

Company Registration No. 04569800

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

Report and Financial Statements

For the year ending 31 December 2005



FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Almond
P Hunter
A O'Hare
G Salomone

SECRETARY

P Farley

REGISTERED OFFICE

Fiat House
240 Bath Road
Slough
SL1 4DX

BANKERS

Barclays Bank PLC

SOLICITORS

Payne Hicks Beach Solicitors
10 New Square
Lincoln's Inn
London
WC2A 3QG

AUDITORS

Deloitte & Touche LLP
London

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

DIRECTOR'S REPORT

The directors present their annual report on the affairs of Fiat Auto Financial Services (Wholesale) Limited ('the company') together with the financial statements for the period ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company is the facilitation and management of the wholesale stocking facilities made available to the dealer network of the Fiat Auto (UK) Limited.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company started trading on 24 November 2004 when it acquired assets (mainly financial receivables from the Fiat and Alfa Romeo dealer networks in the UK) from Fiat Auto Financial Services Limited.

The directors of the company base the strategy of the business around improving the level of service and the support given to the Fiat and Alfa Romeo distribution network in the United Kingdom.

Cost-efficiency and the quality of credit procedures are key aspects to this strategy.

RESULTS AND DIVIDENDS

The company recorded a profit after taxation of £707,000 (2004 :£51,000) and this has been transferred to reserves. The directors do not recommend a payment of a dividend (2004 : £nil).

DIRECTORS AND THEIR INTERESTS

The names of the directors who served during the year were as follows:

Name	Date of Appointment	Date of Resignation	Nationality
G Salomone	18, May 2005	N/a	Italian
R Almond	1, November 2002	N/a	English
A O'Hare	29, July 2005	N/a	Irish
P Hunter	11, January 2005	N/a	English
J Garvia	31, January 2005	27, April 2005	Spanish

The directors do not hold any beneficial interests in the shares of the company.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of the members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The company places value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. The policy is carried out through formal and informal meetings.

AUDITORS

The directors will place a resolution before the annual general meeting to reappoint Deloitte & Touche LLP as auditors for the ensuing year.

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

DIRECTOR'S REPORT


continued

REGISTERED ADDRESS

The registered address of the company is:

Fiat House,
240 Bath Road,
Slough,
SL1 4DX

By order of the Board

A handwritten signature in dark ink, appearing to read "Peter Farley". The signature is written in a cursive style with a large initial 'P' and a long, sweeping underline.

P Farley

Secretary

16 February 2006

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such 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 and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- 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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

We have audited the financial statements of Fiat Auto Financial Services (Wholesale) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 that we might state to the company's members those matters we are required to state to them in an auditors' 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 described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework 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 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 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 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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP

*Chartered Accountants and Registered Auditors
London*

March 17, 2006

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
TURNOVER		4,985	499
Cost of sales		(275)	(2)
Gross profit		4,710	497
Administrative expenses		(1,419)	(141)
Other operating income		52	20
Operating profit		3,343	376
Interest payable and similar charges	2	(2,329)	(275)
Profit on ordinary activities before taxation	3	1,015	101
Tax on profit on ordinary activities	6	(308)	(50)
Profit on ordinary activities after taxation and retained profit for the financial year	11,12	707	51

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 8 to 13 form an integral part of this profit and loss account.

There is no material difference between the result as detailed above and the result on an historical cost basis.

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

BALANCE SHEET 31 December 2005

	Notes	2005 £'000	2004 £'000
CURRENT ASSETS			
Cash at bank		936	7,540
Debtors	7	51,083	50,097
		<u>52,019</u>	<u>57,637</u>
CREDITORS: amounts falling due within one year	8	(47,761)	(54,086)
NET CURRENT ASSETS		<u>4,258</u>	<u>3,551</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,258	3,551
CREDITORS: amounts falling due after more than one year		-	-
NET ASSETS		<u>4,258</u>	<u>3,551</u>
CAPITAL AND RESERVES			
Called up share capital	10	3,500	3,500
Profit and loss account	11	758	51
EQUITY SHAREHOLDERS' FUNDS	12	<u>4,258</u>	<u>3,551</u>

The accompanying notes on pages 8-13 form an integral part of this balances sheet.

The financial statements on pages 6 to 13 were approved by the board of directors on 16 February 2006 and signed on its behalf by:



R Almond
Managing Director

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom laws and accounting standards.

Turnover

Turnover, mainly represents income earned under stocking loans and associated services offered to the Fiat and Alfa Romeo dealer networks in the United Kingdom.

Pension funding

The company provides pension arrangements to a number of full time employees through a defined benefit scheme, which is operated by another group company Fiat Auto (UK) Limited. It is not possible to identify the share of the underlying assets and liabilities in the scheme, which is attributable to the company on a consistent and reasonable basis. Therefore, the company has applied the transitional provisions of FRS 17 'Retirement Benefits' to account for the scheme as if it was a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted by the balance sheet date.

