1 ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The Group financial statements have been prepared in accordance with UK Accounting Standards applicable for periods ending 31 December 2003, pronouncements of the Urgent Issues Task Force and the special provisions of Part VII of the Companies Act 1985 relating to banking groups and companies. The recommendations of the British Bankers' Association and the Finance Leasing Association (FLA) Statements of Recommended Accounting Practice (SORP) have also been adopted. As permitted by Section 230(3) of the Companies Act 1985, the Company's profit and loss account has not been presented. The Company's profit for the financial year is shown in Note 28. A summary of the more important Group accounting policies, which other than as disclosed have been applied consistently, is set out below.

For the purpose of this report, the term 'Company' includes the branches of FCE Bank plc (FCE). The term 'Group' includes the branches and subsidiaries of FCE Bank plc.

<u>Profit and Loss Restatements</u>. Operating lease income is now reflected in 'Other operating income' rather than 'Interest receivable and similar income' in compliance with the FLA SORP. This restatement has no effect on reported profits. Prior year reported figures have been restated in order to show comparative figures on the same basis.
<u>Balance Sheet Restatements</u>. Interest receivable and swap interest receivable have been reclassified from 'Other assets' to 'Prepayments and accrued income' and swap interest payable has been reclassified from 'Other liabilities' to 'Accruals and deferred income'. Again the 2002 figures have been restated for comparability as prescribed by FRS18.

(b) Accounting convention

The financial statements are prepared in accordance with the historical cost convention.

(c) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings (see Note 14) drawn up to the end of the financial year.

For commercial reasons, the accounting reference dates of Jaguar Financial Services Limited (31 March), Automotive Finance Limited (30 June), Meritpoint Limited (30 June), and Ford Automotive Leasing Limited (30 September) are not coterminous with that of FCE. Accordingly the results of those companies are based on the management accounts for the year ended 31 December 2003.

Intra-group revenue and profits are eliminated on consolidation and all revenue and profit figures relate to external transactions only.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. The results of overseas operations are translated at average rates of exchange for the year.

1 ACCOUNTING POLICIES continued

(d) Foreign currency translation continued

Translation differences arising from the application of year end rates of exchange to opening net assets of overseas branches and subsidiaries are dealt with through profit and loss account reserves, as are those differences resulting from the restatement of the results of overseas operations from average to closing rates.

All other exchange differences are recognised in the profit and loss account.

(e) Finance and operating leases

Assets purchased by customers under conditional sale agreements and leased under finance leases are included in 'Loans and advances to customers' at the gross amount receivable, less unearned finance charges. Assets leased to customers under operating leases are included in 'Fixed assets'. For details of income recognition of finance and operating leases refer to accounting policy item (q).

Finance and operating lease assets are included net of suspended interest, residual value provisions and specific and general provisions for bad and doubtful debts.

(f) Provisions for bad and doubtful debts

A specific provision is established when the Group considers the credit-worthiness of an individual borrower or lessee has deteriorated such that the recovery of the whole or part of an outstanding advance is in doubt. Specific provisions take into consideration the financial condition of the borrower or lessee, the value of the collateral, recourse to guarantors and other factors. Collateral held for resale, included in Other Assets, is carried at its estimated fair value at the date of repossession net of estimated disposal costs. Recoveries previously charged off as uncollectable are written back to provisions for bad and doubtful debts.

A general provision is made against loans and advances and operating lease assets to cover bad and doubtful debts which have not been separately identified, but which are known from experience to be present in portfolios of loans and advances and operating leases. The general provision is determined based on a number of factors including historical loss trends, the credit quality of the present portfolio and general economic factors.

The aggregate specific and general provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against operating profit and are deducted from loans and advances and tangible fixed assets. Impaired loans are written off against the balance sheet asset and provision when there is no realistic prospect of recovery. From 1 January 2003 it has been decided to advance the point of write-off of non-consumer loans to align with that for the write-off of consumer loans. This refinement in the estimation of credit losses does not represent a change in accounting policy and has no impact on the profit and loss account.

Interest of doubtful collectability is held in suspense and is not reflected in income until recovered, although it continues to be charged to the customer's account.

1 ACCOUNTING POLICIES continued

(g) Securitised assets and related financing

Securitised assets are recorded in the financial statements according to the substance of the securitisation transaction. Where the Company is isolated from the risks and benefits from the surpluses of the securitisation transaction and the noteholders' claims to the Company extend solely to the proceeds generated by the securitised assets, the linked presentation requirements of FRS5 have been followed.

Linked presentation requires that the securitised assets are included in the Company and Group's balance sheet together with the non returnable proceeds as a deduction from the asset to which they relate. Income arising from the assets net of the related financing costs is included within interest receivable in the profit and loss account.

(h) Debt securities

Debt securities are held for investment purposes and are stated at cost, adjusted for any premiums and discounts arising on acquisition which are amortised from purchase to maturity in equal annual instalments.

(i) Shares in group undertakings

The Company's interests in group undertakings are stated at cost less any provisions for impairment.

(j) Goodwill

Goodwill arising on consolidation of subsidiaries or acquisition of other business operations represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Goodwill recognised in the Company post 1 January 1998 is capitalised as an intangible asset, as disclosed in Note 15, in compliance with FRS10 'Goodwill and intangible assets'. Goodwill is amortised on a straight line basis over periods not exceeding 20 years, estimated by the directors to be the useful economic life.

Goodwill arising on the acquisition of subsidiaries and business operations has previously been written off immediately against reserves. Any excess of the fair value of net assets of subsidiaries or business operations at the date of acquisition over their purchase price was included as a capital reserve arising on consolidation in the consolidated balance sheet. In compliance with the transitional arrangements of FRS 10, goodwill arising prior to 1 January 1998 will continue to be treated in this way. Goodwill previously written off against reserves will be charged to the profit and loss account on the subsequent disposal of the business to which it relates.

Goodwill is subject to a review for impairment in accordance with FRS11, 'Impairment of fixed assets and goodwill' (refer to accounting policy l). The carrying value is written down by the amount of any impairment, and the loss is recognised in the profit and loss account in the period in which it occurs.

