FCE Bank plc
ANNUAL REPORT AND ACCOUNTS

for the year ended 31 December, 2003

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www.fcebank.com

FCE Bank plc. Central Office, Eagle Way, Brentwood, Essex CM13 3AR United Kingdom
Registered no: 772784

FCE Bank plc

Annual report
for the year ended 31 December 2003

Directors

Chairman	R A Corbello
Brand Director, Jaguar Financial Services and Land Rover Financial Services	R C Brady
Executive Director, Global Operations and Technology	J Coffey
Managing Director, Britain	P de Rousset Hall
Managing Director, Germany	R Foertsch
Director, Finance and Planning	P R Jepson
Executive Director, European Sales Operations	B B Silverstone
Director	J Noone
Non-Executive Director	M F Robinson
Non-Executive Director	S Thomson, CBE
Non-Executive Director	C Toner

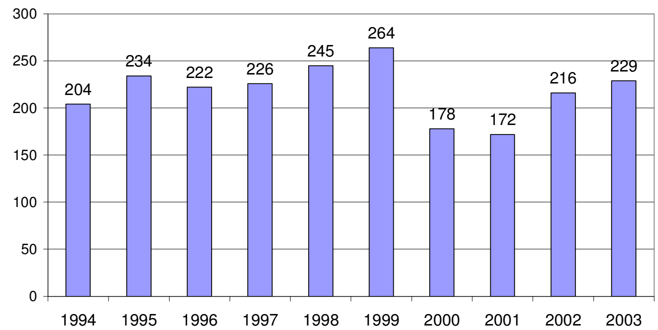
Secretary N H Jobling

Registered office
Central Office
Eagle Way
Brentwood
Essex CM13 3AR
United Kingdom

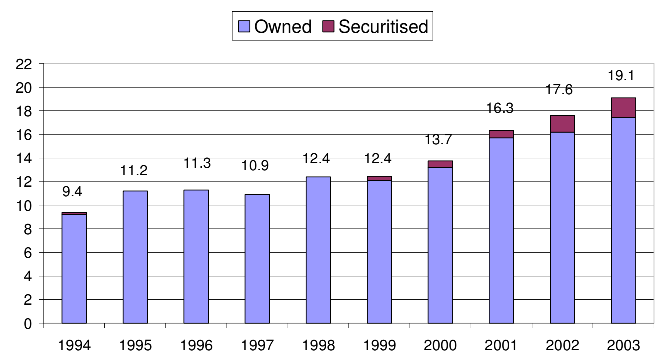
Auditors
Pricewaterhouse-
Coopers LLP
Chartered Accountants
And Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

Ten year financial highlights

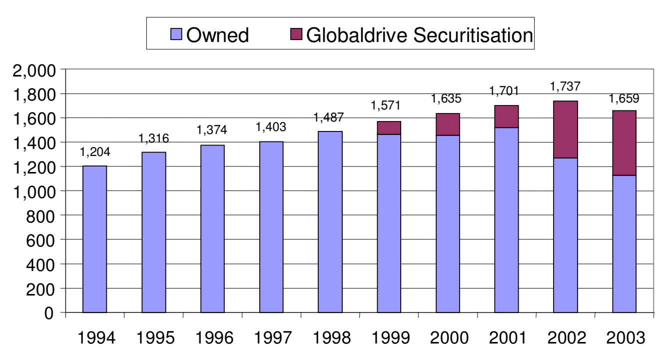
Proft before Tax £ Millions



Total Managed Assets £ Billions



Contracts Outstanding 000's



The Chairman's statement

I am pleased to report a year of strong performance by FCE Bank reflecting excellent progress made on our strategic priorities, operating cost efficiencies, and improved profits and returns.

The rating of our public debt reflects that of our parent, the Ford Motor Credit Company. In response to reduced ratings over the last two years we have focussed as a priority on the cost and use of our funding. In fact, 2003 was a record year for funds raised and included the further development of the Globaldrive securitization program as well as the launch of InterNotes (bonds that are designed for retail investors). At the same time, our new lending has been prioritised to supporting our primary vehicle brands; Ford, Jaguar, Land Rover, Mazda and Volvo, their dealers and customers.

We aim to support vehicle sales by providing tailored financial products with outstanding customer service. The combined European vehicle market share of the brands we support increased again in 2003. For these brands, market research continues to confirm that retail customers who use our financing are more satisfied than those who do not and are more loyal to both the vehicle brand and the dealer.

We have continued to develop management information systems and risk management tools in a way that also supports compliance with new and forthcoming regulatory requirements such as the US Sarbanes-Oxley Act and the Basel II Capital Accord. We have experienced an increase in credit losses in 2003 that is consistent with the weak economic environment, particularly in Germany. In response, we have increased our monitoring and control actions across our portfolios.