Deferred taxation

Deferred taxation is provided for in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised when it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

The company has taken advantage of the exemption available under FRS1 (Revised) not to prepare a cash flow statement as its ultimate parent company Istituto Finanziario Industriale SpA, prepares consolidated accounts which are publicly available and which include a consolidated cash flow statement.

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

2. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Bank loans and overdrafts	21	17
Other interest payments	2,308	258
	<u>2,329</u>	<u>275</u>

	2005 £'000	2004 £'000
Interest payable comprises:		
Amounts payable to group companies	2,308	258
Amounts payable to third parties	21	17
	<u>2,329</u>	<u>275</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
- audit services	29	7
- non-audit services	-	-
	<u>-</u>	<u>-</u>

4. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments during the year for their services to the company nor received any benefits from the company (2004 – £nil).

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

5. EMPLOYEE INFORMATION

Up until 30 November 2004, the company had no employees and was serviced by a Fiat Group company for a management charge. All employees dedicated to the business of the company were transferred into the roles of the company with effect from 1 December 2005. The number of persons employed by the company during December 2005 was 14 (2004 – 14). Their aggregate remuneration comprised:

	2005 £'000	2004 £'000
Their aggregate remuneration comprised:		
Wages and salaries	656	47
Social security costs	52	4
Other pension costs (note 9)	97	-
	<u>805</u>	<u>51</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2004 £'000
Current tax		
- Current year 30% (2004 – 30%)	323	50
- In respect of prior years	(15)	-
Total current tax	<u>308</u>	<u>50</u>
Deferred taxation		
Origination and reversal of timing differences	-	-
Adjustment in respect of prior years	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax on profit on ordinary activities	<u>308</u>	<u>50</u>

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The differences between the total current tax shown above and amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	1,014	101
Profit on ordinary activities multiplied by standard rate of corporation tax 30% (2004 – 30%)	304	30
Effects of:		
Expenses not deductible for tax purposes	19	20
Prior year adjustment	(15)	
	<u>308</u>	<u>50</u>

In accordance with Fiat SpA Group policy, payment for group relief is made at the prevailing tax rate being enacted at the balance sheet date, or the value at which the surrendering group company can achieve if losses were carried back to prior years.

7. DEBTORS

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Trade debtors	43,888	49,445
Other debtors	7,194	652
	<u>51,082</u>	<u>50,097</u>

8. CREDITORS: amounts falling due within one year

	2005 £'000	2004 £'000
Bank loans and overdrafts	3,881	9,958
Trade creditors	8,623	1,705
Amounts owed to other group undertakings	34,505	35,269
Accruals and deferred income	752	7,154
	<u>47,761</u>	<u>54,086</u>

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

9. PENSION OBLIGATIONS

The company provides pension arrangements for its full time employees through a defined benefit scheme, which is operated by another group company, Fiat Auto (UK) Limited. In accordance with FRS 17, the company accounts for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme shows a deficit of £35,173,000 as at 31 December 2005 (2004: deficit £28,428,000). Further details of this valuation can be found in the annual report of Fiat Auto (UK) Limited.

The company's regular pension cost charge in the period was £97,000 (2004: £nil).

10. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised		
10,000,000 ordinary shares of £1 each (2004 : 10,000,000 ordinary shares of £1 each)	10,000	10,000
Called up, allotted and fully paid		
3,500,000 ordinary shares of £1 each (2004 : 3,500,000 ordinary share of £1)	3,500	3,500

11. PROFIT AND LOSS ACCOUNT

	2005 £'000
At 1 January 2005	51
Profit for the financial year	707
At 31 December 2005	758

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2005 £'000	2004 £'000
Opening shareholders' funds	3,551	1
Profit for the financial year	707	51
New Shares Issued	-	3,499
Net movement in shareholders' funds	707	3,550
Closing shareholder's funds	4,258	3,551

FIAT AUTO FINANCIAL SERVICES (WHOLESALE) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

13. RELATED PARTIES

The information concerning transactions with related parties is given below.

None of the directors had transactions with the company, which are required to be disclosed under FRS 8.

The short name of related parties are described as follows:

Short name	Description
Fiat	All Fiat group companies except those detailed below.
FFT	Fiat Finance and Trade Ltd.

	Turnover		Purchases		Debtor balance at 31 December		Creditor balance at 31 December	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Fiat	1,770	1	210	2	363	1	62	51
FAFS	14		396		-		2	
FFT	28	-	2,302	258	7	-	38,078	35,218

14. CONTINGENT LIABILITIES

The company has entered into a cross guarantee arrangement with other United Kingdom Fiat Group companies within the Fiat central cash management system whereby each company guarantees all financial obligations of the companies to their bankers and vice versa.

15. ULTIMATE CONTROLLING PARTY

The directors regard Istituto Finanziario Industriale SpA, a company incorporated in Italy, as the ultimate parent company and controlling party.

Fiat Auto SpA. is the parent undertaking of the smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from Via Nizza 250, 10126 Turin, Italy.

Istituto Finanziario Industriale SpA, a company incorporated in Italy is the parent company of the largest group of which the company is a member and for which group accounts are available from Corso G Matteotti 26, 10121, Turin, Italy.