NOTES (continued)

14. CREDITORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Trade creditors	2,944	2,779	-	-
Bank loans and overdrafts	35,118	5,868	-	-
Accruals and deferred income	15,897	13,706	-	-
Deposits from lessees	1,871	929	-	-
Maintenance reserves	26,707	15,657	-	-
Other creditors	270	383	-	-
Amounts owed to subsidiary undertakings	-	-	14,159	12,230
related parties	2,509	2,434	-	-
	<u>85,316</u>	<u>41,756</u>	<u>14,159</u>	<u>12,230</u>

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

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
Deposits from lessees	8,063	7,773	-	-
Maintenance reserves	26,480	23,976	-	-
Amounts owed to related parties	56,557	58,834	-	-
Bank loans and overdrafts falling due between one and two years	4,185	-	-	-
between two and five years	386,776	359,468	-	-
	<u>482,061</u>	<u>450,051</u>	<u>-</u>	<u>-</u>

Maintenance reserves included above comprise:

	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
At 1 January	39,633	32,220	-	-
Provided/received during the year	16,402	12,819	-	-
Paid out during the year	(473)	(570)	-	-
Released on disposal	(2,375)	(4,836)	-	-
At 31 December	<u>53,187</u>	<u>39,633</u>	<u>-</u>	<u>-</u>

NOTES (continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION	GROUP		COMPANY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
At 1 January	74,902	65,777	-	-
Amount charged to the profit and loss account	3,533	9,125	-	-
At 31 December	<u>78,435</u>	<u>74,902</u>	<u>-</u>	<u>-</u>
The analysis of the deferred tax provision is as follows				
Accelerated capital allowances	98,695	90,862	-	-
Other timing differences	(20,260)	(15,960)	-	-
Potential liability	<u>78,435</u>	<u>74,902</u>	<u>-</u>	<u>-</u>

17. SHARE CAPITAL

	2007 US\$	2006 US\$
Authorised		
US\$1 'A' ordinary shares	100	100
US\$1 'B' ordinary shares	<u>100</u>	<u>100</u>
	<u>200</u>	<u>200</u>
Issued		
US\$1 'A' ordinary shares	100	100
US\$1 'B' ordinary shares	<u>100</u>	<u>100</u>
	<u>200</u>	<u>200</u>

18. CAPITAL RESERVE – non distributable

	2007 US\$000	2006 US\$000
Capital reserve	<u>42,708</u>	<u>42,708</u>

The Capital Reserve represents the difference between the nominal value of the Company's share capital and that of its direct subsidiaries in relation to the companies' merger

NOTES (continued)**19. PROFIT AND LOSS ACCOUNT**

	GROUP US\$000	COMPANY US\$000
Balance at 1 January 2007	52,655	-
Transfer to reserves for the year		
Company	-	-
Group	10,525	-
Balance at 31 December 2007	63,180	-

20. SUBSEQUENT EVENTS

The bank loan held by Omega Leasing (No 4) Limited, which is a subsidiary of Alpha Leasing (No 4) Limited, has been renewed on 22nd September 2008 for the period to 31st December 2012

21. RELATED PARTY TRANSACTIONS

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

	2007 US\$000	2006 US\$000
Sale of goods, services and fixed assets to	37,304	40,641
Purchase of goods, services and fixed assets from	111,287	73,222

22. CONTINGENT LIABILITIES

The Group and certain affiliates are party to loan facilities. The Group provides guarantees in respect of related parties of US\$300 million (2006 US\$319 million). The related parties guarantee the obligations of the Group under the loan facilities on a reciprocal basis.

23. PENSION FUNDING

The Company's employees, as disclosed in note 6, are members of one of two multi-employer defined benefits pension schemes, The Rolls-Royce Pension Fund or the Rolls-Royce Group Pension Scheme. The assets of the schemes are held in separate funds administered by trustees and invested in them independently of the finances of the Group. The schemes are funded by annual contributions from

- a) the company
- b) scheme members

As it is not possible to identify the share of underlying assets and liabilities relating to Rolls-Royce & Partners Finance Limited, in accordance with FRS17 Retirement Benefits, the scheme has been accounted for as a defined contribution scheme in these accounts.

On this basis, the amounts of employer contributions for 2007 were US\$215,000 (2006 US\$157,000).

The FRS17 disclosure related to the schemes is given in the group financial statements of Rolls-Royce Group plc.

NOTES (continued)**24. 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

25. SUBSIDIARY UNDERTAKINGS as at 31 December 2007

NAME	COUNTRY OF CORPORATION	BUSINESS	INTEREST IN ORDINARY SHARES %
Alpha Leasing Limited	England	Holding company	100
Alpha Leasing (No 3) Limited	England	Holding company	100
Alpha Leasing (No 4) Limited	England	Holding company	100
Omega Leasing Limited	England	Leasing of engines	100
Omega Leasing (No 3) Limited	England	Leasing of engines	100
Omega Leasing (No 4) Limited	England	Leasing of engines	100
Rolls-Royce & Partners Finance Limited	England	Holding company	100
Rolls-Royce Engine Leasing (Labuan) Limited	Malaysia	Leasing of engines	100
RRPF Engine Leasing Limited	England	Leasing of engines	100
RRPF Engine Leasing (No 2) Limited	England	Leasing of engines	100