1 ACCOUNTING POLICIES continued

(k) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is calculated on a straight-line basis so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned. The depreciation rates used are as follows:

Asset type	**Annual depreciation rate**
Computer equipment	16.67%
Other office equipment	8.00%
Company motor vehicles	36.00%

Depreciation is charged on operating lease assets so as to write off the cost of the asset over the period of the lease to its estimated residual value on a straight line basis. The period of leases ranges from six months to five years.

(l) Impairment of fixed assets and goodwill

Tangible fixed assets and goodwill are subject to a review for impairment in accordance with FRS11. The carrying value of the tangible fixed assets and goodwill are written down by the amount of any impairment, and the loss is recognised in the profit and loss account in the period in which it occurs. Should an external event reverse the effects of a previous impairment, the carrying value of the tangible fixed assets and goodwill may be written up to a value no higher than the original depreciated cost.

(m) Residual value provisions

Residual values represent the estimated value of the vehicle at the end of the retail or leasing financing plan. Residual values are calculated after analysing published residual values and FCE's own historical experience in the used vehicle market.

Estimated reserves for residual values are based on assumptions as to used car prices at the end of the financing plan and the number of vehicles that will be returned to the Group. Residual value reserves in respect of retail, finance lease and operating lease assets are reviewed regularly and the reserves adjusted by the amount of any impairment are charged to the profit and loss account within 'Interest receivable and similar income' and 'Depreciation and amortisation'. These assumptions and the related reserves may change based on market conditions. Residual value provisions for retail and finance leases are deducted from Loans and Advances and, for operating leases, from Tangible Fixed Assets.

(n) Debt securities in issue

Debt securities in issue are stated at cost and adjusted for unamortised premiums and discounts which are amortised over the life of the underlying debt. Deferred gains and losses relating to cross-currency swaps are also included in debt securities in issue as such derivatives are designed to hedge debt issuance.

1 ACCOUNTING POLICIES continued

(o) **Derivative financial instruments**

Transactions are undertaken in derivative financial instruments, ‘derivatives’, which include interest rate and cross-currency swaps and forward exchange contracts. All derivatives entered into by the Company are classified as non-trading as they are entered into for the purpose of matching or minimising risk from potential movements in foreign exchange rates and interest rates inherent in the Group’s financial assets and liabilities. Non-trading assets and liabilities are those intended for use on a continuing basis in the activities of the Group.

Deferred gains and losses relating to cross-currency swaps are included in the balance sheet in ‘Debt securities in issue’ and ‘Subordinated liabilities’ as they hedge debt issuance**.** Deferred gains and losses relating to interest rate swaps are included in ‘Other assets’ and ‘Other liabilities’ respectively. When the terms of an underlying transaction are modified, or when the underlying hedged item is settled prior to maturity, any resultant gain or loss on the hedge instrument is included in the profit and loss account, unless the derivative is subsequently included in another hedge relationship.

Derivatives are reviewed regularly for their effectiveness as hedges. They are accounted for on an accruals basis, consistent with the assets, liabilities, or positions being hedged. Income and expense on non-trading derivatives are recognised as they accrue over the life of the instruments as an adjustment to ‘Interest receivable and similar income’ or ‘Interest Payable’.

(p) **Deferred taxation**

Deferred tax assets and liabilities are recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. An asset is not recognised to the extent that the future realisation of economic benefits is uncertain.

(q) **Income recognition**

Interest receivable and similar income comprises interest receivable on finance leases, commercial loans, personal loans and conditional sale transactions. Interest on commercial and personal loans is accrued on a day-by-day basis. Interest on conditional sale transactions and finance leases is earned over the life of the agreements and is credited to income on a descending scale to reflect a near constant rate of return on the net investment outstanding over each period. Interest supplements and other support payments from Ford and other affiliates provided for certain financing transactions is recognised on the same basis as the related financing transaction.

Other operating income reflects the interest portion of rentals receivable under operating leases. Rental income on operating leases is credited to income on a straight-line basis.

Fees and commissions receivable include insurance commissions which are taken to income as earned.

1 ACCOUNTING POLICIES continued

(r) **Fees and commissions payable**

Fees and commissions payable include commissions and other bonuses payable to dealers. Dealer commission is spread systematically over the life of the contract to which it relates. Other bonus payments are recognised in the profit and loss account as they are incurred.

(s) **Pension costs**

Most companies in the Group operate defined benefit schemes that are contracted out of the state scheme. As FCE participates in multi-employer pension schemes and the assets and liabilities relating to FCE cannot be separately identified, FRS17 'Retirement benefits' permits that the contributions be accounted for as if the scheme is a defined contribution scheme. The funds are valued at least every three years by a professionally qualified independent actuary (the principal UK fund is valued every two years) and the actuary provides advice on the future rates of contributions payable into the schemes.

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services.

(t) **Cash flow**

The Group has taken advantage, under FRS 1 (revised) ' Cash flow statements', of the exemption for 90% owned subsidiaries to not present a cash flow statement. The cash flows of FCE are included in the financial statements of the ultimate parent company, Ford Motor Company (US), which are publicly available.

Notes to the financial statements at 31 December 2003

2 ADMINISTRATIVE EXPENSES

	Group 2003 £ m	2002 £ m
Staff costs (including directors):		
- wages and salaries	**131**	124
- social security costs	**17**	16
- other pension costs (Note 32)	**10**	5
Total staff costs	**158**	145
Other administrative expenses	**104**	112
Administrative expenses excluding loss on integration of subsidiaries	**262**	257
Loss arising on integration of subsidiaries (Note 26)	**25**	-
Total administrative expenses	**287**	257

Average monthly number of employees:-	**No of persons**	No of persons
UK	**1,370**	1,383
Continental Europe	**2,144**	2,218
Total	**3,514**	3,601

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

For the Group is stated after:	**2003 £ m**	2002 £ m
Crediting:		
Interest on amounts owed by other group undertakings	**259**	237
Charging:		
Interest charges with respect to subordinated liabilities	**14**	21
Interest charges with respect to debt securities	**264**	325
Amortisation of goodwill (Note 15)	**1**	1
Goodwill write-off (Note 15)	**-**	4
Depreciation on tangible fixed assets (Note 16)	**317**	326
Total depreciation and amortisation	**318**	331
Loss on disposal of tangible fixed assets	**2**	10
Rentals payable under operating leases:		
- plant & equipment	**2**	2
- office leasehold premises	**11**	10
Note		
Aggregate finance lease rentals receivable:	**1,157**	1,111

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX continued

	2003	2002
Auditors' remuneration (including branches and subsidiaries) for:	**£'000**	£'000
Audit services	**891**	788
Tax advisory services	**296**	354
Further assurance services	**133**	182

Included in tax advisory and further assurance services is £137,000 (2002: £165,000) paid to the UK firm of PricewaterhouseCoopers LLP.

