

ING Lease Fleet Finance Limited

Directors' report and financial statements

1 January 2007
Registered number 1582263

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the period from 1 January 2006 to 1 January 2007

The company extended its accounting period by one day in order to incorporate the transfer of its lease portfolio to ING Lease (UK) Limited on 1 January 2007

Principal activities and review of business

The activity of the company is the leasing of motor vehicles. Following the sale of the company's entire portfolio on 1 January 2007, no leases remain in the company and the company no longer trades

Business review

The directors set out below a review of the development and performance of the business during the period, and its position at the year end. This review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties faced, bearing in mind the support it receives from the parent

The company is engaged in the finance leasing of motor vehicles. No leases were signed in the period as it was the directors' intentions to cease trading in this company at the end of the reporting period

Profit before tax for the period has increased from £476,767 to £554,059, which represents an increase of 16.21% and is due primarily to the release of a provision of £200,000 that was considered no longer necessary. Excluding the release of the provision from the current year profit results in a decrease from the previous year of 25.74%. This is consistent with the reduction in portfolio over the course of the year. After taxation, £908,192 has been retained to reserves with no dividend being approved in the year

The return on the finance lease portfolio has increased slightly from 5.70% to 5.72%. This is calculated as earnings derived from finance leases as a percentage of the average finance lease portfolio

In order to rationalise its operations and cut costs across the ING group, the company transferred its entire portfolio of finance leases, with a net book value of £5,956,352 to ING Lease (UK) Limited with all other assets and liabilities. The only balances remaining in the company consist of an intercompany creditor and accumulated reserves

Following the disposal of the entire portfolio and subsequent cessation of trade, the directors do not consider that any risks remain in the company at the present time

Directors and directors' interests

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

O Francis
R Harris
W Lewis
C Stamper

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

No rights to subscribe for shares in UK group companies were granted on to any of the directors or their immediate families

Directors' report (continued)

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

60 High Street
Redhill
Surrey
RH1 1NY

11 July 2007

Independent auditors' report to the members of ING Lease Fleet Finance Limited

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

In addition, the Companies Act 1985 requires directors to provide the company's auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. The directors, having made appropriate enquiries, confirm that

- as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of ING Lease Fleet Finance Limited

We have audited the financial statements of ING Lease Fleet Finance Limited for the period from 1 January 2006 to 1 January 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant 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 whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 January 2007 and of its result for the period 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB
18 July 2007

Profit and loss account
For the period 1 January 2006 to 1 January 2007

	Note	Period from 1 January 2006 to 1 January 2007 £	Year ended 31 December 2005 £
DISCONTINUED			
Gross earnings under finance leases		789,028	1,576,841
Turnover		789,028	1,576,841
Interest payable and similar charges	2	(435,505)	(1,090,082)
Gross profit		353,523	486,759
Other operating income / (expenses)		200,536	(9,992)
Profit on ordinary activities before taxation		554,059	476,767
Tax credit / (charge) on ordinary activities	6	354,133	(1,056,406)
Profit / (loss) on ordinary activities after tax and Retained profit / (loss) for the financial year		908,192	(579,639)
Accumulated loss brought forward		(603,644)	(24,005)
Accumulated profit / (loss) carried forward		304,548	(603,644)

The notes on pages 6 to 12 form part of these financial statements

There are no recognised gains or losses other than the result for the period

Following the sale of the entire portfolio to ING Lease (UK) Limited on 1 January 2007, the operations of the company have been classified as discontinued

Balance sheet At 1 January 2007

	Note	1 January 2007		31 December 2005	
		£	£	£	£
Current assets					
Debtors – amounts falling due within one year	7	304,648		9,718,315	
Debtors – amounts falling due after more than one year	8	-		10,004,289	
				<u>19,722,604</u>	
Creditors amounts falling due within one year	11	-		<u>(19,123,761)</u>	
Net current assets			<u>304,648</u>		<u>598,843</u>
Total assets less current liabilities			304,648		598,843
Provisions for liabilities and charges	13		<u>-</u>		<u>(1,202,387)</u>
Net liabilities			<u>304,648</u>		<u>(603,544)</u>
Capital and reserves					
Called up share capital	14		100		100
Accumulated profits / (losses)			<u>304,548</u>		<u>(603,644)</u>
Shareholders' funds – equity	15		<u>304,648</u>		<u>(603,544)</u>

The notes on page 6 to 12 form part of these financial statements

These financial statements were approved by the board of directors on 11 July 2007 and were signed on its behalf by



W Lewis
Director

Notes (forming part of the financial statements)

1. Accounting policies

The following statements have been prepared in accordance with applicable accounting standards. The principal accounting policies adopted are described below.

Basis of Preparation

The financial statements have been prepared under the historic cost accounting rules and in accordance with Schedule 4 to the Companies Act 1985 and applicable accounting standards.

These accounts have been prepared in compliance with the Statement of Recommended Accounting Practices issued by the Finance and Leasing Association.

