

ING Lease Fleet Finance Limited

Directors' report and financial statements

31 December 2003
Registered number 1582263



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of ING Lease Fleet Finance Limited	3
Profit and loss account	4
Balance sheet	5
Statement of total recognised gains and losses	6
Notes	7 - 14

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities and review of business

The activity of the company is the leasing of motor vehicles. Future developments are stated in the financial statements of the parent company, ING Lease (UK) Limited

Results and Dividends

The results of the company for the year are set out in detail on page 4. The directors do not recommend the payment of a dividend (2002: Nil). The profit for the year of £670,899 (2002: loss £2,083,519) has been transferred to reserves.

As a result of a letter of comfort from ING Lease (UK) Limited the Company is able to maintain good standing and remain in a position to meet its contractual obligations as they fall due. Accordingly, the directors believe that it is appropriate to prepare these financial statements on a going concern basis.

Post balance sheet event

On 1 October 2004, the company transferred a portfolio of agreements to ING Car Lease Ltd. The net book value of the transferred portfolio was £17,311,570. In addition, head leases in the amount of £1,262,259 were transferred.

Directors and directors' interests

The directors who held office during the year, and subsequently, were as follows:

P R Bartley	(resigned 24 January 2003)
P G Derby	
T G Dramby	
W Lewis	(appointed 25 January 2005)
R Harris	(appointed 24 January 2003)
F Yue	(resigned 31 March 2005)

On 25 January 2005, F Yue was replaced as Company Secretary by W Lewis.

According to the register of directors' interests, none of the directors had any disclosable interest in the shares or loan capital of the company or of any UK group company during the year.

According to the register of directors' interests, no rights to subscribe for shares in UK group companies were granted to any of the directors or their immediate families.

Auditors

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

By order of the board

W Lewis
Director



Apex Court
Camphill Road
West Byfleet
Surrey KT14 6SQ

16th May 2005

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 of the company 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, 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the independent auditors to the members of ING Lease Fleet Finance Limited

We have audited the financial statements on pages 4 to 14.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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. However due to the circumstances described in more detail in note 1 to the financial statements, the evidence available to us was limited and, as a result, we were unable to perform auditing procedures necessary to obtain sufficient appropriate audit evidence concerning the measurement of certain leases within the balance sheet as at 31 December 2002 and profit and loss account for the year then ended. Any adjustment to the measurement of those leases would have a consequential effect on the current and prior year profit. Our opinion on the financial statements for the year ended 31 December 2002 was also qualified because of this limitation in audit scope.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company as at 31 December 2003.

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the measurement of certain leases and the related profit and loss charge, in our opinion, the financial statements give a true and fair view of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation on our work relating to the leases referred to above:

- We have not obtained all of the information and explanations that we considered necessary for the purposes of our audit; and
- We were unable to determine whether proper accounting records have been maintained.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc

20 May 2005
PO Box 695
8 Salisbury Square
London,
EC4Y 8BB

Profit and loss account

For the year ended 31 December 2003

		2003 £	2002 £ Restated
Gross earnings under finance leases		5,463,737	7,375,898
Rentals receivable under operating leases		<u>2,128,433</u>	<u>2,865,534</u>
Turnover		7,592,170	10,241,432
Depreciation charge	2	(1,829,874)	(2,325,146)
Interest payable and similar charges	2	<u>(4,996,798)</u>	<u>(7,214,844)</u>
Gross profit		765,498	701,442
Other operating (expenses)/income		<u>(866)</u>	<u>141,478</u>
Profit on ordinary activities before taxation		764,632	842,920
Tax charge on ordinary activities	6	<u>(93,733)</u>	<u>(2,926,439)</u>
Profit/(loss) on ordinary activities after tax and retained profit/(loss) for the financial year		670,899	(2,083,519)
Retained (loss)/profit brought forward		<u>(1,020,470)</u>	<u>1,063,049</u>
Retained loss carried forward		<u>(349,571)</u>	<u>(1,020,470)</u>

The notes on pages 7 to 14 form part of these financial statements.

There are no recognised gains or losses other than the loss for the year.

All activities relate to continuing operations.

Income of £149,981 in respect of the prior year has been reclassified from Other operating income/(expenses) to Gross earnings under finance leases (£140,027) and Rentals receivable under operating leases (£9,954). This reclassification has been made to better reflect the nature of the business. There is no impact on either the profit before tax or the retained profit for the financial year.