During 2003 our strategic approach remained constant. We have continued to focus on the basics of our business, which we describe as "buy it right, collect effectively, and operate efficiently". We have also continued to invest in technology, reducing the number of unique market/brand systems and successfully completed the launch of our new Customer Service Center (CSC), in Cologne. The CSC centralises the service operations of our German branches into a single entity, building on the experience of our established UK centre. We are delighted that many members of our staff relocated to work at the Cologne CSC, ensuring that valuable business expertise was retained.

While the Cologne CSC represents a landmark investment in improved service technology, we have also seen the successful completion of many smaller projects that are part of the pan-European harmonisation of our processes and systems platforms. This program is designed to spread best practice as well as take advantage of scale economies.

We have seen the success of a consistent strategic approach in 2002 and 2003, and I am confident FCE Bank will continue to deliver good returns in 2004. It remains our goal that FCE Bank will be a valuable contributor to, and a competitive advantage in, the revitalisation of Ford Motor Company as it enters its second century.

Richard A Corbello
Chairman, FCE Bank plc.

40th Annual Report of the Directors

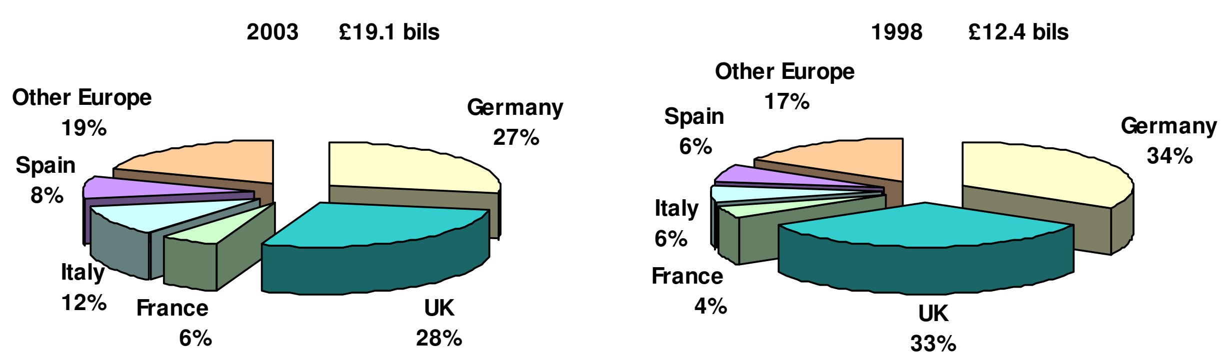
Review of business and operations

The Company is authorised as a deposit taking business under the Financial Services and Markets Act 2000 and is regulated by the Financial Services Authority. The Company also holds a standard licence pursuant to the Consumer Credit Act 1974.

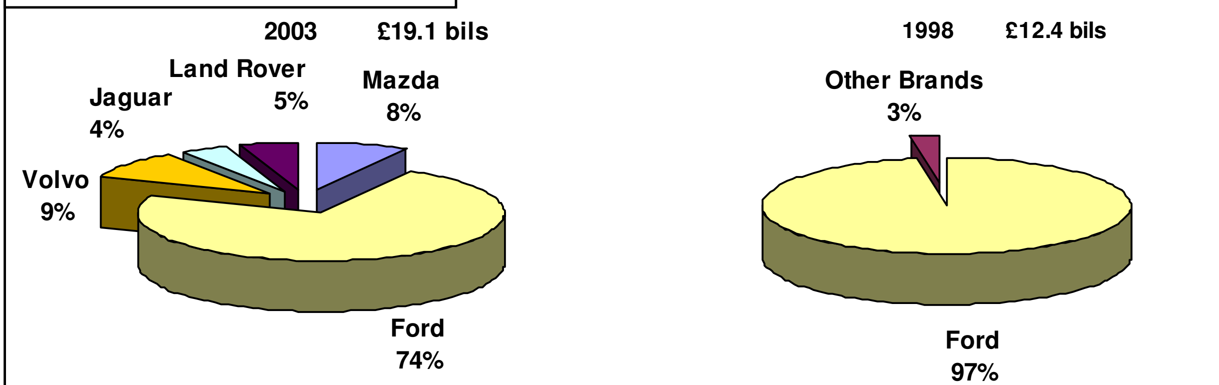
The Company's primary business is to support the sale of Ford and affiliated manufacturers' vehicles in Europe through the respective dealer networks.

The following charts show the net receivables by major market and brand at December 31, 1998 and December 2003. The market analysis demonstrates the growing diversity of our European portfolio. The brand analysis shows the increased contribution of Premier Automotive Group (Volvo, Land Rover, Jaguar) and Mazda financing.

