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HERITABLE ASSET FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

Report and Financial Statements
For the year ended 31st December 2007

(Registered number 5413459)

Report of the Directors

The directors have pleasure in presenting the audited financial statements of Heritable Asset Finance Limited ("the Company) for the year ended 31st December 2007

Principal Activity and Review of the Business

The Company was incorporated in the United Kingdom on 4th April, 2005 as a wholly owned subsidiary of Heritable Bank Limited ("Heritable Bank"), a company registered in Scotland, for the purpose of providing asset financing through Hire Purchase Agreements and Finance Leases to customers in the United Kingdom The directors consider the results for the year satisfactory and expect further business development during 2008

The profit for the year and the state of the Company's affairs are as set out in the attached financial statements The directors do not recommend the payment of a dividend (2006 £nil)

Directors

The directors of the Company who held office during the year were as follows

M T J Sismey-Durrant
K J Malde
C S Welch

Prompt Payment Policy

It is the policy of the Company to pay all invoices in accordance with contract and payment terms Unless agreed otherwise, these terms are taken to be 30 days from the date of invoice

Risk Management

The Company is exposed through its operations to a variety of financial risks that include credit risk, liquidity risk and interest rate risk The Company has a risk management programme in place that seeks to limit the adverse effects on the financial statements of the Company Risk Management is performed by the various Committees established by Heritable Bank for the management of the various risks to which its subsidiary undertakings are exposed These include the Credit Committee, responsible for monitoring the loan portfolio and asset quality and the Asset and Liability Committee, responsible for managing the Company's liquidity requirements and its interest rate risk exposure

More details of the Company's risk management strategy and activities are set out in Note 3 to the financial statements

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- Prepare 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 have general responsibility for taking reasonable steps to safeguard the assets of the Company and prevent and detect fraud and other irregularities

Statement as to Disclosure of Information to Auditors

Each director has responsibility for ensuring that

(a) as far as he is aware, there is no relevant audit information of which the auditors are unaware, and that

(b) he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

A resolution to appoint PricewaterhouseCoopers LLP as auditor of the Company will be proposed at the Annual General Meeting

By Order of the Board

D Bull
Secretary

8 Hill Street
London W1J 5NG
1st July 2008

Independent Auditors' Report

To the members of Heritable Asset Finance Limited

We have audited the financial statements of Heritable Asset Finance Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet the Statement of Changes in Equity, the Cash Flow Statement, and the related notes These financial statements have been prepared under the accounting policies set out therein

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) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Directors 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 Report of the Directors 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 IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2007 and of its profit and cash flows 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
4 July 2008

Income Statement
For the year ended 31st December 2007

	Notes	2007 £	*2006 £*
Interest receivable and similar income	4(a)	5,582,905	*2 948,117*
Interest expense and similar charges	4(b)	(3,233,081)	*(1,683,666)*
Net interest income		2,349,824	*1,264,451*
Other operating income	5	21,416	*3,726*
Operating income		2,371,240	*1,268 177*
Operating expenses	6	(1,317,645)	*(984 320)*
Impairment losses on financial assets	7	(611,894)	*(215,415)*
Profit before income tax		441,701	*68 442*
Income tax	8	(180,403)	*(14,701)*
Profit for the year		261,298	*53,741*

The notes on pages 8 to 15 form part of these financial statements

Balance Sheet
At 31st December 2007

	Notes	2007 £	*2006 £*
ASSETS			
Non-current assets			
Property and equipment	10	81,511	*73 129*
Hire Purchase Agreements and Finance Leases	11	49,368,553	*33 492 794*
		49,450,064	*33 565 923*
Current assets			
Hire Purchase Agreements and Finance Leases	11	25,870,236	*16 399 783*
Cash and balances with central banks	9	162,034	*76 318*
Deferred income taxes	12	159,013	*32,569*
Other assets	13	538,468	*654 919*
		26,729,751	*17 163 589*
Total assets		76,179,815	*50 729 512*
LIABILITIES			
Current Liabilities			
Deposits from credit institutions	14	-	*136 079*
Other liabilities	15	833,683	*46 833*
		833,683	*182 912*
Non-current liabilities			
Borrowing from credit institutions	16	75,139,670	*50 601 436*
Total liabilities		75,973,353	*50 784 348*
EQUITY			
Share capital	17	1	*1*
Retained earnings	18	206,461	*(54 837)*
Total equity		206,462	*(54 836)*
Total equity and liabilities		76,179,815	*50 729 512*

