

### 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 ended 31 December 2004, 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 and 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 (including quasi-subsidiaries) of FCE Bank plc.

A revision of the average number of permanent employees reported for 2003 has been made to exclude temporary personnel and in order to align to current year reporting.

#### (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 2004.

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

#### (d) Foreign currency translation

Monetary 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-period exchange rates.

**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.

Exchange profits and losses arising from transactions which are denominated in a currency other than the functional currency of the operations are included 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 the portfolios. 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 the point of write-off of non-consumer loans was advanced in order 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. Where the Company is not isolated from the risks and benefits, the assets and related liabilities continue to be shown separately on the balance sheet.

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 I).

## Notes to the financial statements at 31 December 2004

### 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.

**Notes to the financial statements at 31 December 2004****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 Note 21 'Debt securities in issue' and Note 25 '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 are recognised on the same basis as the related financing transaction.

Other operating income reflects the interest portion of rentals receivable under operating leases and gains or losses arising from the sale of portfolios of commercial operating lease and full service leasing vehicles. Rental income on operating leases is credited to income on a straight-line basis.

Fees and commissions receivable include insurance and full-service leasing commissions which are taken to income as earned.

## Notes to the financial statements at 31 December 2004

### 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.

### 2 ADMINISTRATIVE EXPENSES

	Group	
	2004	2003
	£ m	£ m
- wages and salaries	120	131
- social security costs	17	17
- other pension costs (Note 32)	15	10
<b>Total staff costs</b>	<b>152</b>	<b>158</b>
Other administrative expenses	104	104
<b>Administrative expenses excluding exceptional item:</b>	<b>256</b>	<b>262</b>
- Netherlands subsidiaries integration (Note 26)	-	25
<b>Total administrative expenses</b>	<b>256</b>	<b>287</b>
Average monthly number of permanent employees*:-	<b>No of</b>	<b>No of</b>
	<b>persons</b>	<b>persons</b>
UK	<b>1,129</b>	1,228
Continental Europe	<b>1,925</b>	1,993
<b>Total</b>	<b>3,054</b>	<b>3,221</b>

\* The average number of permanent employees reported for 2003 has been restated to exclude temporary employees.

## Notes to the financial statements at 31 December 2004

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

For the Group is stated after crediting (charging):	2004	2003
	£ m	£ m
Interest on amounts owed by other group undertakings	304	259
Interest charges with respect to subordinated liabilities	(14)	(14)
Interest charges with respect to debt securities	(236)	(264)
Amortisation of goodwill (Note 15)	(5)	(1)
Depreciation on tangible fixed assets (Note 16)	(237)	(317)
<b>Total depreciation and amortisation</b>	<b>(242)</b>	<b>(318)</b>
Foreign exchange gains/(losses)	-	(2)
Loss on disposal of tangible fixed assets	(6)	(2)
Rentals payable under operating leases:		
- plant & equipment	(2)	(2)
- office leasehold premises	(9)	(11)
<b>Note: Aggregate finance lease rentals receivable</b>	<b>1,100</b>	<b>1,157</b>
Exceptional items (see below):		
- Gain on sale of operating lease portfolios	21	-
- UK VAT arising from claim	16	-
- Adjustment to accumulated depreciation of MDR vehicles	10	-
- Netherlands subsidiaries integration (Note 26)	-	(25)
<b>Total exceptional items</b>	<b>47</b>	<b>(25)</b>

**Exceptional items** have resulted in increased 2004 Group profit on ordinary activities before tax of £72 million compared to the prior year being £47 million income in 2004 compared to £25 million loss in 2003. Further information in regard to the exceptional items are detailed below:

- 'Other operating income' includes a gain of £21 million (2003: nil) relating to the sale of portfolios of commercial operating lease and full service leasing vehicles.
- Included within 'Interest receivable and similar income' is a gain of £16 million (2003: nil) which relates to a UK VAT claim to HM Customs & Excise for vehicles returned under retail finance contracts where customers had returned vehicles without paying the final optional capital repayment. VAT was previously accounted for on the full selling price. FCE has now reclaimed the VAT relating to the unpaid portion for vehicles returned between 1999 and 2004.
- 'Depreciation on tangible assets' has been reduced by £10 million (2003: nil) arising from an adequacy review of accumulated depreciation for Ford Bank Germany's Major Daily Rental (MDR) operating lease vehicles.
- 'Administrative expenses' includes a charge of nil (2003: £25 million) relating to the integration of three Netherlands subsidiaries within the Company's existing branch in the Netherlands (for further details refer to Note 26).