Receivables by Market



Receivables by Brand



40th Annual Report of the Directors

Review of business and operations continued

A variety of retail, leasing and wholesale finance plans are provided in countries in which the Company and its subsidiaries operate. Retail financing is provided by means of a number of title retention plans, including conditional sale, hire purchase, instalment credit and personal loans. Operating and finance leases are provided to individual, corporate and other institutional customers, covering single vehicles plus large and small fleets. The Company provides loans to dealers for working capital and property acquisitions and for a variety of vehicle wholesale finance plans.

FCE also offers branded insurance products in partnership with local insurance providers. It distributes them primarily through Ford, Jaguar, Land Rover, Mazda & Volvo dealerships in many European markets. Insurance is a fee-based, non-equity business, for FCE driving shareholder value added. Two new motor programmes were launched across Europe in 2003 and new partnerships were established for five insurance programmes.

The Company operates on a branch network basis in all Member States of the EU. We also have branch operations in Norway and Switzerland. In addition, the Company has subsidiaries in the Czech Republic, Finland, Hungary, Italy and Poland providing wholesale, leasing and retail vehicle financing. FCE's European branches and subsidiaries have established additional finance facilities and associated trading styles primarily for Ford affiliated manufacturers in Europe which are detailed within the European operating locations listing on page 62.

The Company's Worldwide Trade Financing division provides finance to dealers in countries where typically there is no established local Ford presence. In addition other private label operations and outsourcing arrangements are in place in several markets in central and eastern Europe.

Funding programmes

During the year the Company listed its programme for the issue of up to US$12 billion of Euro Medium Term Notes, on the Luxembourg Stock Exchange as part of a programme to offer InterNotes to retail investors.

During the year the Company entered into two German securitisation transactions selling approximately EUR€ 300 million of Ford Bank receivables and approximately EUR€ 350 million of Mazda Bank receivables each derived from a portfolio of retail loans. The Company will make further sales of receivables under both transactions as existing securitised receivables amortise (for further details refer to Note 9 Loans and advances to customers subject to securitisation). Further securitisation transactions are planned during 2004.

40th Annual Report of the Directors

Post balance sheet events

Refer to note 40.

Results and dividends

The directors have not declared any dividends during 2003.

The retained profit of £187 million will be transferred to the Group's reserves.

Directors

The full list of present directors is shown on page 2. Mr. J Noone was appointed a director with effect from 1 January 2004 in place of Mr M Bannister who resigned effective the same date.

With the exception of the three Non-Executive directors, Mr. M Robinson, Mr. S Thomson and Mr. C Toner, all directors are Ford employees. Mr. Robinson is a former Regional Managing Director at National Westminster Bank Plc with whom previously he had held various other senior management posts including being Head of Streamline Merchant Services and Head of Card Services. Mr. Thomson, a former Director of Finance of Ford Motor Company Limited, is a former President of the Chartered Association of Certified Accountants, former Member of the Industrial Development Advisory Board and former member of the Financial Reporting Council. Mr. Toner has been Non Executive Chairman of Barratt Developments PLC since October 2002, having previously been Non Executive Vice Chairman, former Deputy Group Chief Executive of Abbey National plc and former Deputy Chairman of NHBC. All other directors, other than Mr. Noone who is employed elsewhere within the Ford Motor Company (U.S.) Group, are employed by the Company.

All directors will seek re-appointment at the Annual General Meeting to be held on 29 March 2004. Mr. S Thomson was seventy-seven years of age on 23 June 2003. Further to section 293(5) of the Companies Act 1985 special notice has been given to shareholders of his intention to stand for re-appointment.

None of the directors have a beneficial interest in the share capital of the Company.

40th Annual Report of the Directors

Going concern

The Directors are confident in making the formal going concern statement that they have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. For this reason the directors believe it is appropriate to continue to adopt the going concern basis in preparing these accounts.

Payments to suppliers

The Company does not operate a single payment policy as each location is responsible for agreeing terms of payment in accordance with the conditions of the order. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The ratio, expressed in days, between the amounts owed by the Company to trade creditors at the end of the year and the amounts invoiced by suppliers in the year ended 31 December 2003 is 45 days (2002:45 days).

Changes in fixed assets

Movements in tangible fixed assets are as disclosed in Note 16 to the financial statements.

Donations

The Company and its subsidiaries made no charitable or political donations during the year under review.

Employee communication

The Company keeps all employees informed of Company activities on both a national, pan-European and global level by means of in-house publications, Company intranet and the annual publication of its reports and financial statements. In addition the Company conducts an annual employee satisfaction survey ('Pulse') with a feedback and action-planning process aimed at continued improvement in employee satisfaction.

Employment practices

The Company fully complies with relevant legislation enacted by both European and national parliaments and any impact the requirements of the Financial Services Authority has on Human Resources policy and process. The Company is also committed to 'best practice' HR policies and processes in support of the business objectives.