The financial statements on pages 4 to 15 were approved by the Board of Directors on 1st July 2008 and were signed on its behalf by

K J Malde
Director

M Symey-Durrant
Director

The notes on pages 8 to 15 form part of these financial statements

Statement of Changes in Equity

For the year ended 31st December 2007

	Share Capital £	Retained Earning £	Total £
Equity at 1st January, 2006	1	(108,578)	(108,577)
Profit for the year	-	53,741	53,741
Equity at 31st December, 2006	1	(54,837)	(54,836)
Equity at 1st January, 2007	1	(54,837)	(54 836)
Profit for the year	-	261,298	261,298
Equity at 31st December, 2007	1	206,461	206,462

Cash Flow Statement

For the year ended 31st December 2007

	2007	2006
	£	£
Cash flows from operating activities		
Interest and similar income received	5,474,545	2 819 573
Interest paid	(3,233,081)	(1,683 666)
Other operating income received	21,416	3 726
Cash payments to employees and suppliers	(1,307,875)	(954,456)
Income taxes paid	32,608	(106 445)
Cash flows from operating activities before changes in operating assets and liabilities	987,613	78,732
Changes in operating assets and liabilities		
- net decrease in Hire Purchase Agreements and Finance Leases	(25,958,108)	(32 759,425)
- net (decrease)/increase in deposits from credit institutions	(136,079)	93,783
- net increase in other liabilities	447,395	28,043
- net decrease in other assets	224,812	706 479
Cash flows from operating activities	(24,434,367)	(31,852 388)
Cash flows from investing activities		
Purchase of property and equipment	(18,151)	(47 724)
	(18,151)	(47 724)
Cash flows from financing activities		
Proceeds from borrowing from credit institutions	24,538,234	31 937 195
Net cash from financing activities	24,538,234	31,937,195
Increase in cash and cash equivalents during the year	85,716	37,083
Cash and cash equivalents at the beginning of the year	76,318	39 235
Cash and cash equivalents at year end	162,034	76 318

Notes to the Financial Statements

For the year ended 31st December 2007

1 General Information

Heritable Asset Finance Limited ("the Company") provides asset financing through Hire Purchase Agreements and Finance Leases to customers in the United Kingdom The Company is incorporated and domiciled in the UK and the address of its registered office is 8 Hill Street, Berkeley Square, London, W1J 5NG

The Company's immediate parent undertaking is Heritable Bank Limited a company incorporated in the UK and its ultimate parent undertaking is Landsbanki Islands h f a company incorporated in Iceland

2 Summary of Significant Accounting Policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and IFRIC interpretations and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS The basis of preparation and the accounting policies are consistent with those of the parent undertaking

The financial statements have been prepared under the historical cost convention

(b) Income Recognition

Income comprises interest and fees earned on Hire Purchase Agreements and Finance Leases, calculated net of initial direct costs and recognised based upon an effective yield method The effective yield is the interest rate that exactly discounts estimated future cash receipts over the expected life of the financial asset

(c) Financial Assets

The Company's financial assets comprise Finance Leases and Hire Purchase Agreements

Assets leased to customers under agreements which transfer substantially all the risks and regards associated with ownership, other than legal title, are classified as Finance Leases Finance charges receivable are recognised over the period of the lease so as to give a constant rate of return on the net cash investment in the lease, taking into account all receipts associated with the lease