## Notes to the financial statements at 31 December 2004

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX continued

	Group	
	2004 £'000	2003 £'000
<b>Auditors' remuneration (including branches and subsidiaries) for :</b>		
Audit services	949	891
Tax advisory services	301	296
Further assurance services	154	133
<b>Total auditors' remuneration</b>	<b>1,404</b>	<b>1,320</b>

Included in tax advisory and further assurance services is £161,000 (2003: £137,000) paid by FCE to the UK firm of PricewaterhouseCoopers LLP (PWC).

Excluded from further assurance services is £234,000 (2003 nil) paid by Ford Motor Credit Company (US) to the UK firm of PWC relating to FCE Sarbanes-Oxley compliance.

### 4 DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors for 2004 was £1,072,378 (2003: £949,679). Amounts receivable under Long-Term Incentive Plans was £1,745 (2003: £1,204).

One director received no remuneration from the Company or any other Group undertaking in respect of his services to the Company during 2004 (2003: one director).

#### Pension

Retirement benefits are accruing to eight current directors (2003: 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 2003.

#### Share Options

During the financial year ended 31 December 2004 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 (2003: 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 £283,475 (2003: £267,497). 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 2004 was £77,302 (31 December 2003: £77,398). Interest received on GRP past contributions in 2004 amounted to £ 1,637 (2003: £1,630). The pension plan does not allow for an accrued lump sum.

## Notes to the financial statements at 31 December 2004

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	Group	
	2004	2003
	£ m	£ m
<b>Current tax:</b>		
United Kingdom Corporation tax @ 30.00% (2003: 30.00%)	61	46
Overseas taxation	101	70
Relief of overseas taxation	(58)	(46)
Prior year corporation tax	(25)	-
<b>Total current tax</b>	<b>79</b>	<b>70</b>
<b>Deferred tax:</b>		
Current year deferred tax movement	14	(8)
Prior year deferred tax movement	(10)	(15)
Overseas deferred taxation	(22)	(5)
<b>Total deferred tax</b>	<b>(18)</b>	<b>(28)</b>
<b>Total tax on profit of ordinary activities</b>	<b>61</b>	<b>42</b>

The tax assessed for the period is lower (2003: higher) than the standard rate of corporation tax in the UK (30%). The factors affecting the current tax charge for period are explained below.

	Group	
	2004	2003
	£ m	£ m
Profit on ordinary activities before tax	323	229
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	97	69
Effects of:		
Foreign taxes higher than UK tax rate	39	21
Additional UK tax on overseas branch profits	4	2
Prior year tax charge:		
– UK	(25)	-
– Overseas	(1)	2
Origination and reversal of timing differences	-	10
Group relief	(38)	(38)
Expenses not deductible for tax	3	4
<b>Current tax charge for the period</b>	<b>79</b>	<b>70</b>

## Notes to the financial statements at 31 December 2004

### 6 SEGMENTAL INFORMATION

	EU Countries		Non EU Countries		Total Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Interest receivable and similar income	1,257	1,159	41	61	1,298	1,220
Fees and commissions receivable	56	50	2	3	58	53
Other operating income	312	363	2	39	314	402
Profit on ordinary activities before taxation	311	214	12	15	323	229
Total assets	16,330	16,469	758	939	17,088	17,408
Net assets	1,743	1,474	78	82	1,821	1,556

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.

European Union (EU) data for 2004 includes FCE subsidiaries located in the Czech Republic, Hungary and Poland as these countries became Member States of the European Union (EU) on May 1, 2004.

### 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 2004 amounted to £919,281 (2003: £783,000). 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 2004 under such transactions from those who were directors and officers (including connected persons) of FCE, during the year were as follows:

	2004 Number of persons	2004 Total £	2003 Number of persons	2003 Total £
Directors and connected persons	6	159,674	6	119,500
Other officers	8	244,100	8	163,500

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.

## Notes to the financial statements at 31 December 2004

### 8 LOANS AND ADVANCES TO BANKS

	Company		Group	
	2004	2003	2004	2003
	£ m	£ m	£ m	£ m
Remaining maturity:				
Over 5 years	57	39	57	39
5 years or less but over 1 year	10	-	10	-
1 year or less but over 3 months	-	-	-	-
3 months or less but not repayable on demand	754	808	757	831
Repayable on demand	138	193	148	207
<b>Total loans and advances to banks</b>	<b>959</b>	<b>1,040</b>	<b>972</b>	<b>1,077</b>
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 2004 amounts to £57 million (2003: £39 million).

### 9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION

Loans and advances to customers subject to securitisation include both retail and wholesale receivables. No gain or loss has been recognised as a result of these sales.

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 paid to FCE is defined as performance-related servicing fee, interest payments on subordinated loans or payments of deferred consideration for the sale of the loans.

The loans have been purchased directly from FCE by the Globaldrive special purpose securitisation companies identified within the table "Assets Securitised and Non-Returnable Finance", with the exception of the Series E and the Dealer Floorplan programme where the purchasers are disclosed within retail and wholesale transaction narratives.