Gross earnings under finance leases in respect of the prior year have been increased by an amount of £507,619 and this has resulted in an increase in the tax charge of £152,286. These increases are due to a prior year adjustment as set out in note 16.

Balance sheet

at 31 December 2003

	Note	2003	2002
		£000	Restated £000
Fixed assets	7	2,417,368	5,826,358
Current assets			
Debtors – amounts falling due within one year	8	47,155,609	35,517,081
Debtors – amounts falling due after more than one year	9	<u>38,219,065</u>	<u>85,417,701</u>
		85,374,674	120,934,782
Cash at bank and in hand		<u>1,953,100</u>	<u>2,033,434</u>
		87,327,774	122,968,216
Creditors: amounts falling due within one year	12	<u>(82,291,944)</u>	<u>(115,214,064)</u>
Net current assets		<u>5,035,830</u>	<u>7,754,152</u>
Total assets less current liabilities		7,453,198	13,580,510
Creditors: amounts falling due after more than one year	13	(3,839,066)	(9,198,439)
Provisions for liabilities and charges	14	<u>(3,963,603)</u>	<u>(5,402,441)</u>
Net assets		<u>(349,471)</u>	<u>(1,020,370)</u>
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account		<u>(349,571)</u>	<u>(1,020,470)</u>
Shareholders' funds – equity	16	<u>(349,471)</u>	<u>(1,020,370)</u>

An amount of £45,067,797 has been reclassified from debtors within one year to creditors within one year in respect of the prior year. This reclassification relates to inter company balances and has been made to better reflect the nature of the business.

Creditors within one year in respect of the prior year have been decreased by an amount of £355,333 due to a prior year adjustment as set out in note 16.

The notes on page 7 to 14 form part of these financial statements.

These financial statements were approved by the board of Directors on 16th May 2005 and were signed on its behalf by:

R Harris
Director

W Lewis
Director

Statement of total recognised gains and losses

for the year ended 31 December 2003

	2003	2002
	£	Restated £
Profit/(loss) for the financial year after tax	670,899	(2,083,519)
Total recognised gains relating to the financial year	670,899	(2,083,519)
Prior year adjustment (see note 16)	<u>355,333</u>	<u>-</u>
Total gains/(losses) recognised since last annual report	<u>1,026,232</u>	<u>(2,083,519)</u>

The notes on pages 7 to 14 form part of the financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

The following statements have been prepared in accordance with applicable accounting standards. As a result of a letter of comfort from ING Lease (UK) Limited the Company is able to maintain good standing and remain in a position to meet its contractual obligations as they fall due. Accordingly, the directors believe that it is appropriate to prepare these financial statements on a going concern basis. The principal accounting policies adopted are described below.

Prior year amounts have been reclassified where necessary.

Basis of Preparation

The financial statements have been prepared under the historic cost accounting rules and in accordance with section 228 of, and Schedule 4 to, the Companies Act 1985, and in compliance with the Statement of Recommended Accounting Practices issued by the Finance and Leasing Association except as noted below.

On 2 November 2001, the company was acquired by ING Lease (UK) Limited. During the due diligence process that preceded the acquisition it was concluded that certain leases were inappropriately classified. The leases in question had been accounted for as if they were operating leases. However, the newly appointed directors concluded that the level of risk to which the company was exposed in these leases was set at such a level that in substance the leases were most appropriately classified as finance leases. Since this part of the portfolio had historically been accounted for as operating leases, the financial statements disclosed these leases as fixed assets held for the purposes of leasing and rental income was classified as turnover. The recognition of the net revenue on these leases was determined on an actuarial basis. Consequently the new directors took steps to determine the correcting adjustments necessary to restate the accounts for that and preceding years. Such adjustments would have reclassified fixed assets held for the purpose of leasing as amounts receivable under finance leases, at an amount that equated to the net investment at the appropriate balance sheet date. In the profit and loss account turnover, which included rental income from those leases, would have been reclassified to gross earnings under finance leases by netting off depreciation on these leases, also included in cost of sales, against the lease rentals. Adjustments to the balance sheet carrying value and revenue recognition resulting from the change in accounting would have been allocated to the appropriate period, with a revision of opening reserves as necessary.

In addition during the due diligence process the new management also discovered that valid finance leases had been accounted for using tax cash flow assumptions for income recognition purposes that were more suitable for operating leases and were therefore inappropriate. This problem was caused by the limitations of the lease administration system used by the previous management. The effect of this was that more revenue from the finance leases had been recognised in earlier periods. Accordingly, it was considered that these further correcting adjustments may increase the restatement to these accounts. Such adjustments would have reduced gross earnings under finance leases reported in previous years and increased finance lease receivables within the balance sheet.

