

**ING Lease Holdings (UK) Limited**

**Directors' report and financial statements**

**31 December 2011**

**Registered number 2453767**

MONDAY



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## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2011

### **Principal activity**

The Company is an investment holding company

### **Business review**

The Company operated as an investment holding company throughout the year. On 30 September 2011 the Company fully disposed of its subsidiary ING Car Lease UK Limited. This disposal is part of a group transaction whereby the Company's ultimate parent company has agreed to dispose of all of its European car lease activities to BMW and where the allocation of the proceeds has been determined by the parent company. The result of this allocation has resulted in a loss on disposal of ING Car Lease UK Limited of £15,828,408. As the allocation of the proceeds was not based on fair value, and the directors are satisfied that the investment in ING Car Lease UK Limited was not impaired, the loss represents a distribution.

In 2011 the Company received dividends of £49m from its remaining active subsidiary, ING Lease (UK) Limited, of which £28 million was paid to its parent company and £21m was retained within the Company to make good on the loss on the sale of ING Car Lease UK Limited. Further £16m of dividends was received from ING Car Lease, of which £9m was paid to the parent company. The sales proceeds for ING Car Lease UK Limited were subsequently loaned to ING Lease (UK) Limited at market rate.

### **Future developments**

The directors do not anticipate any changes in principal activities in the forthcoming year.

### **Going concern**

On the basis of current financial projections the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements.

### **Results and dividends**

The profit after taxation amounted to £43,153,708 (2010 Profit £43,949,000) and has been transferred to reserves. The directors recommended and approved the payment of a dividend of £37,000,000 during the year (2010 £44,000,000).

### **Post balance sheet events**

The directors are not aware of any events subsequent to the year end that would affect the financial statements.

### **Principal risks and uncertainties**

The main risk of the Company is that it is dependent on its subsidiary undertaking and its ability to collect out its portfolio. ING Lease (UK) Limited has implemented policies that require appropriate credit checks on potential customers before deals are written and the Company also invests significant resources in a credit control department which collects deals that have fallen into arrears. Also, the directors consider that the market value of ING Lease (UK) Limited is significantly greater than the cost included in these financial statements.

## **Director's report (continued)**

### **Directors and directors' interests**

The directors who held office during the year were as follows

H Topper

J D Howland Jackson (resigned 9 December 2011)

I Rolfe acted as Company Secretary until his resignation on 30 September 2011 and was succeeded by A Tapson

The director who held office at the end of the financial year did not have any disclosable interest in the shares of the Company

According to the register of directors' interests, no rights to subscribe for shares in the Company or any other group company were granted to any of the directors or their immediate families during the financial year

### **Disclosure of information to auditors**

The director who held office at the date of approval of this directors' report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and the director 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**

Ernst & Young LLP will be proposed for reappointment as auditors of the Company

By order of the board



**H P M Topper**  
Director

Haaksbergweg 4,  
1101 BX Amsterdam  
The Netherlands

**13** September 2012

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). Under Company law, the directors must not approve the financial statements unless they are satisfied that they 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 year. 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 the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of ING Lease Holdings (UK) Limited**

We have audited the financial statements of ING Lease Holdings (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's report and the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Kenneth Eglinton (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

20 September 2012

## **Profit and loss account**

for the year ended 31 December 2011

	<i>Note</i>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
Interest receivable and similar income	<i>5</i>	350,879	1,000
Interest payable and similar charges	<i>6</i>	-	(56,000)
Loss on disposal of investment		(15,828,408)	-
Dividends received from group undertakings		65,000,000	44,000,000
Administrative expenses	<i>13</i>	(6,279,117)	(15,880)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		43,243,354	43,929,120
Tax (charge) / credit on profit on ordinary activities	<i>7</i>	(89,646)	19,880
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>43,153,708</b>	<b>43,949,000</b>

The operating profit relates to continuing activities in both the current and prior year

The notes on pages 7 to 12 form part of these financial statements

## Balance Sheet

at 31 December 2011

	•	Note	2011	2010
			£	£
<b>Fixed assets</b>				
Investments	8		109,075,000	184,908,000
<b>Current assets</b>				
Debtors amounts receivable within one year	9		33,772,031	82,000
Debtors amounts due after more than one year from group undertakings			53,290,000	-
Cash at bank and in hand			19,845	694,000
			<u>87,081,876</u>	<u>776,000</u>
<b>Creditors amounts falling due within one year</b>	10		<u>(4,322,808)</u>	<u>(3,640)</u>
<b>Net current assets</b>			<u>82,759,068</u>	<u>772,360</u>
<b>Net assets</b>			<u>191,834,068</u>	<u>185,680,360</u>
<b>Capital and reserves</b>				
Called up share capital	12		185,450,000	185,450,000
Profit and loss account	12		6,384,068	230,360
			<u>191,834,068</u>	<u>185,680,360</u>

