

**Cityfiveinc**

**Directors' report and financial statements**

Year ended 31 December 2007  
Registered number 4047821

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### **Principal activities**

The company is engaged in leasing transactions

### **Business review**

The profit and loss account is shown on page 5. The directors do not recommend the payment of a dividend (2006 £nil). The profit for the year has been transferred to reserves.

No future developments are planned other than those consistent with current leasing transactions with income from finance lease agreements expected to continue for the term of the leases.

In accordance with section 246 of the Companies Act 1985 (special provisions for small companies), the company is exempt from preparing a detailed business review.

### **Principal risks and uncertainties**

The company continues to rely heavily on its parent for administrative support as well as its funding requirements. The main risk inherent in the business is as in previous years collecting out the portfolio. However, in the opinion of the directors, these risks are well covered bearing in mind the support of the parent company and the credit quality of the customer base.

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

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

O Francis  
R Harris  
W Lewis  
C Stamper

W Lewis acted as Company Secretary during the reporting period.

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 period.

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

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

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.

**Directors' report (continued)**

**Auditors**

It is expected that KPMG Audit Plc will not seek reappointment as auditors of the Company for the financial year ending 31 December 2008

In accordance with Section 485 of the Companies Act 2006, a resolution for the appointment of the new auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



**W Lewis**  
*Director*

**60 High Street  
Redhill  
Surrey  
RH1 1NY**

**4 June 2008**

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITYFIVEINC**

We have audited the financial statements Cityfiveinc for the year ended 31 December 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 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London EC4Y 8BB  
11 June 2008

## **Profit and loss account**

*for the year ended 31 December 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
Turnover		167,161	169,458
Cost of sales		(135,387)	(128,885)
<b>Gross profit</b>		<b>31,774</b>	<b>40,573</b>
Interest payable and similar charges	5	(80,392)	(20,263)
Other interest receivable and similar income		60,094	-
Other operating income		7,044	-
<b>Profit on ordinary activities before taxation</b>	2 - 5	<b>18,520</b>	<b>20,310</b>
Tax credit / (charge) on profit on ordinary activities	6	11,981	(21,433)
<b>Profit for the financial year</b>	11	<b>30,501</b>	<b>(1,123)</b>

The notes on pages 7 to 11 form part of these financial statements

The results stated above are all derived from continuing operations

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

## Balance sheet

at 31 December 2007

	Note	2007 £	2006 £
<b>Current assets</b>			
<b>Debtors</b>			
Finance lease receivables due in one year	7	141,835	135,300
Finance lease receivables due after more than one year	7	229,186	371,021
Other debtors		6,750	24,595
Amounts owed by group undertakings (*)		724,497	472,439
		<hr/>	<hr/>
		1,102,268	1,003,355
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to group undertakings (*)		(928,895)	(948,500)
		<hr/>	<hr/>
<b>Net current assets</b>		173,373	54,855
<b>Provisions for liabilities and charges</b>	8	(19,815)	(31,796)
		<hr/>	<hr/>
<b>Net assets</b>		<u>153,558</u>	<u>23,059</u>
<b>Capital and reserves</b>			
Called up share capital	9	100,000	2
Profit and loss reserve		<u>53,558</u>	<u>23,057</u>
<b>Total shareholders' funds</b>		<u>153,558</u>	<u>23,059</u>

(\*) The 2006 balance has been reclassified from 'amounts due to group undertakings' of £476,061 to the above disclosure, due to the fact that the balances are due/owed to different group companies. This restatement has no impact on the income of the company.

The notes on pages 7 to 11 form part of these financial statements

These financial statements were approved by the board of directors on 4 June 2008 and were signed on its behalf by



**W Lewis**  
 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 company's financial statements

#### ***Basis of preparation***

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

These accounts have been prepared in compliance with the Statement of Recommended Accounting Practice issued by the Finance & Leasing Association

#### ***Investment in finance leases***

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

The finance lease receivables are stated in the balance sheet at the total of the gross minimum lease payments receivable under such leases, less finance income allocated to future periods

#### ***Turnover***

This comprises income on finance lease agreements which is recognised in the profit and loss account over the period of the leases. It is stated exclusive of Value Added Tax. All income is generated in the United Kingdom

#### ***Cost of sales***

This comprises costs associated with other services provided

#### ***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company

#### ***Direct costs***

Direct costs incurred in arranging leases are capitalised and amortised over the life of the transaction