4 DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors for 2003 was £949,679 (2002: £888,240). Amounts receivable under Long-Term Incentive Plans was £1,204 (2002: £1,842). Bonuses were paid in relation to 2003 (2002: nil).

One director received no remuneration from the Company or any other Group undertaking in respect of his services to the Company during 2003 (2002: one director).

Pension

Retirement benefits are accruing to eight current directors (2002: eight directors) under various Ford defined benefit schemes. In addition Mr S Thomson receives a pension from the Ford Motor Company Limited fund and did so throughout 2002 as well.

Share Options

During the financial year ended 31 December 2003 no directors who received remuneration from the Company in respect of their services to the Company, including the highest paid director, exercised options held over Ford Motor Company (U.S.) Common Stock (2002: nil). For more details about the various Ford Share Option Plans please refer to the annual report of Ford Motor Company (U.S.).

Highest paid director

Aggregate emoluments for the highest paid director including dividends received under long term incentive schemes were £267,497 (2002: £201,274). Share option awards were received under a Long Term Incentive Scheme.

The highest paid director is a member of the Ford Motor Company (U.S.) General Retirement Plan (GRP) which has been fully funded for many years and, as such, no contributions are made to it at present. However, each employee receives interest on their contributions on an annual basis. The accrued annual pension benefit for the highest paid director at 31 December 2003 was £77,398 (31 December 2002: £75,344). Interest received on GRP past contributions in 2003 amounted to £2,088 (2002: £1,607). The pension plan does not allow for an accrued lump sum.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation on the profit for the year is made up as follows:

	Group	
Current tax:	**2003**	2002
	£ m	£ m
United Kingdom Corporation tax @ 30.00% (2002: 30.00%)	**46**	58
Overseas taxation	**70**	58
Relief of overseas taxation	**(46)**	(39)
Prior year corporation tax	**-**	(9)
Total current tax	**70**	68
Deferred tax:		
Current year deferred tax movement	**(8)**	6
Prior year deferred tax movement	**(15)**	7
Overseas deferred taxation	**(5)**	6
Total deferred tax	**(28)**	19
Total tax on profit of ordinary activities	**42**	87

Factors affecting current tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	Group	
	2003	2002
	£ m	£ m
Profit on ordinary activities before tax	**229**	216
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	**69**	65
Effects of:		
Foreign taxes higher than UK tax rate	**21**	17
Additional UK tax on overseas branch profits	**2**	2
Prior year tax charge – UK	**-**	(9)
Overseas	**2**	(2)
Origination and reversal of timing differences	**10**	-
Group relief	**(38)**	(6)
Expenses not deductible for tax	**4**	1
Current tax charge for the period	**70**	68

6 SEGMENTAL INFORMATION

	EU Countries		Non EU Countries		Total Group	
	2003	2002	**2003**	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m	**£ m**	£ m
		Restated		Restated		Restated
Interest receivable and similar income	**1,159**	1,106	**61**	94	**1,220**	1,200
Fees and commissions receivable	**50**	33	**3**	-	**53**	33
Other operating income	**363**	392	**39**	33	**402**	425
Profit on ordinary activities before taxation	**214**	175	**15**	41	**229**	216
Total assets	**16,469**	15,234	**939**	934	**17,408**	16,168
Net assets	**1,474**	1,204	**82**	71	**1,556**	1,275

In the opinion of the directors, the Group has only one material business segment namely the provision of finance. The geographical segments analysed above relate to the location of operations.

7 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

A loan arrangement exists for certain directors and officers of the Group, whereby the director or officer purchases vehicles from Ford Motor Company Limited (FMCL), and FCE provides the individual with a loan to finance the purchase. The individual pays FCE only the interest on the loan. When the loans mature, the vehicles are returned to FMCL for resale, and FCE is repaid the loan value from the proceeds of the sale. The value of such loans provided to directors and officers (including connected persons) during 2003 amounted to £783,000 (2002: £771,900 restated). For the purposes of this note, officers are members of the Executive Committee who are not members of the Board and this is consistent with similar disclosure made to the Financial Services Authority. Similar loan arrangements are available to other UK employees at management level and above.

Amounts outstanding at 31 December 2003 under such transactions from those who were directors and officers (including connected persons) of FCE, during the year were as follows:

	2003 Number of persons	**2003 Total £**	2002 Number of persons	2002 Total £
Directors and connected persons	**6**	**119,500**	8	168,300
Other officers	**8**	**163,500**	7	147,700

The Company, which is a wholly owned subsidiary of Ford Credit International Inc. (see Note 41), has elected to utilise the exemption provided in FRS8 'Related party disclosures' and does not disclose transactions with Ford Motor Company, USA and its subsidiary undertakings.

8 LOANS AND ADVANCES TO BANKS

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
Remaining maturity:				
Over 5 years	**39**	71	**39**	71
5 years or less but over 1 year	**-**	-	**-**	-
1 year or less but over 3 months	**-**	-	**-**	-
3 months or less but not repayable on demand	**808**	226	**831**	226
Repayable on demand	**193**	133	**207**	151
Total	**1,040**	430	**1,077**	448
Amounts include:				
Due from subsidiary undertakings	**2**	2	-	-

The Group is required to maintain a balance with the Bank of England and other Central banks in Europe which as at 31 December 2003 amounts to £39 million (2002: £71 million).

9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION

Loans and advances to customers subject to securitisation include portfolios of vehicle retail loans which are subject to non-recourse funding arrangements. No gain or loss has been recognised as a result of these sales.