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.

#### Retail transactions

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.

**9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION continued****Retail transactions continued**

Under each vehicle retail 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.

Each retail 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.

The retail 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 on the following table indicates vehicle retail public offerings, the single digit numeric series numbers relates to private vehicle retail transactions

**Wholesale transaction**

In regard to the Globaldrive Dealer Floorplan programme the Spanish and French dealer floorplan receivables were purchased from FCE respectively by Globaldrive Dealer Floorplan (Spain) Tda, Fondo de Titulización de Activos, a Spanish asset securitisation fund and Globaldrive Dealer Floorplan (France) FCC, a French "fonds communs de creance".

Both the Spanish and French Local purchasers have been funded by the master purchaser Globaldrive Dealer Floorplan B.V by the issue of commercial paper at a discount. Globaldrive Dealer Floorplan B.V. is funded via the issue of asset backed notes and a senior seller loan provided by FCE Bank plc. The series of asset backed notes is identified by a transaction number corresponding to the year of inception of the transaction and followed by a sequential number indicating various issuances to private investors.

Under the terms of the Globaldrive Dealer Floorplan programme, the Local Purchasers acquire all further dealer floorplan receivables originated in favour of designated dealers from the relevant FCE locations during the next 20 years (the "Sale Period"). The Sale Period may terminate early upon standard events such as FCE insolvency and in the event that the master purchaser is not funded by any third party liabilities.

**Financial Statements presentation**

Loans and advances to customers subject to securitisation include receivables which are subject to the linked presentation requirements of FRS5. With the exception of the Dealer Floorplan programme, linked presentation is applicable to all transactions. Linked presentation requires that the securitised assets are included in the balance sheet together with the non-returnable proceeds as a deduction from the asset to which they relate.

Given the revolving nature of the wholesale transaction and the fact that FCE is exposed to the performance of the assets through the credit enhancements provided, the linked presentation requirements of FRS5 are not applicable and the related funding is included in Note 19, Deposits by Banks.

## Notes to the financial statements at 31 December 2004

### 9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION continued

#### Assets securitised and Non-returnable Finance

Series No	Finance Provider/ Country of incorporation	Assets securitised	Amount securitised £ m	Company/Group	
				2004 Non-Returnable finance £ m	2003 Amount securitised £ m Non-Returnable finance £ m
B	Globaldrive (Germany) Limited - <i>Guernsey</i>	EUR €511 mil of German motor vehicle retail loans.	-	-	65 33
C	Globaldrive (UK) plc - <i>UK</i>	GBP 250 mil of UK conditional sale retail loans	84	55	233 194
D	Globaldrive (Germany) II Limited - <i>Guernsey</i>	EUR €800 mil of German motor vehicle retail loans.	291	242	- -
<b>Sub-total</b>		Amortising period	<b>375</b>	<b>297</b>	298 227
<b>Revolving Period</b>					
D	Globaldrive (Germany) II Limited - <i>Guernsey</i>	EUR €800 mil of German motor vehicle retail loans.	-	-	524 489
E	Globaldrive Series E B.V. - <i>Netherlands</i>	EUR €733 mil Spanish & Italian retail and Trade Cycle Management loans	494	445	487 444
F	Globaldrive (Germany) IV Limited - <i>Guernsey</i>	EUR €350 mil of German motor vehicle retail loans.	234	207	235 208
1	Globaldrive (Germany) III Limited	EUR €300 mil of German motor vehicle retail loans.	198	176	199 179
2	Globaldrive (UK) Series 2 plc - <i>UK</i>	GBP 200 mil of UK conditional sale retail loans	200	173	202 173
2004-1/2	Globaldrive Dealer Floorplan B.V. - <i>Netherlands</i>	EUR €1,097 mil Spanish & French dealer floorplan receivables	796	-	- -
<b>Sub-total</b>		Revolving period	<b>1,922</b>	<b>1,001</b>	1,647 1,493
<b>Total loans and advances subject to securitisation</b>			<b>2,297</b>		1,945
<b>Total non returnable finance</b>				<b>1,298</b>	1,720
Amounts relating to:					
Public transactions			1,103	949	1,544 1,368
Private transactions			1,194	349	401 352
Amounts relating to:					
Retail transactions			1,501	1,298	1,945 1,720
Wholesale transactions			796	-	- -

In 2004 a clean-up call on the Series B transaction was exercised by FCE and £31 million (EUR €46 million) of assets were repurchased by FCE as the net present value of the assigned receivables was less than 10 per cent of the Initial Loan Pool Balance.

In 2004 the Series D transaction has commenced early amortisation.

The Dealer Floorplan transaction 2004-1/2 is scheduled to run for 20 years – however individual series of asset- backed notes are scheduled to revolve for 3 years and will then amortise.