Hire Purchase Agreements are agreements to finance customer's purchase of assets with legal title automatically passing to the customer upon completion of the agreement Finance charges are recognised over the period of the agreement so as to give a constant rate of return on the new cash investment in the agreement, taking into account all receipts associated with the agreement

(d) Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired Such impairment and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an adverse impact on the future expected cashflows of the asset(s) Objective evidence that a financial asset is impaired may include, but is not limited to, the significant individual difficulty of borrower or issuer, a material breach of contract, it becoming probable that the borrower or issuer will enter bankruptcy, and the Company granting to the borrower a concession it would not normally consider

The Company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually and collectively for financial assets that are not individually significant If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cashflows discounted at the financial asset's original interest rate The carrying amount is reduced through the use of an allowance account and the loss is recognised in the income statement

When a financial asset is uncollectable, it is written off against the related allowance for loan impairment

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account and reversing the loss through the income statement

(e) Cash and cash equivalents

For the purpose of the cashflow statement, cash and cash equivalents comprise deposits with banks with an original maturity of less than three months

(f) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements Deferred income taxes are calculated using the tax rates and laws in place at the balance sheet date and which are expected to apply when the deferred tax asset is realised or the deferred income tax liability settled

Notes to the Financial Statements (continued)

For the year ended 31st December 2007

(g) Property and equipment

Property and equipment comprises office equipment and computer hardware and software that is integral to these systems

Depreciation on these assets is calculated on a straight line basis applying the following rates office equipment 25%, computer hardware 33% and computer software 25%

(h) Critical accounting estimates and assumptions

The directors consider that items (b) and (d) above are the accounting policies and related estimates which may have a significant risk of causing a material adjustment to the financial statements of the Company

3 Financial Risk Management

The Company's Financial risks are managed by the Board of Directors in the context of the risk management strategy and practices of Heritable Bank

(a) Financial Risk Factors

The Company's activities expose it to a variety of financial risks, market risk, credit risk and liquidity risk The Company s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance Risk management is carried out by a central Heritable Bank treasury department (Group treasury) under policies approved by the Board of directors Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity

(b) Market Risk

i Foreign exchange risk

The Company does not hold any foreign currency assets or liabilities and is therefore not exposed to foreign exchange risk

ii Price risk

The Company is not exposed to equity or commodity price risk

iii Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates The Company has both cash flow and fair value risk exposure Interest rate risk is managed in line with policies and processes set by the Company's immediate parent undertaking

(c) Credit risk

i The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation Credit risk is the most important risk for the Company s business, management therefore carefully manages its exposure to credit risk Credit exposures arise principally in lending activities that lead to Hire Purchase Agreements and Finance Leases There is also credit risk in off- balance sheet financial instruments, such as loan commitments The credit risk management and control are centralised in the credit and risk management team which reports to the Board of Directors

ii Credit risk measurement

Credit assessment of the borrower and the security is undertaken by the lending officer who will propose the correct balance between risk and reward The assessment is reviewed and challenged by the appropriate credit authority

iii Risk limit control and mitigation policies

The Company manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups and to industries and countries

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary Limits on the level of credit risk by product, industry sector and by country are approved regularly by the Board of Directors

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate

Exposure to credit risk is further managed by obtaining collateral and guarantees whether personal and/or corporate

iv Impairment of Hire Purchase Agreements and Finance Leases

The Company assesses at each balance sheet date whether there is objective evidence that a Hire Purchase Agreement or Finance Lease is impaired Such impairment and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an adverse impact on the future expected cash flows of the asset(s) Objective evidence that a Hire Purchase Agreement or Finance Lease is impaired may include, but is not limited to, the significant financial difficulty of the borrower, a material breach of contract, it becomes probable that the borrower will enter bankruptcy, and the Company granting to the borrower a concession it would not normally consider

Notes to the Financial Statements (continued)

For the year ended 31st December 2007

Financial Risk Management (continued)