			Company/Group			
			2003		2002	
Series No	**Finance Provider/ *Country of incorporation***	**Assets securitised**	**Amount securitised**	**Non-Returnable finance**	Amount securitised	Non-Returnable finance
	Amortising Period		**£ m**	**£ m**	£ m	£ m
B	Globaldrive (Germany) Limited - *Guernsey*	EUR €511 mil of German motor vehicle retail loans.	**65**	**33**	170	145
C	Globaldrive (UK) plc - *UK*	GBP 250 mil of UK conditional sale retail loans	**233**	**194**	-	-
	Sub-total	Amortising period	**298**	**227**	170	145
	Revolving Period					
C	Globaldrive (UK) plc - *UK*	GBP 250 mil of UK conditional sale retail loans	**-**	**-**	246	220
D	Globaldrive (Germany) II Limited - *Guernsey*	EUR €800 mil of German motor vehicle retail loans.	**524**	**489**	495	453
E	Globaldrive Series E B.V. - *Netherlands*	EUR €733 mil Spanish & Italian retail and Trade Cycle Management loans	**487**	**444**	461	416
F	Globaldrive (Germany) IV Limited - *Guernsey*	EUR €350 mil of German motor vehicle retail loans.	**235**	**208**	-	-
1	Globaldrive (Germany) III Limited	EUR €300 mil of German motor vehicle retail loans.	**199**	**179**	-	-
2	Globaldrive (UK) Series 2 plc - *UK*	GBP 200 mil of UK conditional sale retail loans	**202**	**173**	208	173
	Sub-total	Revolving period	**1,647**	**1,493**	1,410	1,262
	Total		**1,945**	**1,720**	1,580	1,407
	Amounts relating to:					
	Public transactions		**1,544**	**1,368**	1,372	1,234
	Private transactions		**401**	**352**	208	173

9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION continued

The vehicle retail loans have been purchased directly from FCE by the Globaldrive special purpose securitisation companies identified on the previous table (with the exception of the Series E transaction – see below).

In regard to the Series E transaction the Spanish and Italian loans were purchased from FCE respectively by TdA, Fondo de Titulización de Activos, a Spanish asset securitisation fund and Globaldrive (Italy) S.r.l., an Italian special purpose entity established under the provisions of the Italian securitisation Law No. 130. Both the Spanish and Italian purchasers have been funded by the master purchaser Globaldrive Series E B.V.

The Globaldrive companies have been funded through the issue of floating rate notes backed by the securitised assets either to public or private noteholders. The alphabetic series numbers indicate public offerings and the numeric series number relates to a private transaction.

Under each transaction, further offers to sell receivables will be made to the Globaldrive companies each month under the same terms and conditions for a revolving period that is expected to last approximately 36 months from the issue date. During the 3 year revolving period, the principal collections will be reinvested in further FCE assets, followed by an amortisation period during which principal collections will be allocated to Senior noteholders first.

During the years ended 31 December 2003 and 2002 the Company sold additional assets to the finance provider to top-up the pool of receivables as detailed in the table below.

				Company/Group	
Series No	**Issue Date**	**Issuer**	**Estimated termination date**	**2003 £ m**	2002 £ m
B	March 1999	Globaldrive B.V.	April 2004	**-**	58
C	November 2000	Globaldrive (UK) plc	December 2005	**202**	219
D	March 2002	Globaldrive B.V.	April 2007	**336**	211
E	December 2002	Globaldrive B.V.	January 2008	**315**	18
F	June 2003	Globaldrive B.V.	August 2008	**63**	-
	Sub-total public transactions			**916**	506
1	April 2003	Globaldrive B.V.	June 2008	**72**	-
2	December 2002	Globaldrive (UK) plc	January 2008	**135**	-
	Sub-total private transactions			**207**	-
Total				**1,123**	506

FCE continues to service the sold receivables for all transactions for a fee based on a servicing agreement with the respective Globaldrive company. FCE receives payments from the Globaldrive companies in respect of fees for administering the loans.

Excess spread is defined as performance related servicing fee, interest payments on subordinated loans or payments of deferred consideration for the sale of the loans. Excess spread is paid to FCE which meets the criteria set-out in FRS5 ‘Reporting the Substance of Transactions’.

9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION continued

Each transaction includes a clean-up call. This means that on any interest payment date on which the aggregate net present value of all assigned receivables falls to less than 10 per cent of the Initial Loan Pool Balance, the Seller (FCE) and the Purchaser (Globaldrive) may agree that the Seller repurchase those assigned receivables. As the clean-up call option is likely to be exercised 10% of the funding received from the securitisation transactions cannot be reflected as non-recourse funding and hence the financial statements disclose this amount in debt securities in issue.

Subordinated loans made by FCE to the finance providers are shown below:

Series No	Finance Provider (Country of incorporation)	Currency Amount 000's	Interest Rate per annum	Company/Group 2003 £ m	Company/Group 2002 £ m
C	Globaldrive (UK) plc - (UK)	GBP 1,250	GBP 1-M-LIBOR +120 bps	**1**	1
C	Globaldrive (UK) plc - (UK)	GBP 800	Not applicable	**1**	1
E	TdA, Fondo de Titulización de Activos (Spain)	EUR €14,662	Performance related	**10**	9
E	Globaldrive Series E B.V. – (Netherlands)	EUR €1,200	EUR 3-M-EURIBOR +120 bps	**1**	1
F	Globaldrive (Germany) IV Limited	EUR €2,400	EUR 1-M-EURIBOR +125 bps	**2**	-
2	Globaldrive (UK) plc - (UK)	GBP 6,740	GBP 1-M-LIBOR +120 bps	**7**	7
	Total			**22**	19

Apart from the subordinated loans shown above FCE is under no obligation to support any losses that may be incurred by the Globaldrive companies or holders of the notes and does not intend to provide such support. Holders of the notes are only entitled to obtain payment of principal and interest to the extent that the resources of the Globaldrive companies are sufficient to support such payments, and the holders of the notes have agreed in writing not to seek recourse in any other form.

The Globaldrive companies are unrelated third parties in which FCE has no interest. FCE does not own, directly or indirectly, any of the share capital of any Globaldrive companies or their parents.