## Notes to the financial statements at 31 December 2004

### 9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION continued

#### Subordinated loans

Apart from the subordinated loans shown on the following table 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.

Series No	Finance Provider <i>Country of incorporation</i>	Currency Amount 000's	Interest Rate per annum	Company/Group	
				2004 £ m	2003 £ m
C	Globaldrive (UK) plc - UK	GBP 1,250	GBP 1-M-LIBOR +120 bps	1	1
C	Globaldrive (UK) plc - UK	GBP 800	Non interest bearing	1	1
E	TdA, Fondo de Titulización de Activos - Spain	EUR €14,662	Performance related	10	10
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
2	Globaldrive (UK) plc - UK	GBP 6,100	GBP 1-M-LIBOR +120 bps	6	6
2	Globaldrive (UK) plc - UK	GBP 640	Non interest bearing	1	1
<b>Total subordinated loans</b>				<b>22</b>	<b>22</b>

As at 31 December 2004 there was no subordinated loan to Globaldrive Dealer Floorplan B.V. The Senior Seller Loan ranked parri-passu with the asset-backed note holders. However FCE Bank plc has the option to subordinate at its sole discretion, amounts advanced under the seller loan, up to a maximum of 10% of the initial amount of the notes issued.

#### Additional asset sales

During the years ended 31 December 2004 and 2003 the Company sold additional assets to the finance provider to top-up the pool of receivables as detailed in the table below:

Series No	Issue Date	Issuer	Estimated termination date	Company/Group	
				2004 £ m	2003 £ m
C	November 2000	Globaldrive (UK) plc	April 2006	-	202
D	March 2002	Globaldrive B.V.	October 2006	88	336
E	December 2002	Globaldrive B.V.	May 2008	347	315
F	June 2003	Globaldrive B.V.	December 2008	139	63
<b>Sub-total public transactions</b>				<b>574</b>	<b>916</b>
1	April 2003	Globaldrive B.V.	October 2008	129	72
2	December 2002	Globaldrive (UK) plc	May 2008	155	135
2004-1/2	November / December 2004	Globaldrive Dealer Floorplan B.V.	February / March 2008	1,778	-
<b>Sub-total private transactions</b>				<b>2,062</b>	<b>207</b>
<b>Total additional asset sales</b>				<b>2,636</b>	<b>1,123</b>

## Notes to the financial statements at 31 December 2004

### 9 LOANS AND ADVANCES TO CUSTOMERS SUBJECT TO SECURITISATION continued

Aggregate summary financial statements completed on a modified cash basis for the years ended 31 December 2004 and 2003 for the finance providers are shown below:

Profit and loss account for the year ended 31 December	Finance Providers	
	2004 £ m	2003 £ m
Net interest income	14	12
Other operating expense	(10)	(7)
Administrative expenses	(1)	(1)
<b>Profit for the financial period</b>	<b>3</b>	<b>4</b>
<b>Balance sheet as at 31 December</b>		
Loans and advances to banks	311	202
Loans and advances to customers	2,382	2,048
Other assets	226	17
Prepayments and accrued income	-	1
<b>Total assets</b>	<b>2,919</b>	<b>2,268</b>
Debt securities in issue	2,130	2,048
Other liabilities	592	3
Accruals and deferred income	162	180
Subordinated debt	22	22
Profit and loss account	13	15
<b>Total liabilities</b>	<b>2,919</b>	<b>2,268</b>

### 10 LOANS AND ADVANCES TO CUSTOMERS

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
<b>Remaining maturity:</b>				
Over 5 years	71	135	71	159
5 years or less but over 1 year	4,012	3,798	4,116	3,904
1 year or less but over 3 months	4,815	4,194	4,940	4,267
3 months or less	5,542	6,861	5,574	6,418
Repayable on demand	277	179	142	134
	<b>14,717</b>	<b>15,167</b>	<b>14,843</b>	<b>14,882</b>
General and specific bad and doubtful debt provisions (Note 12)	(150)	(127)	(152)	(134)
<b>Total loans and advances to customers</b>	<b>14,567</b>	<b>15,040</b>	<b>14,691</b>	<b>14,748</b>
<b>Amounts include:</b>				
Due from subsidiary undertakings	159	537	-	-
Due from fellow Ford subsidiaries	235	350	236	352

The cost of assets acquired for letting under finance leases amounted to £921 million (2003: £1,041 million) for the Group and £921 million (2003: £1,019 million) for the Company.

The net investment in finance leases of £1,756 million (2003: £1,810 million) for the Group and £1,756 million (2003: £1,804 million) for the Company. Amounts owed by subsidiary undertakings bear interest at rates varying throughout the year based on prevailing market interest rates.