40th Annual Report of the Directors

Diversity

The Company is committed to diversity in the workplace which values difference based on culture, ethnicity, race, gender, nationality, age, religion, disability, sexual orientation, education, experience, opinions and belief. Diversity is seen by the Company as key to being an 'employer of choice', utilising the views of our employees to improve our processes and practices and achieving an organisational culture based on trust, co-operation, loyalty, respect and teamwork.

Supportive to the principle of diversity the Company also operates a Dignity at Work policy. Dignity at Work promotes a business environment where employees, customers and suppliers are valued for themselves and their contribution to the business. The Company is committed to conducting its business with integrity and utilising the talents of everyone through providing an environment free from unlawful discrimination, harassment, bullying and victimisation.

Directors' responsibilities for financial statements

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group of which it forms a part as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 384 of the Companies Act 1985 and relevant European legislation, a resolution proposing the re-appointment of PricewaterhouseCoopers LLP as auditors will be submitted to the Annual General Meeting to be held on 29 March 2004.

BY ORDER OF THE BOARD
Natalie Helen Jobling
Company Secretary
29 March 2004

Risk management

In the normal course of business, FCE is exposed to several types of risk. These risks include primarily credit, vehicle residual value, financial market (including interest rate, currency, counterparty and liquidity risks) and operational risk. Each form of risk is uniquely managed in the context of its contribution to overall risk. Business decisions are evaluated on a risk-adjusted basis and products are priced consistent with these risks.

FCE is continuously reviewing and improving its risk management practices.

Credit risk management

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Whilst this has a significant impact on our business, it is mitigated by the majority of FCE retail, leasing and wholesale financing being title retention plans. In the case of customer default the value of the re-possessed collateral provides an additional source of protection. We actively manage the credit risk of our consumer and non-consumer portfolios to balance the levels of risk and return.

Retail products (vehicle instalment sale and lease contracts) are classified by risk ranking, term and whether the vehicle financed is new or used. This segment data is used to assist with product pricing to ensure risk factors are appropriately considered. In our largest markets data segmentation is also used in contract servicing to ensure contracts receive attention appropriate to their risk level. In addition, at the end of June 2003, FCE completed a major project that transferred the service operations of our German branches to a single Customer Service Centre (CSC). The German CSC builds on the experience of our established UK CSC including enhanced risk management techniques and controls e.g. commonised originations and collections practices plus the realisation of economies of scale through the introduction of latest servicing technology.

Retail credit investigations typically include a credit bureau review of each applicant together with an internal review and verification process. Retail credit loss management strategy is based on historical experience of many thousands of contracts. Statistically-based retail credit risk rating models are used to determine the creditworthiness of applicants. The accuracy of these models is reviewed and revalidated regularly against actual performance and recalibrated as necessary.

FCE has developed retail behavioural models in the UK and Germany to assist in determining optimal collection strategies. Accounts are placed in risk categories for collection follow-up. Every reasonable effort is made to collect on delinquent accounts and keep accounts current. Repossession is considered a last resort. A repossessed vehicle is sold and proceeds are applied to the amount owing on the receivable. FCE endeavours to realise maximum vehicle sale proceeds by using various resale channels. Collection of the remaining balance continues after repossession until the account is paid in full or is deemed uncollectable by FCE.

FCE extends commercial credit primarily to franchised Ford trustmark vehicle dealers in the form of approved lines of credit to purchase inventories of new and used vehicles. In addition, FCE provides mortgages, working capital and other types of loans to dealers. FCE also provides automotive financing for leasing and daily rental companies, as well as other commercial entities.

Risk management

Credit risk management continued

Each commercial lending request is evaluated, taking into consideration the borrower's financial condition, supporting security, debt servicing capacity, and numerous other financial and qualitative factors. All credit exposures are reviewed at least annually at the appropriate commercial credit committee.

A risk evaluation rating is assigned to each dealer. Asset verification processes are in place and include the use of physical audits of vehicle inventory with increased audit frequency for higher risk dealers. In addition, inventory-financing payoffs are monitored to detect adverse deviations from typical payoff patterns, in which case appropriate actions are taken.

Residual risk management

Residual risk is the possibility that the actual proceeds realised by FCE upon the sale of returned vehicles at contract termination will be lower than that forecast at contract initiation.

FCE sets the expected residual values based on input from independent consultants (who forecast residual values), current trade guide valuations and our own proprietary knowledge of historical experience and forward-looking information available to FCE. This information includes new product plans, marketing programmes and quality metrics. Any unfavourable gap between FCE's forecast and expected residual values for existing contracts is reserved for on the balance sheet. Reserve adequacy is reviewed quarterly to reflect changes in the projected values. At contract end, FCE maximises residual value proceeds by using various resale channels including auctions, trade buyers and dealerships.

For further details see 'Residual Values', Note 11.