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

	Period from 1 January 2006 to 1 January 2007 £	Year ended 31 December 2005 £
Profit on ordinary activities before taxation is stated after charging		
<i>Interest Payable</i>		
Interest payable and similar charges payable to group undertaking	319,251	901,806
Interest on head leases to external undertakings	116,254	188,276
Total interest payable and similar charges	<u>435,505</u>	<u>1,090,082</u>

3. Remuneration of directors

None of the directors received remuneration in respect of services to the company during the period (2005 £nil)

4. Remuneration of auditors

There is no charge to audit fees for the period as the fees are paid by ING Lease (UK) Limited (2005 £nil)

5. Staff costs

The company employed no direct staff and incurred no staff costs during the period (2005 £nil)

Notes (continued)

6. Taxation

	Period from 1 January 2006 to 1 January 2007 £	Year ended 31 December 2005 £
The taxation charge / (credit) is based on the profit for the period and comprises		
Corporation tax		
- current year	864,267	1,744,752
- prior year	(16,013)	22,000
	<u>848,254</u>	<u>1,766,752</u>
Deferred taxation		
- current year	(1,066,200)	(1,380,080)
- prior year	(136,187)	669,734
	<u>(1,202,387)</u>	<u>(710,346)</u>
Total taxation (credit) / charge	<u>(354,133)</u>	<u>1,056,406</u>

The current tax charge for the period is higher (2005 *higher*) than the standard rate of corporation tax in the UK of 30%, (2005 30%) The differences are explained below

	Period from 1 January 2006 to 1 January 2007 £	Year ended 31 December 2005 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>554,059</u>	<u>476,767</u>
Current tax at 30% (2005 30%)	166,218	143,030
<i>Effects of</i>		
Movement in timing differences on capital allowances and depreciation	491,666	1,354,104
Disallowable interest expense	95,775	221,803
Other timing differences	110,608	25,815
Prior year adjustment	<u>(16,013)</u>	<u>22,000</u>
Total current tax charge	<u>848,254</u>	<u>1,766,752</u>

The disallowed interest expense relates to intra -group funding in excess of the amount that can be supported by reference to the equity in the company and is therefore disallowed under the UK UK transfer pricing legislation

7. Debtors: amounts falling due within one year

	1 January 2007 £	31 December 2005 £
Net investment in finance leases and similar contracts – note 9	-	8,260,569
Hire purchase contracts – note 9	-	275,453
Trade debtors	-	1,182,293
Amounts due from Group undertakings	<u>304,648</u>	<u>-</u>
	<u>304,648</u>	<u>9,718,315</u>

Notes (continued)

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

	1 January 2007 £	31 December 2006 £
Net investment in finance leases and similar lease contracts – note 9	-	10,004,289
	-	10,004,289

9. Finance lease and hire purchase receivables

	1 January 2007 £	31 December 2005 £
Minimum lease receivables	-	19,842,805
Finance lease income allocated to future periods	-	(1,302,494)
Net finance lease receivables	-	18,540,311
Due within one year	-	8,536,022
Due after more than one year	-	10,004,289
	-	18,540,311

The cost of assets acquired in the period for the purpose of leasing under finance leases was £nil (2005 nil)

Aggregate rentals receivable in the period in respect of finance leases were £3,867,646 (2005 £10,445,651)

10. Residual values

Unguaranteed residual values under finance leases can be analysed as follows

Year in which residual value will be recovered	1 January 2007 £	31 December 2005 £
Within 1 year	-	4,498,010
Between 1 - 2 years	-	5,129,804
Between 2 - 5 years	-	1,495,482
More than 5 years	-	20,600
Total exposure	-	11,143,896

11. Creditors: amounts falling due within one year

	1 January 2007 £	31 December 2005 £
Net obligation under finance leases	-	2,502,543
Amounts owed to Group undertakings	-	11,275,512
Other creditors	-	449,500
Corporation tax payable	-	4,896,206
	-	19,123,761

Notes (continued)

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

	1 January 2007 £	31 December 2005 £
Net obligation under finance leases	-	-
Amount falling due		
Within one year	-	2,502,543
In the second to fifth years	-	-
	-	2,502,543

13. Deferred Tax

The amounts recognised for deferred taxation are set out below

	1 January 2007 £	31 December 2005 £
Deferred tax at the beginning of the period	1,202,387	1,912,733
Debit to profit and loss account (see note 6)	(1,202,387)	(710,346)
Deferred tax at the end of the period	-	1,202,387

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

	1 January 2007 £	31 December 2005 £
<i>Deferred tax</i>		
Difference between accumulated depreciation and capital allowances	-	1,202,387

14. Called up Share Capital

	1 January 2007 £	31 December 2005 £
<i>Authorised</i>		
Equity 1,000 Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
Equity 100 Ordinary shares of £1 each	100	100

Shareholders' funds are only attributable to equity interests

15. Reconciliation of movements in shareholders' funds

	1 January 2007 £	31 December 2005 £
Opening shareholders' funds	(603,544)	(23,905)
Profit / (loss) for the financial period	908,192	(579,639)
Closing shareholders' funds	304,548	(603,544)

Notes (continued)

16. Related party transactions

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

Under Financial Reporting Standard 8, companies 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.

17. 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 Holding NV which is also incorporated in The Netherlands. The consolidated accounts of both these companies are available to the public and may be obtained from Postbus 810, 1000 AV, Amsterdam, Netherlands.

18. Significant event in the year

In order to rationalise its operations and cut costs across the group, the company transferred its entire portfolio of finance leases, with a net book value of £5,956,352 and all other assets and liabilities, with a net carrying value of £8,540,913 liability to ING Lease (UK) Limited. The assets were transferred at book value on 1 January 2007.

19. Post balance sheet events

On 26 June 2007 the 2007 Finance Act was substantively enacted. Corporate tax rates will be reduced to 28% with effect from 1 April 2008. The change in tax rate does not have a significant impact on the company.