## Notes to the financial statements at 31 December 2004

### 11 RESIDUAL VALUES

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

Year in which residual value will be recovered	Company				
	Retail residual values	Finance lease residual values	Operating lease residual values	2004 Total	2003 Total
	£ m	£ m	£ m	£ m	£ m
Within 1 year	370	10	248	628	598
Between 1-2 years	436	43	80	559	550
Between 2-5 years	370	63	53	486	430
More than 5 years	-	-	-	-	4
<b>Total</b>	<b>1,176</b>	<b>116</b>	<b>381</b>	<b>1,673</b>	<b>1,582</b>

Year in which residual value will be recovered	Group				
	Retail residual values	Finance lease residual values	Operating lease residual values	2004 Total	2003 Total
	£ m	£ m	£ m	£ m	£ m
Within 1 year	370	10	260	640	626
Between 1-2 years	436	43	84	563	607
Between 2-5 years	370	63	60	493	461
More than 5 years	-	-	-	-	4
<b>Total</b>	<b>1,176</b>	<b>116</b>	<b>404</b>	<b>1,696</b>	<b>1,698</b>

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 the above figures are likely to overstate the exposure to Residual value risk.

**Notes to the financial statements at 31 December 2004**

**12 PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

	2004			2003		
	Specific £ m	General £ m	Total £ m	Specific £ m	General £ m	Total £ m
<b>Company</b>						
Balance at 1 January	21	106	127	76	105	181
Integration of subsidiaries into branch	1	-	1	-	1	1
Exchange adjustments	2	1	3	4	4	8
Charge (credit) against profits net of recoveries	63	26	89	99	(4)	95
Amounts written off provision	(116)	-	(116)	(205)	-	(205)
Recoveries written back to provision	46	-	46	47	-	47
<b>Balance at 31 December</b>	<b>17</b>	<b>133</b>	<b>150</b>	<b>21</b>	<b>106</b>	<b>127</b>

	2004			2003		
	Specific £ m	General £ m	Total £ m	Specific £ m	General £ m	Total £ m
<b>Group</b>						
Balance at 1 January	23	111	134	75	113	188
Exchange adjustments	2	2	4	4	4	8
Charge (credit) against profits net of recoveries	64	22	86	102	(6)	96
Amounts written off provision	(118)	-	(118)	(208)	-	(208)
Recoveries written back to provision	46	-	46	50	-	50
<b>Balance at 31 December</b>	<b>17</b>	<b>135</b>	<b>152</b>	<b>23</b>	<b>111</b>	<b>134</b>

In 2003 the point of write-off of non-consumer loans was advanced in order to align with the write-off of consumer loans. This change increased the figures reported in 2003 as "Amounts written off provision" and reduced the overall level of specific reserves. 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**

Issued by public bodies	Company/Group			
	2004	2004	2003	2003
	Book value £ m	Valuation £ m	Book Value £ m	Valuation £ m
Government Investments	299	299	21	21
<b>Total debt securities</b>	<b>299</b>	<b>299</b>	<b>21</b>	<b>21</b>
Due within one year	299	299	21	21

There are unamortised discounts of £473,173 (2003: £42,733) included in the above figures.

## Notes to the financial statements at 31 December 2004

### 14 SHARES IN GROUP UNDERTAKINGS

	Company	
	2004	2003
	£ m	£ m
<b>Cost at 1 January</b>	<b>76</b>	<b>105</b>
Additional investment in subsidiaries	6	-
Integration of subsidiaries into branch	-	(16)
Liquidation of subsidiaries	(2)	(13)
<b>Cost at 31 December</b>	<b>80</b>	<b>76</b>
<b>Amounts written down at 1 January</b>	<b>(6)</b>	<b>(15)</b>
Release of provision following liquidation of subsidiaries	2	13
Amounts written down in the year	(4)	(4)
<b>Amounts written down at 31 December</b>	<b>(8)</b>	<b>(6)</b>
<b>Net book value at 31 December</b>	<b>72</b>	<b>70</b>
Investment in banks included above	7	7

Subsidiary undertakings as at 31 December 2004	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
FCE Bank Polska S.A.	100%	31 December	Poland	Bank
FCE Credit Poland S.A.	100%	31 December	Poland	Finance company

\* not directly owned by FCE.

Effective 1 January 2004 Car Retail Finance BV transferred its entire business and assets to the Company as a dividend in kind. On 7 July 2004 it was resolved to place Car Retail Finance BV into liquidation and it was de-registered on 23 December 2004.

On 30 January 2004 the Company contributed approximately Euro €9.3 million to FCE SpA by converting existing debt to equity to meet local Italian capitalisation requirements.

## Notes to the financial statements at 31 December 2004

### 14 SHARES IN GROUP UNDERTAKINGS continued

Effective 4 May 2004 FCE SpA sold its entire full service leasing portfolio, representing a substantial part of its business, to Axus Italiana s.r.l. and after a further review of its remaining operations it was decided to write no further new business, liquidate its remaining portfolio and liquidate the Company. Accordingly FCE SpA was put into voluntary liquidation on 16 December 2004.