Financial market risk management

The objective of financial market risk management is to maximise financing margin while limiting the impact of changes in interest rates and foreign exchange rates. Interest rate and currency exposures are monitored and managed by FCE as an integral part of its overall risk management programme, which recognises the unpredictability of financial markets and seeks to reduce potential adverse effects on FCE's operating results. Risk is reduced through the use of funding instruments that have interest and maturity profiles similar to the assets they are funding and through the use of interest rate and foreign exchange derivatives. FCE's derivatives strategy is defensive; derivatives are not used for speculative purposes.

For further details on the use of derivatives see Note 36 'Derivative Financial Instruments', and Note 38 'Interest rate sensitivity gap analysis'.

Risk management

Financial market risk management continued

Interest rate risk

FCE's asset base consists primarily of fixed-rate retail instalment sale and lease contracts, with an average life of about three years, and floating rate wholesale financing receivables. Funding sources consist of short-term commercial paper, term debt and receivable sales. To ensure funding availability over a business cycle, FCE often borrows longer-term debt (three to five years). Interest rate swaps are used to change the interest characteristics of the debt to match the interest rate characteristics of FCE's assets. This matching maintains margins and reduces profit volatility. A portion of assets is funded with equity, and volatility can occur as changes in interest rates impact the market value of equity. This volatility is usually small.

The interest rate sensitivity of FCE's assets and liabilities, including hedges, is evaluated each month. The interest rate repricing gap information is shown in Note 38 to the financial statements.

Currency risk

FCE generally manages assets and liabilities in local country currency, thus eliminating exposure to exchange rate movements. When a different currency is used, FCE typically uses foreign currency agreements to hedge specific debt instruments. FCE's currency exposure position is reported to the Financial Services Authority (FSA) on a quarterly basis.

Counterparty risk

Counterparty risk relates to the loss to FCE that could occur if the counterparty to an interest rate or foreign currency hedging or lease or wholesale finance plan with FCE defaults. Exposure limits for each counterparty are established to minimise risk and provide counterparty diversification. Exposures to counterparties, including the mark-to-market on derivatives, are monitored continually. FCE's exposure position is reported to the FSA on a quarterly basis.

Liquidity risk

Liquidity risk is the possibility of being unable to meet all present and future financial obligations as they come due. One of FCE's major objectives is to maintain funding availability through any economic or business cycle. FCE focuses on developing funding sources to support both growth and refinancing of maturing debt. FCE also issues debts that on average mature later than assets liquidate, further enhancing overall liquidity.

Management closely monitors the amount and mix of short-term funding to total debt, the overall composition of total debt and the availability of committed credit facilities in relation to the level of outstanding short-term debt.

Risk management

Financial market risk management continued

Liquidity risk continued

Recent efforts to provide additional sources of liquidity and further diversify FCE's funding base include reduction in the reliance on short-term debt and the development of more efficient term debt instruments, including a euro medium-term note programme. Also, the sale of receivables through an asset-backed securitisation ("ABS") programme was recommenced in 1999.

FCE has the ability to use committed lines of credit from major banks, providing additional levels of liquidity. About 70% of these facilities have five-year terms. These facilities do not contain restrictive financial covenants (e.g., debt-to-equity limitations) or material adverse change clauses that could preclude borrowing under these facilities. FCE's liquidity position is reported to the FSA on a quarterly basis.

In the normal course of funding transactions, FCE may generate more proceeds than are necessary for immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, providing liquidity for our short-term funding obligations and flexibility in the use of other funding programs. FCE increased long-term debt issuances beyond its immediate needs in 2003, to further protect liquidity, and to pre-fund debt maturing in 2004. After Standard & Poor's corporate credit rating of our parent Ford Motor Credit Company in November 2003, the stable outlook had the effect of lowering unsecured term-debt funding spreads, and FCE continued to issue long-term debt opportunistically. We monitor our cash levels daily and adjust them as necessary to support our short-term liquidity needs.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This definition captures operational risk events such as IT problems, human error, shortcomings in the organisational structure, legal changes, lapses in internal controls, fraud or external threats.

The Operational Risk Committee ("ORC") has responsibility for reviewing and monitoring major operational risks and for promoting the use of sound operational risk management across FCE. Among some of the main areas of focus for the ORC are the implementation of appropriate policies, processes and procedures to control or mitigate material exposure to losses and the maintenance of suitable contingency arrangements for all areas to ensure that FCE can continue to function in the event of an unforeseen interruption.

The guiding principle is that management at all levels is responsible for directing and controlling operational risks. FCE also maintains a strong internal control culture across the organisation through the Operations Review Program, a self-assessment control process used by the locations, which is reinforced by central controls from the Internal Control Office (ICO) and Ford General Auditors Office (GAO).