Interest on Hire Purchase Agreements and Finance Leases where specific provision has been made is credited to a suspense account and excluded from interest income in the income statement

v Maximum exposure to credit risk before collateral held or other credit enhancements

Maximum exposure	2007 £	*2006 £*
Hire Purchase Agreements and Finance Leases		
Corporate	46,576,339	*31 016 024*
Individuals	29,603,476	*19,713,488*
Total	76,179,815	*50 729,512*

vi Hire Purchase Agreements and Finance Leases are summarised as follows

Amounts to customers	2007 £	*2006 £*
Neither past due nor impaired	73,004,676	*48,915 324*
Past due but not impaired	2,137,570	*850,613*
Impaired	423,820	*241 115*
Less allowance for impairment	(327,277)	*(114,475)*
Total Hire Purchase Agreements and Finance Leases	75,238,789	*49 892,577*

vii Hire Purchase Agreements and Finance Leases past due but not impaired

	2007			*2006*		
	Individuals	Corporates	Total	*Individuals*	*Corporates*	*Total*
Past due up to 30 days	32,642	66,274	98,916	*8,515*	*17 288*	*25,803*
Past due 30 to 60 days	672,756	1,365,898	2,038,654	*272 187*	*552,623*	*824,810*
	705,398	1,432,172	2,137,570	*280,702*	*569,911*	*850 613*

viii Hire Purchase Agreements and Finance Leases neither past due nor impaired

	2007			*2006*		
	Individuals	Corporates	Total	*Individuals*	*Corporates*	*Total*
Standard monitoring	28,369,617	44,635,059	73,004,676	*19 008,495*	29,906,829	*48,915 324*
Special monitoring	-	-	-	-		
	28,369,617	44,635,059	73,004,676	*19,008 495*	29,906,829	*48,915,324*

A method of assessing the probability of a Hire Purchase Agreement or Finance Lease defaulting is being introduced for all Hire Purchase Agreements and Finance Leases that are presently categorised as "Standard monitoring" The difference between Hire Purchase Agreements and Finance Leases classified as "Standard Monitoring" as opposed to "Special Monitoring" will reflect the degree to which management consider that the Hire Purchase Agreements and Finance Leases might default, based on an internal statistical calculation Those with a lower probability will be classified as "Standard" and those with a higher probability, "Special Monitoring" noting that all impaired Hire Purchase Agreements and Finance Leases and those in arrears receive closer (or "Special") monitoring under current practice

All individual and corporate Hire Purchase Agreements and Finance Leases are fully collaterised The majority of the collateral takes the form of individual and corporate assets The fair value estimate of collateral for Hire Purchase Agreements and Finance Leases past due but not impaired for individuals is £1,052,833 and corporates is £1,432,172, and for Hire Purchase Agreements and Finance Leases impaired the collateral is £423,820

Notes to the Financial Statements (continued)

For the year ended 31st December 2007

Financial Risk Management (continued)

ix Concentration of risks of financial assets with credit risk exposure by industry sector

Hire Purchase Agreements and Finance Leases	Agricultural £'000	Construction £'000	Retail £'000	Services £'000	Transport £'000	Total £'000
31st December 2007	214,725	6,324,921	9,663,260	6,087,482	52,948,401	75,238,789
31st December 2006	142,389	4,194,201	6,407,931	4,036,750	35,111,306	49,892,577

x Concentration of risks of financial assets with credit risk exposure by geographical sector

Concentration of risks of financial assets with credit risk exposure are within the United Kingdom and Ireland

(d) Liquidity Risk
At 31st December 2007 the Company had a bilateral committed line of credit of £75 million (*2006 £75 million)* provided by Heritable Bank Subsequent to the year end the commitment was increased to £100 million Interest is payable on the drawn balance at a margin over sterling LIBOR and the facility is due for repayment in July 2012 £75,139,670 is outstanding against this facility as at 31st December 2007