Meritpoint Limited had held a liquidating retail receivables portfolio since being acquired by the Company in October 2001. Effective 1 February 2004 Meritpoint transferred the remaining portfolio to the Company and since that date has been dormant.

Zao FCE, a joint venture with Atlantica Holdings S.A., had been in liquidation since 16 September 2002 and was de-registered and liquidated on 10 August 2004.

### 15 INTANGIBLE FIXED ASSETS

	Company Goodwill £ m	Group Goodwill £ m
<b>Cost:</b>		
<b>At 1 January and 31 December 2004</b>	<b>227</b>	<b>17</b>
<b>Amortisation:</b>		
At 1 January 2004	67	5
Charge for year	16	5
<b>At 31 December 2004</b>	<b>83</b>	<b>10</b>
<b>Net book value at 31 December 2004</b>	<b>144</b>	<b>7</b>
Net book value at 31 December 2003	160	12

Goodwill is amortised on a straight-line basis over 20 years (with the exception of goodwill on the purchase of Meritpoint Limited: 3 years and Mazda Bank: 10 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. The period of amortisation for Mazda Bank has been reduced from 20 to 10 years and goodwill for Meritpoint Limited is now fully amortised during 2004.

Goodwill previously written off against reserves in the Company of £11 million (2003: £10 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'.

## Notes to the financial statements at 31 December 2004

### 16 TANGIBLE FIXED ASSETS

	Company				Group			
	Leasehold Improvements	Office Equipment	Motor vehicles	Total	Leasehold Improvements	Office Equipment	Motor Vehicles	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost:								
At 1 January 2004	6	31	1,088	1,125	6	32	1,561	1,599
Additions	1	-	663	664	1	-	729	730
Disposals	(3)	(7)	(861)	(871)	(3)	(7)	(1,265)	(1,275)
Translation adjustment	-	-	(8)	(8)	-	-	(7)	(7)
<b>At 31 December 2004</b>	<b>4</b>	<b>24</b>	<b>882</b>	<b>910</b>	<b>4</b>	<b>25</b>	<b>1,018</b>	<b>1,047</b>
Depreciation:								
At 1 January 2004	5	25	281	311	5	26	461	492
Charge for year	-	2	193	195	-	2	235	237
Disposals	(3)	(7)	(236)	(246)	(3)	(7)	(411)	(421)
Translation adjustment	-	-	(1)	(1)	-	-	-	-
<b>At 31 December 2004</b>	<b>2</b>	<b>20</b>	<b>237</b>	<b>259</b>	<b>2</b>	<b>21</b>	<b>285</b>	<b>308</b>
<b>Net book value at 31 December 2004</b>	<b>2</b>	<b>4</b>	<b>645</b>	<b>651</b>	<b>2</b>	<b>4</b>	<b>733</b>	<b>739</b>
Net book value at 31 December 2003	1	6	807	814	1	6	1,100	1,107

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

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Cost	877	1,082	1,011	1,554
Accumulated depreciation	(234)	(279)	(281)	(458)
<b>Net book value</b>	<b>643</b>	<b>803</b>	<b>730</b>	<b>1,096</b>

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 £17 million (2003: £27 million) for the Group and £16 million (2003: £17 million) for the Company.

Disposals include the sale of FCE's portfolio of commercial operating lease and full service leasing vehicles which were sold during 2004 in a number of European markets, including the UK.

## Notes to the financial statements at 31 December 2004

### 17 OTHER ASSETS

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Other assets	111	95	118	117
Assets awaiting disposal	107	125	107	125
Deferred Tax Asset (see note 24)	87	102	91	71
VAT/ Tax recoverable	34	79	36	82
<b>Total other assets</b>	<b>339</b>	<b>401</b>	<b>352</b>	<b>395</b>

### 18 PREPAYMENTS AND ACCRUED INCOME

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Prepayments	22	22	24	25
Swap interest receivable	4	17	3	17
Interest receivable	-	4	1	6
<b>Total prepayments and accrued income</b>	<b>26</b>	<b>43</b>	<b>28</b>	<b>48</b>