Risk management

Operational risk management continued

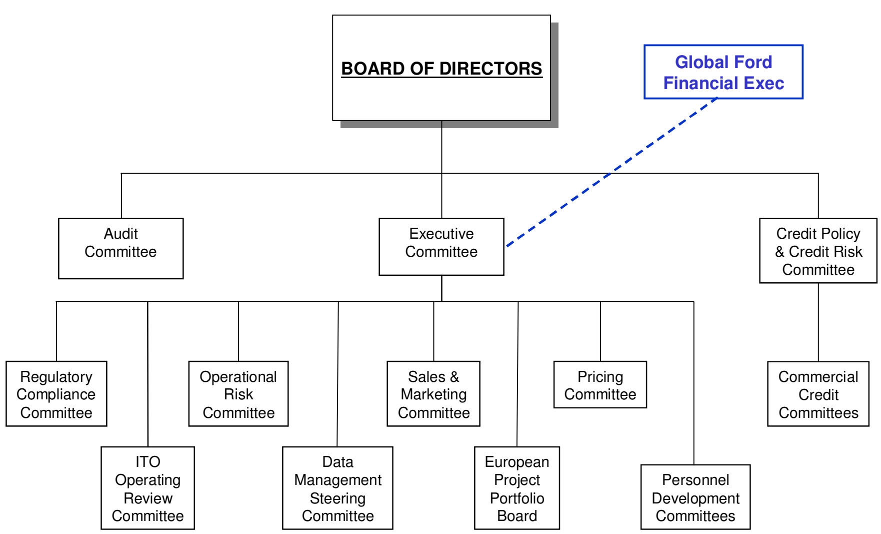
In addition to FCE's existing operational risk activities, an operational risk project is currently underway as part of the Basel II programme to ensure compliance with the regulatory requirements of the New Capital Accord and the Financial Services Authority. Several initiatives are in progress which will contribute to improved identification, assessment, monitoring, control or mitigation of operational risks within FCE.

Corporate governance

The listing of some of the Company's debt securities on the London Stock Exchange imposes significantly fewer listing obligations on the Company than for a company with listed equity. The Group always designs its operations to ensure that business is conducted within a strong control framework. These internal standards are well suited to the evolving demands of corporate governance in highly regulated, multi-national environments.

All directors are equally accountable under the law for the proper stewardship of the Company's affairs and the Non-Executive Directors fulfil a vital additional role in corporate and regulatory accountability. Throughout the year under review, the Board and its Committees have been supplied with information and papers to ensure that all aspects of the company's affairs are reviewed on an annual basis in accordance with a rolling agenda of work.

The following chart shows the interrelationship of the Group's Board and committees that deal with corporate governance:



Corporate governance

The **Board** considers that the Non-Executive Directors are independent in that they have no business relationship with the Company and that they neither represent the sole shareholder nor have any involvement in the day to day management of FCE Bank plc or its subsidiaries. As such they bring objectivity and independent judgement to the Board, complement the Executive Directors' skills, experience and detailed knowledge of the business and play a vital role in the governance of the Company through their membership of the Audit Committee. Mr. Thomson has served on the Board for ten years and, as the joint longest serving Board director, contributes invaluable experience and continuity to its deliberations. The Board believes that the balance achieved between Executive and Non-Executive Directors is appropriate and effective for the control and direction of the business.

Consideration is given to the training needs of directors on their appointment to the Board and non-executive directors benefit from a comprehensive induction to the Company's business, risk management and regulatory environment. Also there is at least one off-site senior management financial review and strategy meeting held each year to which the Non-Executive Directors are invited.

Each year the Non Executive Directors hold a meeting with the Chairman to discuss Executive Director succession planning, corporate governance and any other relevant issues.

Executive Directors (including the Chairman) are appointed through a Ford Financial Personnel Development Committee process. Succession plans for directors and other senior appointments are reviewed with senior representatives of the Company's parent. Each Executive Director is evaluated by the Company's performance review process and remuneration is determined in line with Ford Financial and Ford Motor Company's global compensation policy. Senior representatives of the Company's parent evaluate the performance of the Chairman.

Non Executive Directors receive a fee related to time commitment. Non Executive Directors do not receive any other remuneration or participate in any incentive arrangements.

Within the financial and overall objectives for the Group, the management of the Group as a whole is delegated to the Chairman and the Directors. Each of the seven Directors directly employed by the Company is accountable for the conduct and performance of their particular business within the agreed business strategy. They have full authority to act subject to the reserved powers and sanctioning limits laid down by the Board and to Group policies and guidelines.

The full Board of Directors meets at least three times a year. The composition of the Board is shown on page 2. The three Committees reporting directly into the Board were established in 1998 with specific delegated authority which is reviewed annually.

Corporate governance

The **FCE Board** has the ultimate responsibility for ensuring that the Group has systems of internal control appropriate to the various business environments in which it operates. The Board regularly evaluates all risks affecting the business and the processes put in place within the business to control them. The process is focussed on the key risks, with formal risk mitigation, transfer or acceptance documented. FCE controls are based on Ford standard controls to safeguard assets, check the accuracy and reliability of financial and non-financial data, promote operational efficiency and encourage adherence to prescribed managerial policies.