Adjustments made to the accounts in the prior years

From 2 November 2001, the company's leases were converted onto the lease administration system used by the new parent company. As part of the conversion process, the new management reclassified the carrying value of the inappropriately classified leases within the balance sheet from fixed assets to current assets as of that date, albeit without any re-measurement for the reasons explained below. In the profit and loss account, the classification of these leases was changed from 2 November 2001 from the inclusion of rental income from operating leases in turnover and depreciation of the assets within cost of sales to gross earnings, under finance leases by netting the depreciation on these assets within turnover. Again no re-measurement was possible. For the same reasons, it was not possible to make any adjustments prior to this date.

The conversion process resulted in an income estimation difference of £368,090 that arose from differences between the two lease administration systems. This difference is being amortised to the profit and loss account over the average remaining length of the leases to which the difference relates.

Following enhancements to the lease administration system, in April 2002 the underlying accounting assumptions of the leases previously classified as operating leases were adjusted to recognise future revenue on a basis more consistent with finance leases for the remaining period of the leases. Whilst it was not possible to re-measure the remaining amount of revenue to be derived from these leases, from that date the previously estimated amount of that revenue has been allocated to future accounting periods on a finance lease recognition basis.

Notes (continued)

1. Accounting policies (continued)

In addition, in April 2002, the assumptions relating to tax cash flows for finance leases were adjusted in order to recognise the remaining revenue on a basis more consistent with finance leases. It has not been possible to make any adjustments either prior to this date.

Due to the volume of leases in question together with system limitations, it became apparent to the new management that it would not be feasible to calculate the necessary adjustments with any degree of accuracy. Accordingly, it has not been possible to make any reclassification adjustments for the periods prior to 2 November 2001, nor all the necessary measurement adjustments other than those described above relating to the recognition profile of the remaining (non-remeasured) revenue to be derived from the lease in the current period. Consequently, other than the adjustments made from the dates stated above, the financial statements are presented on the same basis as in prior years and therefore, in the opinion of the newly appointed directors, these financial statements did not comply with SSAP21 "Accounting for leases and hire purchase contracts" and FRS5 "Accounting for the substance of transactions". For the reason outlined above, it was not possible to quantify the effect of this non-compliance. The directors acknowledge that FRS3 "Reporting Financial Performance" requires appropriate adjustments to be made to the results and net assets of prior years in such circumstances; however for the reasons explained, no adjustments to the 2002 results were possible.

The 2003 balance sheet now complies with SSAP 21 "Accounting for leases and hire purchase contracts" and FRS 5 "Accounting for the substance of transactions" due to the reduction in the balance of the inappropriately classified leases left at 31 December 2003 but in the profit and loss account the revenue measurement cannot be accurately calculated. The directors do not anticipate that any further non-compliance will arise in respect of this matter

Turnover

Turnover represents gross earnings allocated in respect of finance leases in accordance with the accounting policy adopted for finance leases, and rental income from operating leases.

Assets held for use in operating leases

Amounts attributable to assets held for use in operating leases are disclosed separately within tangible fixed assets. Net income from operating leases after charging depreciation is credited to the profit and loss account to give a constant rate of return on the operating lease over the period of the lease.

Operating lease assets are depreciated over their useful economic lives such that, for each asset, rentals less depreciation is recognised at a constant periodic rate of return on the net cash invested in that asset.

Finance lease and hire purchase receivables

The difference between the gross minimum lease payments receivable and the fair value of the equipment represents finance income which is recognised in the profit and loss account over the period of the lease in order to give a constant rate of return on the investment in the lease.

The finance lease and hire purchase loan receivables are stated in the balance sheet at the total of the gross minimum lease payments receivable under such agreements, less finance income allocated to future periods.

Obligations under lease contracts

The company's financing commitments are stated in the balance sheet at the total of the capital repayments outstanding, net of finance charges allocated to future periods. Finance charges on these commitments are charged to profit and loss over the period of the commitments in proportion to the balance of capital repayments outstanding.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for accounting and taxation purposes, which have arisen but not reversed by the balance sheet date except as otherwise required by FRS19. In circumstances where the company surrenders/receives losses to/from other group companies, payment will be made where appropriate.

Notes (continued)

1. Accounting policies (continued)

Residual values

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions.