An aggregated summary profit and loss account which has been completed on a modified cash basis for the years ended 31 December 2003 and 2002 for the finance providers are shown below:

Profit and loss account for the year ended 31 December	Finance Providers 2003 £ m	Finance Providers 2002 £ m
Net interest income	**12**	17
Other operating expense	**(7)**	(7)
Administrative expenses	**(1)**	(2)
Profit for the financial period	**4**	8

Notes to the financial statements at 31 December 2003

9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION continued

An aggregated summary balance sheet which has been completed on a modified cash basis for the years ended 31 December 2003 and 2002 for the finance providers are shown below:

	Finance Providers	
Balance sheet as at 31 December	**2003**	2002
	£ m	£ m
Loans and advances to banks	**202**	147
Loans and advances to customers	**2,048**	1,580
Other assets	**17**	2
Prepayments and accrued income	**1**	2
Total assets	**2,268**	1,731
Debt securities in issue	**2,048**	1,618
Other liabilities	**3**	3
Accruals and deferred income	**180**	78
Subordinated debt	**22**	19
Profit and loss account	**15**	13
Total liabilities	**2,268**	1,731

10 LOANS AND ADVANCES TO CUSTOMERS

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
Remaining maturity:				
Over 5 years	**135**	95	**159**	98
5 years or less but over 1 year	**3,798**	4,181	**3,904**	4,321
1 year or less but over 3 months	**4,194**	4,029	**4,267**	4,168
3 months or less	**6,861**	6,283	**6,418**	5,396
Repayable on demand	**179**	158	**134**	304
	15,167	14,746	**14,882**	14,287
General and specific bad and doubtful debt provisions (Note 12)	**(127)**	(181)	**(134)**	(188)
Total	**15,040**	14,565	**14,748**	14,099
Amounts include:				
Due from subsidiary undertakings	**537**	894	**-**	-
Due from fellow Ford subsidiaries	**350**	660	**352**	698

The cost of assets acquired for letting under finance leases amounted to £1,041 million (2002: £1,232 million) for the Group and £1,019 million (2002: £1,049 million) for the Company.

10 LOANS AND ADVANCES TO CUSTOMERS continued

The net investment in finance leases amounted to £1,810 million (2002: £1,773 million) for the Group and £1,804 million (2002: £1,764 million) for the Company. Amounts owed by subsidiary undertakings bear interest at rates varying throughout the year based on prevailing market interest rates.

The Company has an arrangement whereby it provides finance to Ford Motor Company Limited for vehicles supplied to UK dealers on a sale or return basis. Under this arrangement, vehicles are consigned by Ford Motor Company Limited to the Company on sale or return, the Company in turn consigns the vehicles to dealers, also on sale or return. At 31 December 2003, the total receivable due from Ford Motor Company Limited under the sale or return vehicle financing arrangement was £8 million (2002: £383 million) and is included in advances to customers as part of the amounts due from fellow Ford subsidiaries. The receivable balance will be repaid from monies received by the Company from dealers on purchase of the vehicles.

11 RESIDUAL VALUES

The following residual values are included in loans and advances to customers and tangible fixed assets in the balance sheet.

				Company	
Year in which residual value will be recovered	**Retail residual values**	**Finance lease residual values**	**Operating lease residual values**	**2003 Total**	2002 Total Restated
	£ m	**£ m**	**£ m**	**£ m**	£ m
Within 1 year	**244**	**64**	**290**	**598**	533
Between 1-2 years	**398**	**57**	**95**	**550**	540
Between 2-5 years	**347**	**13**	**70**	**430**	310
More than 5 years	**-**	**3**	**1**	**4**	-
Total Exposure	**989**	**137**	**456**	**1,582**	1,383

				Group	
Year in which residual value will be recovered	**Retail residual values**	**Finance lease residual values**	**Operating lease residual values**	**2003 Total**	2002 Total Restated
	£ m	**£ m**	**£ m**	**£ m**	£ m
Within 1 year	**244**	**64**	**318**	**626**	568
Between 1-2 years	**398**	**57**	**152**	**607**	580
Between 2-5 years	**347**	**13**	**101**	**461**	337
More than 5 years	**-**	**3**	**1**	**4**	-
Total Exposure	**989**	**137**	**572**	**1,698**	1,485

Residual values represent the estimated value of the vehicle at the end of the retail or leasing financing plan. Certain retail residual values included above, relate to finance plans which allow the customer to return the vehicle if the market value is less than the Minimum Guaranteed Future Value.

The overall return rate for retail finance plans is currently less than 5 per cent. As the above figures assume that all such vehicles will be returned to the Group the above figures are likely to overstate the exposure of the Group to Residual value risk.

12 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	2003			2002		
	Specific	**General**	**Total**	Specific	General	Total
Company	**£ m**	**£ m**	**£ m**	£ m	£ m	£ m
Balance at 1 January	**76**	**105**	**181**	61	79	140
Integration of subsidiaries into branch	**-**	**1**	**1**	-	-	-
Exchange adjustments	**4**	**4**	**8**	1	3	4
Charge (credit) against profits net of recoveries	**99**	**(4)**	**95**	74	23	97
Amounts written off provision	**(205)**	**-**	**(205)**	(96)	-	(96)
Recoveries written back to provision	**47**	**-**	**47**	36	-	36
Balance at 31 December	**21**	**106**	**127**	76	105	181

	2003			2002		
	Specific	**General**	**Total**	Specific	General	Total
Group	**£ m**	**£ m**	**£ m**	£ m	£ m	£ m
Balance at 1 January	**75**	**113**	**188**	63	84	147
Exchange adjustments	**4**	**4**	**8**	1	4	5
Charge (credit) against profits net of recoveries	**102**	**(6)**	**96**	77	25	102
Amounts written off provision	**(208)**	**-**	**(208)**	(104)	-	(104)
Recoveries written back to provision	**50**	**-**	**50**	38	-	38
Balance at 31 December	**23**	**111**	**134**	75	113	188

In 2003 it has been decided to advance the point of write-off of non-consumer loans to align with that for the write-off of consumer loans. This change has reduced the level of specific reserves in 2003. FCE has not changed its collection efforts with respect to these accounts. This refinement of policy has no impact on the profit and loss account because a provision was established at the time of impairment.

13 DEBT SECURITIES

	Company/Group			
Issued by public bodies	**2003 Book value**	**2003 Valuation**	2002 Book Value	2002 Valuation
	£ m	**£ m**	£ m	£ m
Government Investments	**21**	**21**	-	-
Balance at 31 December	**21**	**21**	-	-
Due within one year	**21**	**21**	-	-

There are unamortised discounts of £42,733 included in the above figures.