The **Audit Committee** ("AC"), on behalf of the Board, has responsibilities which include:

- the review of financial statements
- overseeing the effectiveness of internal control over reporting and operations
- overseeing the process of monitoring compliance and regulatory matters

The AC is composed of three non-executive directors, chaired by Stanley Thomson, and met three times in 2003 with all three Non Executive Directors attending on each occasion. In its detailed Terms of Reference, the main duties include the review of FCE Annual Accounts and audit reports from PricewaterhouseCoopers LLP (PwC), General Auditors Office (GAO) and the Internal Control Office (ICO). The AC often requires Directors, managers, staff, external and internal auditors to attend and agree audit/review actions in response to the AC's recommendations.

The **Credit Policy and Credit Risk Committee** ("CPC") determines, on behalf of the Board, the general credit policy of the Group on a pan European basis and oversees and reviews commercial, residual and retail risks. The CPC reports to each full Board meeting held during the year. Half of the membership of the CPC are members of the Board of Directors. The CPC consists of individuals responsible for the key components of the business; British, German and European markets, brand directors, and pan European and cross brand functions such as credit policy and credit risk, marketing, sales, and finance.

The **Commercial Credit Committees** have been established as sub-committees of the CPC to review and approve commercial lending requests across Europe.

The **Executive Committee** ("EC") reviews, on behalf of the Board, the Group's strategic direction and policy and the enhancement of shareholder and customer value whilst improving growth, efficiency and profitability. The EC meets monthly and reports to the Board at each of the full Board meetings held during the year. The EC has fourteen members of whom six are members of the Board of Directors. The EC consists of individuals responsible for the key components of the business; British, German and European markets and brand directors, as well as pan European and cross brand functions such as credit policy and credit risk, information technology, marketing, sales, strategy and finance.

Corporate governance

Several sub-committees have been established and meet regularly and cover all areas of the business. These report into the Executive Committee:

- The **Regulatory Compliance Committee** informs senior management and the Audit Committee on regulatory compliance issues. Its responsibilities include monitoring and evaluating regulatory changes and determining FCE's response or changes needed. The Committee is also responsible for reviewing the returns submitted to the FSA.
- The **Information Technology Office ("ITO") Operating Review Committee** monitors, aligns and resolves plans and priorities across FCE Bank plc to support key ITO related projects and initiatives.
- The **Operational Risk Committee** has the overall responsibility for reviewing and monitoring major operational risks and for promoting the use of sound operational risk management across FCE.
- The **Data Management Steering Committee** provides a co-ordinated input to process and IT application development to meet business requirements through data solutions that are consistent with strategic priorities.
- The **Sales and Marketing Committee** facilitates regular and timely information exchanges between business units and functional areas covering sales, marketing and operational matters.
- The **European Project Portfolio Board** ("EPPB") oversees the management of FCE's strategic projects. The EPPB meets on a monthly basis to review, approve and prioritise large / strategic projects.
- The **Pricing Committee** reviews and approves pricing strategies and policies on a national, regional and European basis.
- The **Personnel Development Committees** drive personnel development and career and vacancies planning. The Committees are comprised of members of management, who are assisted by Human Resources representatives.

In addition, the EC may from time-to-time appoint working groups or steering committees to address specific business risks and opportunities.

Audit and internal control

PricewaterhouseCoopers LLP's ("PwC's") core deliverables are external audit opinions on FCE's financial statements. PwC's audits are conducted in accordance with generally accepted auditing standards which include consideration of FCE's internal control structure.

To help ensure that the auditors' independence and objectivity are not prejudiced by the provision of non-audit services, the Audit Committee has agreed that the external auditors should be excluded from providing the following services:

- Management, strategic and IT consultancy
- All other non-audit related services unless the firm appointed as external auditor is:
  - the only provider of the specific expertise/service required; or
  - the clear leader in the provision of the service and is able to provide that service on a competitively priced basis

Corporate governance

Audit and internal control continued

As auditors PricewaterhouseCoopers will undertake work that they must or are best placed to complete. This includes tax-related work, formalities related to borrowings, regulatory reports or work in respect of acquisitions and disposals.

Ford's **General Auditors Office** ("GAO") is fully independent from FCE; its coverage is based on the relative risk of each FCE Group entity, process or system. The GAO covers every entity at least once within a five year cycle, with higher risks being reviewed every one to two years. The GAO's mission is to provide objective assurance and advisory services to Management and the Board of Ford Motor Company and to the FCE Audit Committee in order to improve the efficiency and effectiveness of Company operations and - through systematic, disciplined auditing - assist the Company in achieving its objectives.