The notes on pages 7 to 12 form part of these financial statements

These financial statements were approved and authorised by the board of directors on **13** September 2012 and were signed on its behalf by

**H P M Topper**  
Director



## Notes (forming part of the financial statements)

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules subject to the revaluation of fixed asset investments

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. The financial statements present information about the Company as an individual undertaking and not about its group.

#### *Fixed asset investments*

Investments in subsidiary undertakings are initially recognised at cost. The Company recognises income from the investment only to the extent that it receives distributions from post-acquisition accumulated profits. Distributions received in excess of such profits are regarded as a recovery of investment and recognised as a reduction in the cost of the investment.

At each reporting date, an assessment is made as to whether there is any indication that the investment may be impaired. If such an indication exists, the Company estimates the investment's recoverable amount. The investment is written down to the recoverable amount if this is lower than its carrying value. The impairment loss is recognised in the Company's income statement.

#### *Cash flow statement*

Under Financial Reporting Standard 1 (Revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of ING Groep NV whose consolidated financial statements are publicly available (note 15).

#### *Related party disclosures*

The Company is exempt from the requirements of the Financial Reporting Standard 8, Related Party Disclosures, insofar as they apply to transactions with group undertakings, as it is wholly owned subsidiary of ING Groep NV whose consolidated financial statements are publicly available (note 15).

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

### 2 Profit on ordinary activities before taxation

	2011 £	2010 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Management fee	11,340	9,000
Auditors' remuneration	6,000	6,000
Exchange loss	-	56,000

## Notes (continued)

### 3 Directors' remuneration

The directors were employed and remunerated as executives of ING Lease Holding NV and its subsidiaries ("the Group") in respect of their services to the Group as a whole, and their remuneration has been paid by other Group companies. It is estimated that the remuneration for their services to the Company in the current year was less than £500.

### 4 Staff numbers and costs

No persons were employed by the Company during the year (2010: Nil).

### 5 Interest receivable and similar income

	2011 £	2010 £
Interest receivable from group undertakings	<u>350,879</u>	<u>1,000</u>

### 6 Interest payable and similar charges

	2011 £	2010 £
Exchange losses	<u>-</u>	<u>56,000</u>

## Notes (continued)

### 7 Taxation

#### *Analysis of charge in year*

	2011 £	2010 £
UK Corporation tax at 26.5% (2010: 28%)	88,700	(19,880)
Adjustments to UK corporation tax in respect of prior periods	946	-
Tax charge / (credit) on profit on ordinary activities	<u>89,646</u>	<u>(19,880)</u>

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is lower (2010: lower) than the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below:

	2011 £	2010 £
Current tax reconciliation		
Profit on ordinary activities before tax	<u>43,243,354</u>	<u>43,929,000</u>
Current tax at 26.5% (2010: 28%)	11,459,489	12,300,120
Effects of:		
Disallowable expenditure	1,659,683	-
Non-taxable dividend	(17,225,000)	(12,320,000)
Loss on disposal of investments	4,194,528	-
Adjustments in respect of previous periods	<u>946</u>	<u>-</u>
	<u>89,646</u>	<u>(19,880)</u>

The current taxation charge is calculated at the standard rate of corporation tax in the UK at 26.5% (2010: 28%).

## Notes (continued)

### 8 Fixed Asset Investments

	2011 £	2010 £
At the beginning of year	184,908,000	184,908,000
Disposals	(75,833,000)	-
At the end of year	<u>109,075,000</u>	<u>184,908,000</u>

On 30 September 2011, the Company disposed of its entire investment in ING Car Lease UK Limited. The disposal resulted in a loss of 15,828,408.