Residual values are set at the commencement of the lease based upon management's expectation of future sale proceeds. During the course of the lease residual values are monitored so as to identify any impairment required. The monitoring takes account of the company's past history for residual values and projections of the likely future market for each group of assets.

Any permanent impairment in the residual value of an asset is immediately charged to the profit and loss account.

Bad debt provision

The company makes provision for bad debts as they arise taking into account possible recoveries from the customer, commitments/guarantees received from the parent company and sale proceeds of the asset. The company carefully monitors the credit quality of its portfolio.

Cash flow statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated accounts.

2. Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	1,829,874	2,325,146
<i>Interest Payable:</i>		
Interest payable and similar charges payable to group undertaking	4,586,420	6,370,717
Interest on head leases to external undertakings	410,378	844,127
Total interest payable and similar charges	4,996,798	7,214,844

3. Remuneration of directors

None of the directors received remuneration in respect of services to the company during the year (2002: £nil).

4. Remuneration of auditors

There is no charge to audit fees for the year as the fees are paid by ING Lease (UK) Limited (2002: £nil).

5. Staff number and costs

The company employed no direct staff and incurred no staff costs during the year (2002: £nil).

Notes (continued)

6. Taxation

	2003 £	2002 £ Restated
The taxation charge is based on the profit for the year and comprises:		
Corporation tax		
- current year	2,044,975	385,998
- prior year	(512,403)	-
	<u>1,532,572</u>	<u>385,998</u>
Deferred taxation (credit)/charge		
- current year	(1,707,554)	61,238
- prior year	268,715	2,479,203
	<u>(1,438,839)</u>	<u>2,540,441</u>
Total taxation charge	<u>93,733</u>	<u>2,926,439</u>

The current tax charge for the period is higher (2002 higher) than the standard rate of corporation tax in the UK of 30%, (2002: 30%). The differences are explained below.

	2003 £	2002 £ Restated
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>764,632</u>	<u>842,920</u>
Current tax at 30% (2002: 30%)	229,390	252,876
<i>Effects of</i>		
Permanent difference	98,023	-
Movement in timing differences on capital allowances and depreciation	1,756,610	1,943,166
Other timing differences	<u>(39,048)</u>	<u>(1,810,044)</u>
Total current tax charge	<u>2,044,975</u>	<u>385,998</u>

The 2002 reconciliation has been restated to reflect the effect of the prior year adjustment for goodwill amortisation (see note 16). The effect of this upon profit before tax has been an increase of £507,619 whilst tax thereon has increased by £152,286.

7. Fixed Assets

Assets held for use in operating leases – motor vehicles

	£
<i>Cost</i>	
At 1 January 2003	9,786,671
Additions	-
Disposals	<u>(4,329,490)</u>
As at 31 December 2003	<u>5,457,181</u>

	£
<i>Depreciation</i>	
At 1 January 2003	3,960,313
Charge for the year	1,829,874
Disposals	<u>(2,750,374)</u>
As at 31 December 2003	<u>3,039,813</u>

Net Book Value

As at 31 December 2003	<u>2,417,368</u>
As at 31 December 2002	<u>5,826,358</u>

Notes (continued)

8. Debtors: amounts falling due within one year

	2003 £	2002 £ Restated
Net investment in finance leases and similar contracts	44,032,491	28,708,296
Hire purchase contracts	1,502,116	5,422,543
Trade debtors	1,040,346	673,283
Other debtors	580,656	712,959
	<u>47,155,609</u>	<u>35,517,081</u>

Amounts have been reanalysed between Trade debtors and Other debtors in respect of the prior year. This reclassification has been made to better reflect the nature of the business.

9. Debtors: amounts falling due after more than one year

	2003 £	2002 £
Net investment in finance leases and similar lease contracts	37,000,065	79,547,929
Hire purchase contracts	1,219,000	5,869,772
	<u>38,219,065</u>	<u>85,417,701</u>

10. Finance lease and hire purchase receivables

	2003 £	2002 £
Minimum lease receivables	91,864,817	132,219,225
Finance lease income allocated to future periods	<u>(8,111,145)</u>	<u>(12,670,685)</u>
Net finance lease receivables	<u>83,753,672</u>	<u>119,548,540</u>
Due within one year	45,534,607	34,130,839
Due after more than one year	<u>38,219,065</u>	<u>85,417,701</u>
	<u>83,753,672</u>	<u>119,548,540</u>

The cost of assets acquired in the year for the purpose of leasing under finance leases was £12,120,281 (2002 £19,264,611).