(e) Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital Consistent with others in the industry, the Company monitors capital on the basis of the Basel I accord This determines the risk weighted assets of the Company multiplied by the capital ratio compared to the adjusted Tier 1 & 2 capital

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

(f) Financial Instrument by category

The accounting policies for financial instruments have been applied and all items on the balance in 2007 and 2006 are categorised as 'Loans and receivables'

4(a) Interest receivable and similar income

Interest receivable and similar income comprises interest and fees earned on Hire Purchase Agreements and Finance Leases which comprise the effective yield

	2007 £	*2006 £*
Finance Leases	1,858,901	*1,117,191*
Hire Purchase Agreements	3,309,283	*1,699,043*
Other income	414,721	*131 883*
	5,582,905	*2,948,117*

4(b) Interest expense and similar charges

	2007 £	*2006 £*
Interest payable to immediate parent undertaking	3,233,081	*1,683,666*

5 Other operating income

Other operating income relates to sundry fees received

6 Operating expenses

No staffs were employed by the Company and no director received any remuneration from the Company during either year

The emoluments of the directors are paid by the parent company which makes no recharge to the Company The directors are also directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries Accordingly there are no emoluments in respect of the directors Their emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company

Notes to the Financial Statements (continued)

For the year ended 31st December 2007

Operating expenses include the following

	2007 £	2006 £
Service charges in lieu of salaries and related costs (charged by Heritable Bank Ltd)	576,141	644 930
Administrative expenses	731,735	316 595
Depreciation of tangible assets	9 769	22 795
	1,317,645	984 320

Auditors remuneration relating to the audit of the financial statements of the Company amounted to £5,000 *(2006 £5,000)*

7 Impairment losses on financial assets

	2007 £	2006 £
Balance at 1 January	114,378	9,438
Charged to income statement	212,899	104 940
Balance at 31 December	327,277	114 378
Realised bad debt losses charged to income statement	398,995	110 475
Total impairment losses charged to the income statement	611,894	215 415

8 Income tax

	2007 £	2006 £
Based on the result for the year at 30%		
Current tax expense	(489,295)	-
Adjustments recognised in the period for current tax of prior periods	182,448	126,716
Deferred tax credit/(charge) (Note 11)	126,444	(141 417)
	(180,403)	(14,701)

	2007 £	2006 £
Profit before tax	441,701	68 442
Profit on ordinary activities multiplied by the standard rate in the UK (30%)	132,510	20,533
Effects of		
Expenses not deductible for tax purposes	895	5,315
Depreciation	13,704	9 860
Finance lease rentals	2,671,043	1,323,244
Disallowed portfolio provisions	-	7 888
Capital allowances on finance leases current year	(2 328,857)	(1 366,840)
Current tax charge for the year	489,295	-
Deferred tax	(126,444)	141,417
Prior year corporation tax adjustment	(182,448)	(126,716)
Total Tax Charge for Year	180,403	14 701

The standard rate of Corporation tax in the UK changes to 28% with effect from 1st April 2008

9 Cash and balances with central banks

	2007 £	2006 £
Repayable on demand	162,034	76 318

Notes to the Financial Statements (continued)
For the year ended 31st December 2007

10 Property and equipment

	£
Cost	
At 1st January 2007	108,691
Additions	18,151
At 31st December 2007	126,842
Accumulated depreciation	
At 1st January 2007	(35,562)
Charge for the year	(9,769)
At 31st December 2007	(45,331)
Net book value	
At 31st December 2007	81,511
At 31st December 2006	73,129

11 Hire Purchase Agreements and Finance Leases

	2007 £	*2006 £*
Hire Purchase Agreements	50,861,216	*33,524,113*
Finance Lease Receivables	22,800,776	*15,276,615*
	73,661,992	*48,800 728*
Initial direct costs	1,884,304	*1 365,216*
Deferred income	(307,507)	*(273 367)*
Net investment in Hire Purchase and Finance Lease receivables	75,238,789	*49,892 577*

The fair value of Hire Purchase Agreements and Finance Leases equates to their carrying value