Internal Control Office ("ICO") is based within FCE to offer control consultancy, audits, process reviews, advice on systems controls and control training across all brands. ICO uses the synergies from access to internal data, reports, operational experience and control expertise to advise on the development of procedures, policies and projects. Operational audits are used as both detection tools to assist management in early identification of potential control risks and opportunities and valuable opportunities for teaching and feedback. This process also is an essential element of compliance with the Sarbanes Oxley legislation.

The Operations Review Programme (ORP) has been designed, implemented and revised for the last several years across the vast majority of the Group's offices to embed the assessment of risk and opportunity. The ORP provides the means for location/activity management to continually monitor control integrity throughout their operation by the performance of regular and appropriate checks and embeds sound governance principles in key processes. The ORP delivers high levels of control self-assessment as good business practice. It also embodies the principles established by the UK's Turnbull Committee on how to achieve the standards in the Combined Code of Corporate Governance.

Independent auditors' report to the members of FCE Bank plc

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the Chairman's statement, Risk management and Corporate governance.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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.

Independent auditors' report to the members of FCE Bank plc

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2003 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
29 March 2004

Notes:
The maintenance and integrity of the FCE Bank plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group profit and loss account

for the year ended 31 December 2003

	Notes	**2003 £ m**	2002 £ m Restated
Interest receivable and similar income	1(a)	**1,220**	1,200
Interest payable		**(650)**	(653)
NET INTEREST INCOME		**570**	547
Fees and commissions receivable		**53**	33
Fees and commissions payable		**(95)**	(99)
Other operating income	1(a)	**402**	425
OPERATING INCOME		**930**	906
Administrative expenses	2	**(287)**	(257)
Depreciation and amortisation	3	**(318)**	(331)
Provisions for bad and doubtful debts	12	**(96)**	(102)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3	**229**	216
Tax on profit on ordinary activities	5	**(42)**	(87)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX AND RETAINED PROFIT FOR THE YEAR	28	**187**	129

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

All results are from continuing operations.

Statement of total recognised gains and losses

	Group 2003 £ m	2002 £ m
Profit for the financial year	**187**	129
Currency translation differences on foreign currency net investments	**69**	52
TOTAL RECOGNISED GAINS RELATING TO THE YEAR SINCE LAST ANNUAL REPORT	**256**	181

Balance sheets

as at 31 December 2003

	Notes	Company 2003 £ m	Company 2002 £ m Restated	Group 2003 £ m	Group 2002 £ m Restated
ASSETS					
Loans and advances to banks	8	**1,040**	430	**1,077**	448
Loans and advances to customers		**14,815**	14,392	**14,523**	13,926
Loans and advances subject to securitisation	9	**1,945**	1,580	**1,945**	1,580
Non returnable finance	9	**(1,720)**	(1,407)	**(1,720)**	(1,407)
Total loans and advances to customers	10	**15,040**	14,565	**14,748**	14,099
Debt securities	13	**21**	-	**21**	-
Shares in group undertakings	14	**70**	90	**-**	-
Intangible fixed assets	15	**160**	171	**12**	13
Tangible fixed assets	16	**814**	732	**1,107**	1,180
Other assets	17, 1(a)	**401**	364	**395**	365
Prepayments and accrued income	18, 1(a)	**43**	59	**48**	63
TOTAL ASSETS		**17,589**	16,411	**17,408**	16,168
LIABILITIES					
Deposits by banks	19	**401**	495	**499**	561
Customer accounts – parent undertakings	20	**6,638**	5,053	**6,652**	5,023
Customer accounts - other	20	**242**	204	**17**	18
Total customer accounts	20	**6,880**	5,257	**6,669**	5,041
Debt securities in issue	21	**7,367**	8,060	**7,416**	8,098
Other liabilities	22, 1(a)	**158**	127	**173**	148
Accruals and deferred income	23, 1(a)	**388**	332	**412**	365
Provisions for liabilities and charges	24	**73**	70	**80**	75
Subordinated liabilities	25	**603**	605	**603**	605
TOTAL LIABILITIES		**15,870**	14,946	**15,852**	14,893
CAPITAL AND RESERVES					
Called up share capital	26	**614**	604	**614**	604
Share premium account	27	**352**	337	**352**	337
Other non-distributable reserves	27	**-**	5	**-**	-
Profit and loss account	27	**753**	519	**590**	334
Equity shareholders' funds	28	**1,719**	1,465	**1,556**	1,275
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**17,589**	16,411	**17,408**	16,168
MEMORANDUM ITEMS					
Contingent liabilities - guarantees	29	**24**	64	**24**	64
Commitments – credit lines	30	**112**	174	**126**	247

The financial statements on pages 20 to 60 were approved by the Board of Directors on 29 March 2004 and were signed on its behalf by:

R A Corbello
Chairman

P R Jepson
Director, Finance and Planning