14 SHARES IN GROUP UNDERTAKINGS

	Company 2003 £ m	2002 £ m
Cost at 1 January	**105**	101
Additional investment in subsidiaries	**-**	4
Integration of subsidiaries into branch	**(16)**	-
Liquidation of subsidiaries	**(13)**	-
Cost at 31 December	**76**	105
Amounts written down at 1 January	**(15)**	(15)
Release of provision following liquidation of subsidiaries	**13**	-
Amounts written down in the year	**(4)**	-
Amounts written down at 31 December	**(6)**	(15)
Net Cost at 31 December	**70**	90
Investment in banks included above	**7**	7

Subsidiary undertakings as at 31 December 2003	Beneficial interest	Accounting reference date	Country of incorporation/ registration	Principal activity
Automotive Finance Limited *	100%	30 June	England & Wales	Finance company
FCE Leasing (Holdings) Limited	100%	31 December	England & Wales	Holding company
FCE Leasing Limited *	100%	31 December	England & Wales	Finance company
Ford Automotive Leasing Limited *	100%	30 September	England & Wales	Finance company
Jaguar Financial Services Limited *	100%	31 March	England & Wales	Finance company
Meritpoint Limited	100%	30 June	England & Wales	Finance company
Primus Automotive Financial Services Limited	100%	31 December	England & Wales	Finance company
Volvo Car Finance UK Limited	100%	31 December	England & Wales	Finance Company
FCE Credit s.r.o.	100%	31 December	Czech Republic	Finance company
Volvo Car Finance Finland Limited	100%	31 December	Finland	Finance Company
FCE Credit Hungaria Rt	100%	31 December	Hungary	Finance company
FCE Services Kft *	100%	31 December	Hungary	Finance company
FCE SpA	100%	31 December	Italy	Finance company
Car Retail Finance BV	100%	31 December	Netherlands	Finance company
FCE Bank Polska S.A.	100%	31 December	Poland	Bank
FCE Credit Poland S.A.	100%	31 December	Poland	Finance company
ZAO FCE (see below)	60%	31 December	Russia	In liquidation

* not directly owned by FCE.

The members' voluntary liquidations of USL Holdings Limited, US Leasing Limited and Ford Credit Funding plc, which commenced in 1998, were concluded during the year. The three companies were dissolved on 30 October 2003, 8 November 2003 and 29 October 2003 respectively and resulted in a release of £13 million of investments and amounts written down.

ZAO FCE, a joint venture with Atlantica Holdings S.A., did not trade during 2003 having been in liquidation since 16 September 2002.

14 SHARES IN GROUP UNDERTAKINGS continued

The entire business and assets of three Netherlands subsidiaries, Autofima B.V. ("Autofima"), Dealer Krediet en Lease Maatschappij B.V. ("DKLM") and Volvo Car Finance Netherlands B.V. ("VCFN"), including VCFN's 100% shareholding in Car Retail Finance B.V, were transferred to the Company with effect from 1 January 2003 in exchange for the issue of shares in the Company (see Note 26: Share Capital for further details). On 9 January 2003 Autofima, DKLM and VCFN were placed into liquidation and subsequently de-registered and wound-up on 19 April 2003, 23 May 2003 and 8 April 2003 respectively.

On 31 December 2003 the entire assets and liabilities of FC Leasing k.s. (Czech Republic) were transferred to FCE Credit s.r.o. and immediately thereafter FC Leasing k.s. was automatically wound-up without a formal liquidation process.

Effective 1 January 2004 Car Retail Finance BV transferred its entire business and assets to the Company as a dividend in kind. Since that date Car Retail Finance BV has been dormant.

On 30 January 2004 the Company contributed approximately EUR€ 9.3 million to FCE SpA by converting existing debt to equity to meet local Italian capitalisation requirements. The write down of investments made in the year of £4 million related to FCE's investment in FCE SpA.

15 INTANGIBLE FIXED ASSETS

	Company Goodwill £ m	Group Goodwill £ m
Cost:		
At 1 January and 31 December 2003	**227**	**17**
Amortisation:		
At 1 January 2003	**56**	**4**
Charge for year	**11**	**1**
At 31 December 2003	**67**	**5**
Net book value at 31 December 2003	**160**	**12**
Net book value at 31 December 2002	171	13

Goodwill is amortised on a straight-line basis over 20 years (with the exception of goodwill on the purchase of Meritpoint: 3 years), being the periods which the directors consider that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Goodwill previously written off against reserves in the Company of £10 million (2002: £11 million) will not be amortised through the profit and loss account of the Group, in compliance with the transitional arrangements of FRS10 'Goodwill and intangible assets'.

16 TANGIBLE FIXED ASSETS

	Company				Group			
	Leasehold Improve-ments	Office Equipment	Motor vehicles	Total	Leasehold Improve-ments	Office Equipment	Motor Vehicles	Total
	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Cost:								
At 1 January 2003	**7**	**33**	**958**	**998**	**7**	**34**	**1,623**	**1,664**
Integration of subsidiaries into branch	**-**	**-**	**119**	**119**	**-**	**-**	**-**	**-**
Additions	**-**	**1**	**621**	**622**	**-**	**1**	**805**	**806**
Disposals	**(1)**	**(5)**	**(677)**	**(683)**	**(1)**	**(5)**	**(949)**	**(955)**
Translation adjustment	**-**	**2**	**67**	**69**	**-**	**2**	**82**	**84**
At 31 December 2003	**6**	**31**	**1,088**	**1,125**	**6**	**32**	**1,561**	**1,599**
Depreciation:								
At 1 January 2003	**5**	**26**	**235**	**266**	**5**	**27**	**452**	**484**
Integration of subsidiaries into branch	**-**	**-**	**35**	**35**	**-**	**-**	**-**	**-**
Charge for year	**1**	**2**	**219**	**222**	**1**	**2**	**314**	**317**
Disposals	**(1)**	**(4)**	**(226)**	**(231)**	**(1)**	**(4)**	**(326)**	**(331)**
Translation adjustment	**-**	**1**	**18**	**19**	**-**	**1**	**21**	**22**
At 31 December 2003	**5**	**25**	**281**	**311**	**5**	**26**	**461**	**492**
Net book value at 31 December 2003	**1**	**6**	**807**	**814**	**1**	**6**	**1,100**	**1,107**
Net book value at 31 December 2002	2	7	723	732	2	7	1,171	1,180

Motor vehicles include vehicles held for use under operating leases as follows:

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
Cost	**1,082**	951	**1,554**	1,615
Accumulated depreciation	**(279)**	(234)	**(458)**	(451)
Net book value	**803**	717	**1,096**	1,164

All assets are valued on the historical cost basis.