#### ***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

Where a deferred tax asset arises this is recognised where considered recoverable. Losses are surrendered to / received from other group companies for no payment

**Notes (continued)**

**1 Accounting policies (continued)**

**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 it is a wholly owned subsidiary undertaking of ING Lease (UK) Limited and a parent undertaking includes the company in its consolidated accounts

**2 Remuneration of directors**

None of the directors received remuneration in respect of services to the company during the year (2006 £nil)

**3 Remuneration of auditors**

Fees payable for the audit for the year were £9,000 (2006 £10,000) These fees were paid by ING Lease (UK) Limited

**4 Staff number and costs**

The company employed no direct staff and incurred no staff costs during the year (2006 £nil)

**5 Interest payable**

	2007 £	2006 £
Interest payable to Birthland Limited	<u>80,392</u>	<u>20,263</u>

**6 Taxation**

	2007 £	2006 £
The taxation (credit) / charge is based on the profit for the year and comprises		
Deferred tax - prior year	-	20,039
- current year charge	(10,566)	1,394
- change in tax rate – impact on deferred tax liabilities	<u>(1,415)</u>	<u>-</u>
Deferred tax (credit) charge (see note 8)	<u>(11,981)</u>	<u>21,433</u>

**Factors affecting the tax charge for the current period**

The current tax charge for the period is lower (2006 lower) than the standard rate of corporation tax in the UK of 30%, (2006 30%) The current tax reconciliation is provided on the next page

**Notes (continued)**

**6 Taxation (continued)**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>18,520</u>	<u>20,310</u>
Current tax at 30% (2006 30%)	5,556	6,093
<i>Effects of</i>		
Differences between capital element of finance leases and capital allowances	10,591	(1,368)
Non-deductible expenses	-	2,840
Group relief (received) for free	<u>(16,147)</u>	<u>(7,565)</u>
	<u>-</u>	<u>-</u>

The standard rate of Corporation Tax in the UK changes from 30% to 28% with effect from 1 April 2008

**7 Finance lease receivables**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Minimum lease receivables	408,519	575,593
Finance lease income allocated to future periods	<u>(37,498)</u>	<u>(69,272)</u>
Net finance lease receivables	<u>371,021</u>	<u>506,321</u>
Due within one year	141,835	135,300
Due after more than one year	<u>229,186</u>	<u>371,021</u>
	<u>371,021</u>	<u>506,321</u>

The cost of assets acquired under finance leases was £nil (2006 £nil)

Gross rentals receivable in relation to finance leases for the period were £167,161 (2006 £169,458)

**Notes (continued)**

**8 Provisions for liabilities and charges**

	2007 Recognised £	2006 Recognised £
<i>Deferred tax</i>		
Difference between accumulated depreciation and capital allowances	<u>19,815</u>	<u>31,796</u>
	<u>19,815</u>	<u>31,796</u>
	2007 £	2006 £
Deferred tax at the beginning of the year	31,796	10,363
(Credit) / charge to profit and loss account (see note 6)	<u>(11,981)</u>	<u>21,433</u>
Deferred tax at the end of the year	<u>19,815</u>	<u>31,796</u>

During the year, as a result of the change in UK Corporation Tax rates which will be effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax relating to timing differences which are expected to reverse prior to 1 April 2008 is measured at 30% and deferred tax relating to timing differences reversing after 1 April 2008 is measured at 28% as these are the tax rates that will apply on reversal. This has resulted in a net credit to the profit and loss account of £1,415 (Note 6).

**9 Called up share capital**

	2007 £	2006 £
<i>Authorised</i>		
Equity Ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>
<i>Issued</i>		
Equity Ordinary shares of £1 each	<u>100,000</u>	<u>2</u>
<i>Allotted, called up and fully paid</i>		
Equity Ordinary shares of £1 each	<u>100,000</u>	<u>2</u>

During the year 99,998 ordinary shares were issued for cash. The nominal value of these shares was £99,998.

**10 Related party transactions**

The company is controlled by ING Lease (UK) Limited. The ultimate controlling party is ING Groep N.V.

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.

**Notes (continued)**

**11 Reconciliation of movements in shareholders' funds**

	2007	2006
	£	£
Opening shareholders' funds	23,059	24,182
Retained profit for the year	30,501	(1,123)
Net proceeds of issue of ordinary share capital	99,998	-
	<hr/>	<hr/>
Closing shareholders' funds	153,558	23,059
	<hr/>	<hr/>

**12 Ultimate parent company and parent of larger group of which the company is a member**

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.