Subsidiary undertaking	Principal activity	Year end	Class and percentage of share
ING Car (Four) Holdings Limited*	Dormant	31 December 2011	Ordinary 100% shares of £1 each
ING Car (Three) Limited	Dormant	31 December 2011	
ING Lease (UK) Limited*	Leasing	31 December 2011	Ordinary 100% shares of £1 each
ING Lease (UK) Twelve Limited	Dormant	31 December 2011	
ING Lease (UK) Three Limited	Leasing	31 December 2011	
Sonhold Limited	Investment Holding	31 December 2011	
Evermoor Limited	Investment Holding	31 December 2011	
Danwood Finance Limited	Dormant	31 December 2011	
Birthingland Limited	Dormant	31 December 2011	
Codeland Limited	Investment Holding	31 December 2011	
Cityinc	Leasing	31 December 2011	
Cityfiveinc	Dormant	31 December 2011	
Cityincorp	Leasing	31 December 2011	

\* Subsidiaries held directly by the Company

All are registered in England and Wales. In the opinion of the directors, the investments in the Company's subsidiary undertakings are worth at least the amount at which they are stated in the balance sheet.

### 9 Debtors: amounts recoverable within one year

	2011 £	2010 £
Amounts owed by group undertakings	33,659,531	35,000
Other debtors	112,500	-
Group relief	-	47,000
	<u>33,772,031</u>	<u>82,000</u>

## Notes (continued)

### 10 Creditors' amounts falling due within one year

	2011 £	2010 £
Amounts owed to group undertakings	3,800,000	640
Provisions (note 13)	450,000	-
Accruals	3,000	3,000
Current tax	69,808	-
	<u>4,322,808</u>	<u>3,640</u>

### 11 Called up share capital

	2011 £	2010 £
<i>Authorised</i>	<u>225,000,000</u>	<u>225,000,000</u>
Ordinary shares of £1 each		
<i>Allotted, called up and fully paid</i>	<u>185,450,000</u>	<u>185,450,000</u>
Ordinary shares of £1 each		

### 12 Reconciliation of shareholders' funds and movement of reserves

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2011	185,450,000	230,360	185,680,360
Profit for the financial year	-	43,153,708	43,153,708
Dividends paid during the year	-	(37,000,000)	(37,000,000)
At 31 December 2011	<u>185,450,000</u>	<u>6,384,068</u>	<u>191,834,068</u>

## **Notes (continued)**

### **13 Contingent Liabilities**

In 2006 the Company acquired Appleyard Vehicle Contracts Limited ("Appleyard"), a company involved in car leasing. The business of Appleyard was transferred to the Company's existing car leasing subsidiary, ING Car Lease UK Limited ("Car Lease"). At the time of the acquisition of Appleyard, that company was seeking recovery of substantial amounts paid to HMRC in respect of VAT. The Company agreed to continue the recovery process on behalf of the vendors of Appleyard.

In 2011, Car Lease recovered from HMRC £8.7 million including interest and net of expenses. HMRC asserted that this was all taxable and Car Lease accrued for the full amount of tax. Prior to the sale of Car Lease to BMW, Car Lease paid a dividend of £6.5 million to the Company so that the Company could pay this net of tax amount due to the vendors, which compensated the Company for the associated cost which is included in 'Administrative expenses'.

However, one of the vendors of Appleyard has argued that part of the VAT recovery is not taxable and this vendor is seeking gross payment. It is expected that a settlement will be reached to pay the vendor £450,000 and this has been provided for in 'provisions' in note 10. The Company has issued a claim against the company that provided legal advice on this matter and it has been agreed that the Company will recover £112,500 which has been recognised in 'other debtors'.

In addition to this claim, the vendor has further argued that the interest recovered from HMRC was calculated on a low rate simple interest basis and not at a commercial compound rate. A case has been referred to the European Court of Justice (ECJ) regarding the payment of compound interest for UK companies by the UK Government and this has been referred back to the High Court in England with the decision still pending. In the event that the UK Government loses the pending court case, it is anticipated that Car Lease would claim the interest differential from HMRC and a corresponding claim would be made against Car Lease by the Company who in turn would pass the amount on to the vendor. The directors estimate the claim to be a maximum of £1.9m, however, having taken legal advice, the directors believe that it is unlikely that the UK Government will lose the case.

### **14 Ultimate parent Company and parent undertaking of larger group of which the Company is a member**

The Company is a subsidiary undertaking of ING Lease Holding NV incorporated and registered in the Netherlands.

The largest group in which the results of the Company are consolidated is that headed by ING Groep NV incorporated in the Netherlands. The smallest group in which they are consolidated is that headed by ING Lease Holding NV incorporated in the Netherlands. The consolidated financial statements of these groups are available to the public and may be obtained from Bijlmerplein 888, 1102 MG Amsterdam - Zuidoost, PO Box 1971, 1000 BZ Amsterdam, Netherlands.