Included in depreciation above are provisions for bad and doubtful debts and residual loss provisions for operating lease assets of £27 million (2002: £29 million) for the Group and £17 million (2002: £14 million) for the Company.

Notes to the financial statements at 31 December 2003

17 OTHER ASSETS

	Company 2003 £ m	Company 2002 £ m Restated	Group 2003 £ m	Group 2002 £ m Restated
Assets awaiting disposal	**125**	150	**125**	153
Other assets	**95**	73	**117**	112
Deferred Tax Asset	**102**	82	**71**	40
VAT/ Tax recoverable	**79**	59	**82**	60
Total	**401**	364	**395**	365

18 PREPAYMENTS AND ACCRUED INCOME

	Company 2003 £ m	Company 2002 £ m Restated	Group 2003 £ m	Group 2002 £ m Restated
Prepayments	**22**	28	**25**	32
Swap interest receivable	**17**	26	**17**	26
Interest receivable	**4**	5	**6**	5
Total	**43**	59	**48**	63

19 DEPOSITS BY BANKS

	Company 2003 £ m	Company 2002 £ m	Group 2003 £ m	Group 2002 £ m
With agreed maturity dates or periods of notice, by remaining maturity:				
Over 5 years	**-**	-	**-**	-
5 years or less but over 2 years	**-**	4	**-**	4
2 years or less but over 1 year	**4**	5	**4**	12
1 year or less but over 3 months	**20**	92	**66**	92
3 months or less but not repayable upon demand	**335**	309	**377**	366
Repayable upon demand	**42**	85	**52**	87
Total deposits by banks	**401**	495	**499**	561

20 CUSTOMER ACCOUNTS

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
With agreed maturity dates or periods of notice, by remaining maturity:				
Over 5 years	**853**	-	**705**	-
5 years or less but over 2 years	**3,544**	1,178	**3,544**	1,017
2 years or less but over 1 year	**1,499**	301	**1,499**	301
1 year or less but over 3 months	**446**	630	**445**	630
3 months or less but not repayable upon demand	**478**	3,127	**413**	3,069
Repayable upon demand	**60**	21	**63**	24
Total customer accounts	**6,880**	5,257	**6,669**	5,041
Amounts include:				
Due to fellow Ford subsidiaries	**377**	299	**391**	269
Due to intermediate undertakings	**6,260**	4,754	**6260**	4,754
Due to ultimate parent company	**1**	-	**1**	-
Total parent undertakings	**6,638**	5,053	**6,652**	5,023
Due to subsidiary undertakings	**225**	187	**-**	-

21 DEBT SECURITIES IN ISSUE

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
With agreed maturity dates or periods of notice, by remaining maturity:				
Bonds and medium term notes:				
Over 5 years	**366**	190	**366**	190
5 years or less but over 2 years	**1,176**	2,275	**1,176**	2,275
2 years or less but over 1 year	**1,434**	1,693	**1,434**	1,693
1 year or less but over 3 months	**1,581**	812	**1,581**	812
3 months or less	**241**	198	**241**	198
Total bonds and medium term notes	**4,798**	5,168	**4,798**	5,168
Other debt securities in issue:				
Over 5 years	**2**	-	**2**	-
5 years or less but over 2 years	**879**	803	**879**	803
2 years or less but over 1 year	**248**	507	**248**	507
1 year or less but over 3 months	**391**	264	**391**	264
3 months or less	**1,049**	1,318	**1,098**	1,356
Total other debt securities in issue	**2,569**	2,892	**2,618**	2,930
Total	**7,367**	8,060	**7,416**	8,098

21 DEBT SECURITIES IN ISSUE continued

Details of the Group's public debt funding programmes as at 31 December are as follows:

Launch date/last update	Programme Currency Amount	Programme	Outstanding Amount 2003 £ m	2002 £ m
November 1993/October 2003	U.S. $12 bil	Internotes (retail investors)	**95**	-
		Other	**3,748**	4,260
		SUB-TOTAL – Euro Medium Term Notes	**3,843**	4,260
November 1993/October 2003	U.S. $5 bil	Euro Commercial Paper (CP) and Euro Certificate of Deposit (CD)	**544**	760
December 1993/January 2003	EUR €3 bil	French Euro CD	**329**	501
March 2002	PLN 1 bil	Polish CP	**49**	38
October 1993	Unlimited	US CP	**-**	-
		OTHER		
		Schuldschein	**1,374**	1,377
		Eurobonds, Debentures, Hedges and other	**1,042**	984
		Returnable finance relating to securitisation	**235**	178
Total			**7,416**	8,098

Schuldschein are certificates of indebtedness governed under German law and issued by FCE's German branches.

22 OTHER LIABILITIES

	Company 2003 £ m	2002 £ m Restated	Group 2003 £ m	2002 £ m Restated
Accounts payable	**111**	92	**126**	111
Corporation tax	**47**	35	**47**	37
Total	**158**	127	**173**	148

23 ACCRUALS AND DEFERRED INCOME

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
		Restated		Restated
Other creditors and accruals	**152**	115	**150**	120
Interest payable	**101**	64	**101**	64
Deferred income	**58**	54	**84**	81
Swap Interest payable	**77**	99	**77**	100
Total	**388**	332	**412**	365

24 PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

Analysis of provision for full potential liability for the Company and the Group is as follows:

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
				Restated
Accelerated UK capital allowances	**(48)**	(30)	**(14)**	6
Other timing differences	**19**	18	**23**	29
Full potential liability	**(29)**	(12)	**9**	35

Movements on the provision for deferred taxation are as follows:

	Company		Group	
	2003	2002	**2003**	2002
	£ m	£ m	**£ m**	£ m
				Restated
Balance at 1 January	**70**	(23)	**75**	13
Profit and loss account	**(17)**	9	**(28)**	19
Other	**-**	2	**2**	3
Deferred tax asset transfer to Other assets	**20**	82	**31**	40
Balance at 31 December	**73**	70	**80**	75
Net deferred tax liability/(asset)	**(29)**	(12)	**9**	35

Deferred tax assets and liabilities of branches and subsidiaries in different tax jurisdictions are not netted.