Aggregate rentals receivable in the year in respect of finance leases were £27,990,629 (2002: £27,793,618).

Notes (continued)

11. Residual values

Unguaranteed residual values under operating leases can be analysed as follows:

Year in which residual value will be recovered	2003	2002
	£	£
Within 1 year	1,161,383	1,049,950
Between 1 - 2 years	286,328	1,915,597
Between 2 - 5 years	-	-
More than 5 years	-	-
	<u>1,447,711</u>	<u>2,965,547</u>

Unguaranteed residual values under finance leases can be analysed as follows:

Year in which residual value will be recovered	2003	2002
	£	£
Within 1 year	7,361,101	7,686,435
Between 1 - 2 years	18,699,040	7,836,519
Between 2 - 5 years	8,519,731	24,675,121
More than 5 years	621,576	691,675
	<u>35,201,448</u>	<u>40,889,750</u>
Total exposure		

12. Creditors: amounts falling due within one year

	2003	2002
	£	£
		Restated
Net obligation under finance leases	5,002,882	1,328,403
Payments received on account	-	1,100,590
Rentals received in advance under operating leases	104,776	178,783
Amounts owed to parent undertakings	73,712,379	111,701,105
Other creditors	1,037,338	3,185
Corporation tax payable	2,434,569	901,998
	<u>82,291,944</u>	<u>115,214,064</u>

The Amounts owed to parent undertaking in respect of the prior year have been decreased to reflect the following restatements:-

- a reclassification of £45,067,797 from debtors within one year, in respect of the prior year. This reclassification relates to inter company balances and has been made to better reflect the nature of the business.
- a prior year decrease of £507,619, as set out in note 16. This has also resulted in an increase of prior year corporation tax payable in the amount of £152,286.

13. Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Net obligation under finance leases	<u>3,839,066</u>	<u>9,198,439</u>
Amount falling due:		
Within one year	5,002,882	1,328,403
In the second to fifth years	3,839,066	9,198,439
After five years	-	-
	<u>8,841,948</u>	<u>10,526,842</u>

Notes (continued)

14. Provisions for liabilities and charges

	2003 £
Deferred tax at the beginning of the year	5,402,441
Credit to profit and loss account (see note 6)	<u>(1,438,838)</u>
Deferred tax at the end of the year	<u>3,963,603</u>

Deferred taxation is provided in full in the financial statements and comprises:

	2003 Provided £	2002 Provided £
<i>Deferred tax</i>		
Difference between accumulated depreciation and capital allowances	<u>3,963,603</u>	<u>5,402,441</u>

15. Called up Share Capital

	2003 £	2002 £
<i>Authorised</i>		
Equity: 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Shareholders' funds are only attributable to equity interests.

16. Reconciliation of movements in Shareholders' funds

	2003 £	2002 Restated £
Opening shareholders' funds	(1,375,703)	1,063,149
Prior year adjustment	355,333	-
Revised opening shareholders funds	<u>(1,020,370)</u>	<u>1,063,149</u>
Profit/(loss) for the financial year	<u>670,899</u>	<u>(2,083,519)</u>
Closing shareholders funds	<u>(349,471)</u>	<u>(1,020,370)</u>

Goodwill on the acquisition of the ING Lease Fleet Finance companies was erroneously amortised through the profit and loss of ING Lease Fleet Finance Limited in the year ended 31 December 2002.

The effect of this error was an understatement of turnover and pre-tax profits for the year ended 31 December 2002 by £507,619 and a related additional tax charge of £152,286. Creditors falling due in one year was also overstated by £355,333. The comparative figures in the primary statements have now been restated.

Notes (continued)

17. Related party transactions

The company is controlled by ING Groep NV, its ultimate parent company.

Under Financial Reporting Standard 8, company's which are wholly owned subsidiaries of a parent whose consolidated financial statements in which the subsidiaries' results are included are publicly available, are granted exemption from disclosing inter-group transactions. The Company is such a subsidiary undertaking and accordingly has not disclosed such transactions.

18. Ultimate parent company

The ultimate parent company of the company is ING Groep NV, which is incorporated in the Netherlands.

The largest group in which the results of the company are consolidated is ING Groep NV which is incorporated in the Netherlands. The smallest group in which they are consolidated is ING Lease (UK) Limited registered in England and Wales.

The consolidated accounts of ING Groep NV are available to the public and may be obtained from Postbus 810, 1000 AV, Amsterdam, Netherlands.