### 19 DEPOSITS BY BANKS

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Unsecured financing with agreed maturity dates or periods of notice by remaining maturity:				
Over 5 years	-	-	-	-
5 years or less but over 2 years	-	-	-	-
2 years or less but over 1 year	-	4	9	4
1 year or less but over 3 months	17	20	42	66
3 months or less but not repayable upon demand	704	335	771	377
Repayable upon demand	146	42	151	52
<b>Sub-total unsecured financing</b>	<b>867</b>	<b>401</b>	<b>973</b>	<b>499</b>
Secured financing with agreed maturity dates or periods of notice by remaining maturity:				
Over 5 years	-	-	-	-
5 years or less but over 2 years	544	-	544	-
2 years or less but over 1 year	-	-	-	-
1 year or less but over 3 months	-	-	-	-
3 months or less but not repayable upon demand	103	-	103	-
Repayable upon demand	-	-	-	-
<b>Sub-total secured financing</b>	<b>647</b>	<b>-</b>	<b>647</b>	<b>-</b>
<b>Total deposits by banks</b>	<b>1,514</b>	<b>401</b>	<b>1,620</b>	<b>499</b>

Deposits by banks include £544 million (2003 nil) of funding secured against dealer floorplan receivables disclosed in Note 9, Loans and advances to customers subject to securitisation and £103 million (2003:nil) Worldwide Trade Financing dealer receivables included in Note 10 Total Loans and advances to customers.

## Notes to the financial statements at 31 December 2004

### 20 CUSTOMER ACCOUNTS

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ 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	2,439	3,544	2,439	3,544
2 years or less but over 1 year	1,778	1,499	1,779	1,499
1 year or less but over 3 months	225	446	224	445
3 months or less but not repayable upon demand	1,474	478	1,402	413
Repayable upon demand	10	60	12	63
<b>Total customer accounts</b>	<b>5,926</b>	<b>6,880</b>	<b>5,856</b>	<b>6,669</b>
<b>Amounts include:</b>				
Due to fellow Ford subsidiaries	147	377	159	391
Due to intermediate undertakings	5,696	6,260	5,696	6,260
Due to ultimate parent company	1	1	1	1
<b>Total customer accounts - parent undertakings</b>	<b>5,844</b>	<b>6,638</b>	<b>5,856</b>	<b>6,652</b>
Due to subsidiary undertakings	82	225	-	-

### 21 DEBT SECURITIES IN ISSUE

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
With agreed maturity dates or periods of notice, by remaining maturity:				
Bonds and medium term notes:				
Over 5 years	443	366	443	366
5 years or less but over 2 years	821	1,176	821	1,176
2 years or less but over 1 year	1,331	1,434	1,331	1,434
1 year or less but over 3 months	391	1,581	391	1,581
3 months or less	897	241	897	241
<b>Total bonds and medium term notes</b>	<b>3,883</b>	<b>4,798</b>	<b>3,883</b>	<b>4,798</b>
Other debt securities in issue:				
Over 5 years	7	2	7	2
5 years or less but over 2 years	728	879	748	879
2 years or less but over 1 year	883	248	936	248
1 year or less but over 3 months	322	391	260	391
3 months or less	654	1,049	696	1,098
<b>Total other debt securities in issue</b>	<b>2,594</b>	<b>2,569</b>	<b>2,647</b>	<b>2,618</b>
<b>Total debt securities in issue</b>	<b>6,477</b>	<b>7,367</b>	<b>6,530</b>	<b>7,416</b>

Debt Securities in Issue includes £65 million deferred gains (2003 £29 million gains) relating to cross-currency swaps.

## Notes to the financial statements at 31 December 2004

### 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	
			2004 £ m	2003 £ m
November 1993/October 2004	U.S. \$12 bil	CARS (retail investors)	485	95
		Other	3,078	3,748
		<b>SUB-TOTAL – Euro Medium Term Notes</b>	<b>3,563</b>	<b>3,843</b>
November 1993/October 2003	U.S. \$5 bil	Euro Commercial Paper (CP) and Euro Certificate of Deposit (CD)	530	544
December 1993/September 2004	EUR €3 bil	French Euro CD	93	329
March 2002	PLN 1 bil	Polish CP	46	49
October 1993	Unlimited	US CP	31	-
		<b>OTHER</b>		
		Schuldschein	1,324	1,374
		Returnable finance relating to securitisation	199	235
		Other including cross- currency swaps	744	1,042
<b>Total debt securities in issue</b>			<b>6,530</b>	<b>7,416</b>

Continuously Available Retail Securities (CARS) are bonds that are designed for retail investors.