The net investment in Hire Purchase and Finance Lease receivables may be analysed as follows

	2007 £	*2006 £*
Not later than one year	28,785,983	*18 403 564*
Later than one year and no later than five years	58,115,795	*39 504 136*
	86,901,778	*57,907 700*
Less unearned finance income	(11,662,989)	*(8,015,123)*
	75,238,789	*49 892 577*

12 Deferred income taxes

The following table analyses the amount of deferred tax recoverable, calculated at 28% *(2006 30%)*, which has been recognised in these financial statements

	2007 £	*2006 £*
Finance lease rentals	2,505,764	*1 323 244*
Disallowed portfolio provisions	-	*7,888*
(Reversing) capital allowances	(2,173,600)	*(1 472 549)*
Prior year adjustment	(205 720)	-
	126,444	*(141,417)*

Deferred tax asset

	2007 £	*2006 £*
Balance at 1 January	32,569	*173,986*
Credit/(charge) to the income statement	126,444	*(141,417)*
Balance at 31 December	159,013	*32,569*

Notes to the Financial Statements (continued)
For the year ended 31st December 2007

	2007	2006
Deferred tax asset breakdown		
Capital Allowance deferral	141,000	32 569
Non permanent provisions	18,013	-
At 31st December	159,013	32 569

13 Other assets

	2007 £	2006 £
Value added tax recoverable	219,150	334 195
Sundry debtor	5,060	1,393
Corporation tax receivable	-	105,709
Interest receivable (HP and Finance Leases)	312,981	204,621
Prepayment	1,277	9,001
	538,468	654,919

14 Deposits from credit institutions

	2007 £	2006 £
Due to banks		
Repayable on demand	-	136,079

15 Other liabilities

	2007 £	2006 £
Trade creditors	463,431	3,028
Corporation tax payable	339,455	-
Broker commission payable	30,797	43,805
	833,683	46,833

16 Borrowings from credit institutions

	2007 £'s	2006 £'s
Loan balances at 1 January	50,601,436	18 644 241
Loans received during the period	24,538,234	31 957 195
Loan balances at 31 December	75,139,670	50 601 436

The balances above represent amounts owed to Heritable Bank Limited, the Company s immediate parent undertaking and primary source of funding Interest is charged based upon the cost of the funds to the parent together with a margin to recover the cost of administration These loans are unsecured and contractually repayable on demand However, Heritable Bank Limited has confirmed its intention to continue to support the activities of the Company and consequently these funds can be considered to be of a longer term nature

17 Share capital

	2007 £	2006 £
Authorised		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
Ordinary shares of £1 each	1	1

The ordinary shares carry full voting rights and the entire beneficial interest in the Company The single ordinary share is owned by Heritable Bank Ltd

Notes to the Financial Statements (continued)

For the year ended 31st December 2007

18 Retained earnings

	2007 £	*2006 £*
Balance at 1 January	(54,837)	*(108 578)*
Profit for the period	261,298	*53 741*
Balance at 31 December	206,461	*(54 837)*

19 Related Party Transactions

Balances with related parties are disclosed in Note 16
As indicated in Note 6, Heritable Bank Limited, the Company's immediate parent undertaking charged the Company £576,141 *(2006 £644 930)* in lieu of salaries and related costs

20 Ultimate Parent Undertaking

The results of Heritable Asset Finance Limited are consolidated in the financial statements of the Company s immediate parent undertaking, Heritable Bank Limited, a company incorporated in the United Kingdom Copies of the financial statements of Heritable Bank Limited can be obtained from 8 Hill Street, Berkeley Square, London, W1J 5NG

The results of Heritable Bank Limited are consolidated in the financial statements of the Company's ultimate parent undertaking, Landsbanki Islands h f, a company incorporated in Iceland Copies of the financial statements of Landsbanki Islands h f can be obtained from Austurstraeti 11, 155 Reykjavik, Iceland or www.landsbanki.is