Notes to the financial statements at 31 December 2003

25 SUBORDINATED LIABILITIES

Type/ (Currency amount mils)	Earliest repayment dates following:	Interest Rate Per Annum	Company/Group 2003 £ m	2002 £ m
Undated Loan Capital:				
Perpetual loan (US$ 219)	7 October 2005	USD 3-M-LIBOR + 71.35 bps	**122**	136
Perpetual loan (EUR€ 46.0)	6 October 2005	EUR 6-M-EUR LIBOR + 150 bps	**32**	30
Perpetual loan (EUR€ 35.8)	6 October 2005	EUR 6-M-EUR LIBOR + 95 bps	**25**	23
Perpetual loan (EUR€ 12.8)	6 October 2005	EUR 6-M-EUR LIBOR + 95 bps	**9**	8
Perpetual loan (EUR€ 5.6)	6 October 2005	EUR 6-M-EUR LIBOR + 75 bps	**4**	4
Perpetual loan (EUR€ 5.6)	6 October 2005	EUR 6-M-EUR LIBOR + 75 bps	**4**	4
Perpetual loan (EUR€ 0.8)	6 October 2005	EUR 6-M-EUR LIBOR + 75 bps	**1**	-
Dated Loan Capital:				
Loan 2010 (US$ 250)	16 December 2005	USD 3-M-LIBOR + 105 bps	**139**	155
Loan 2007 (US$ 200)	18 December 2002	USD 3-M-LIBOR + 50 bps	**112**	124
Loan 2012 (US$ 55)	28 December 2006	USD 3-M-LIBOR + 185 bps	**31**	34
Loan 2011 (US$ 45)	31 October 2006	USD 3-M-LIBOR + 230 bps	**25**	28
PC's 2005 (EUR€ 30.7)	(see below)	EUR 12-M-EUR LIBOR + 130 bps	**22**	20
Sub-total		Excluding currency swaps	**526**	566
Cross Currency swaps		Relating to the US$ loans	**77**	39
Total			**603**	605

With the exception of the Participating Certificates (PCs) the subordinated liabilities are due to fellow subsidiaries of the Ford Motor Company group. Early repayment of the loans due to Ford subsidiaries requires the prior written consent of the Financial Services Authority.

The US dollar subordinated loans are due to Ford Credit International Inc. (FCI), the Company's immediate parent undertaking. FCE may repay or FCI may request repayment of the US dollar loans following the earliest repayment date as detailed above by giving one month's written notice. The EUR loans are due to Ford Motor Credit Company (FMCC). FCE may terminate the agreement at any time after the earliest repayment date as detailed above by giving one month's written notice. FMCC may terminate the agreement by giving five years and one day's prior written notice. The Participating Certificates which are due to external investors may be repaid by FCE at the end of any financial year by giving two years notice.

Cross currency swaps are used to minimise currency risks on US dollar denominated funding. The Euro subordinated loans and the Participating Certificates relate to two German branches of FCE (Ford Bank and Mazda Bank).

The rights of FCI, FMCC and holders of Participative Certificates to payment and interest in respect of all loans will, in the event of winding up of FCE, be subordinated to the rights of all unsubordinated creditors of the Company with respect to their senior claims.

The Company has a US $1 billion subordinated loan facility with FCI. This facility enables the Company to respond quickly if additional capital support is required. Under the terms of the facility, FCE is able to take drawdowns up to the maximum principal amount of the facility. Any undrawn amount of the facility will be available until it is cancelled either by FCE or FCI. At the end of 2003, outstandings under the facility totalled US $568.6 million, and comprised the US $218.6 million perpetual loans and three dated loans totalling US$ 350 million.

Notes to the financial statements at 31 December 2003

26 SHARE CAPITAL

	Company/Group	
	2003	2002
The share capital consists of:	**£ m**	£ m
Authorised:		
769,926,202 Ordinary shares of £1 each (2002: 769,926,202)	**770**	770
230,073,798 Non Cumulative convertible preference shares of £1 each (2002: 230,073,798)	**230**	230
Total authorised	**1,000**	1,000
Allotted, called up and fully paid:		
614,384,050 Ordinary shares of £1 each (2002: 604,022,864)	**614**	604
Total allotted, called up and fully paid	**614**	604

On 1 January 2003 FCE acquired the entire business and assets of three of its Netherlands subsidiaries, Autofima B.V., Dealer Krediet en Lease Maatschappij BV and Volvo Car Finance Netherlands B.V., for integration within the Company's existing Branch in the Netherlands. The following shares were allotted to each of the vendor companies as consideration:

Vendor	**Valuation of business £**	**Number of ordinary shares issued**
Autofima B.V.	**242,208**	**99,985**
Dealer Krediet En Lease Maatschappij BV	**4,587,662**	**1,893,819**
Volvo Car Finance Netherlands B.V	**20,269,480**	**8,367,382**
Total	**£25,099,350**	**10,361,186**

All allotted shares were issued at a premium of £1.422 over par. All the shares in FCE held by each of the above three subsidiaries then were immediately transferred to Ford Credit International, Inc (FCI) for a nominal consideration resulting in a loss of approximately £25 million (see Note 2). As a result, the total issued share capital of the company as at 1 January 2003 was £614,384,050 comprising 614,384,050 Ordinary £1 shares, and this has remained unchanged since with FCI remaining the beneficial owner of the entire issued share capital of FCE.

Support Agreement

Pursuant to a support agreement between Ford Credit and FCE dated 13 August 2002, Ford Credit has agreed to maintain, directly or indirectly, a controlling interest of not less than 75% of the issued share capital of FCE and to maintain or procure the maintenance of FCE's net worth of not less than $500 million until 31st December, 2005.