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

### 22 OTHER LIABILITIES

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Accounts payable	132	111	134	126
Corporation tax	50	47	51	47
<b>Total other liabilities</b>	<b>182</b>	<b>158</b>	<b>185</b>	<b>173</b>

## Notes to the financial statements at 31 December 2004

### 23 ACCRUALS AND DEFERRED INCOME

	Company		Group	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Deferred income	101	58	117	84
Interest payable	105	101	106	101
Other creditors and accruals	105	152	105	150
Swap Interest payable	64	77	64	77
<b>Total accruals and deferred income</b>	<b>375</b>	<b>388</b>	<b>392</b>	<b>412</b>

### 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	
	2004 £ m	2003 £ m	2004 £ m	2003 £ m
Accelerated UK capital allowances	(36)	(48)	(8)	(14)
Other timing differences	(4)	19	(1)	23
<b>Full potential liability/(asset)</b>	<b>(40)</b>	<b>(29)</b>	<b>(9)</b>	<b>9</b>

Movements in the provision for deferred taxation as follows:

<b>Deferred Tax Asset</b>				
Balance at 1 January	102	82	71	40
Transfer to /(from) provision	(15)	20	20	31
<b>Balance at 31 December</b>	<b>87</b>	<b>102</b>	<b>91</b>	<b>71</b>
<b>Deferred Tax liability</b>				
Balance at 1 January	73	70	80	75
Profit and loss account release	(11)	(17)	(18)	(28)
Other	-	-	-	2
Deferred tax asset transfer to/(from) Other assets	(15)	20	20	31
<b>Balance at 31 December</b>	<b>47</b>	<b>73</b>	<b>82</b>	<b>80</b>

Shown in the financial statements as:

Other assets (see note 17)	(87)	(102)	(91)	(71)
Provisions for liabilities and charges	47	73	82	80
<b>Net deferred tax liability/(asset)</b>	<b>(40)</b>	<b>(29)</b>	<b>(9)</b>	<b>9</b>

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

## Notes to the financial statements at 31 December 2004

### 25 SUBORDINATED LIABILITIES

Type/ (Currency amount mils)	Earliest repayment dates following:	Interest Rate Per Annum	Company/Group	
			2004	2003
			£ m	£ m
<b>Undated Loan Capital:</b>				
Perpetual loan (US\$ 219)	7 October 2005	USD 3-M-LIBOR + 71.35 bps	113	122
Perpetual loan (EUR€ 46.0)	6 October 2005	EUR 6-M-EUR LIBOR + 150 bps	32	32
Perpetual loan (EUR€ 35.8)	6 October 2005	EUR 6-M-EUR LIBOR + 95 bps	25	25
Perpetual loan (EUR€ 12.8)	6 October 2005	EUR 6-M-EUR LIBOR + 95 bps	9	9
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	1
<b>Dated Loan Capital:</b>				
Loan 2010 (US\$ 250)	16 December 2005	USD 3-M-LIBOR + 105 bps	129	139
Loan 2007 (US\$ 200)	18 December 2002	USD 3-M-LIBOR + 50 bps	103	112
Loan 2012 (US\$ 55)	28 December 2006	USD 3-M-LIBOR + 185 bps	29	31
Loan 2011 (US\$ 45)	31 October 2006	USD 3-M-LIBOR + 230 bps	23	25
PC's 2005 (EUR€ 30.7)	(see below)	EUR 12-M-EUR LIBOR + 130 bps	22	22
<b>Sub-total</b>		Excluding currency swaps	<b>494</b>	<b>526</b>
Cross Currency swaps		Relating to the US\$ loans	<b>108</b>	<b>77</b>
<b>Total subordinated liabilities</b>			<b>602</b>	<b>603</b>

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 2004, outstandings under the facility totalled US \$568.6 million (2003: US \$568.6 million), and comprised the US \$218.6 million (2003: US \$218.6 million) perpetual loans and three dated loans totalling US \$350 million (2003: US \$350 million).

## Notes to the financial statements at 31 December 2004

### 26 SHARE CAPITAL

	Company/Group	
	2004	2003
	£ m	£ m
The share capital consists of:		
<b>Authorised:</b>		
769,926,202 Ordinary shares of £1 each (2003: 769,926,202)	770	770
230,073,798 Non Cumulative convertible preference shares of £1 each (2003: 230,073,798)	230	230
<b>Total authorised</b>	<b>1,000</b>	<b>1,000</b>
<b>Allotted, called up and fully paid:</b>		
614,384,050 Ordinary shares of £1 each (2003: 614,384,050)	614	614
<b>Total allotted, called up and fully paid</b>	<b>614</b>	<b>614</b>

### Support Agreement

Pursuant to a support agreement between Ford Credit and FCE dated 20 September 2004, 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 US \$500 million initially until January 31, 2010. However as neither party provided written notice on February 1, 2005 the termination date was automatically extended by one year to January 31, 2011. The agreement provides for the termination date to be incremented automatically on February 1 of each year for an additional one-year period ending on January 31 of the following year. Either party can give one month's notice in order to prevent the automatic extension of the termination date and bring to an end the agreement in which case the support agreement will cease as of the termination date set on the last preceding extension date.

### Integration of subsidiaries

On 1 January 2004 FCE acquired the entire business and assets of Car Retail Finance BV its remaining Netherlands subsidiary as a dividend in kind.

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
<b>Total</b>	<b>£25,099,350</b>	<b>10,361,186</b>

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.