

Registered No. 957327

FTBF LEASING DECEMBER (C) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1995



FTBF LEASING DECEMBER (C) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1995

PROFIT AND APPROPRIATIONS

The profit for the year after taxation amounted to:       £ 414,278  
Transferred to reserves:                                       £ 414,278

It is proposed that this be appropriated as disclosed on the face of the profit and loss account.

PRINCIPAL ACTIVITIES

The Company undertakes leasing services for commercial, industrial and private customers. No change in the Company's activities is anticipated.

CHANGE OF NAME

The Company changed its name from Forward Asset Leasing December (C) Limited to FTBF Leasing December (C) Limited on 15 February 1995.

DIRECTORS

Mr S W Simpson was appointed as a Director of the Company on 1 March 1995. Mr I R Leech and Mr S W Simpson resigned as Directors of the Company on 1 March 1995 and 15 January 1996 respectively.

The directors of the Company who held office at 31 December 1995 served throughout the year, except where indicated. Their names and interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, as required to be disclosed under the Companies Act 1985, are set out below:-

INTERESTS IN SHARES OF HSBC HOLDINGS PLC

	At 1 January 1995 (or date of appointment, if later)		At 31 December 1995	
	Shares	Options	Shares	Options
G W Evans	3,528	3,998	3,658	9,021
D W Gilman	764	24,895	10,750	10,535
G E Picken	3,431	57,168	3,521	21,273
S W Simpson	-	-	-	-
(Appointed 1.3.95)				

During the year options over shares were granted/exercised as follows:

	<u>Granted</u>	<u>Exercised</u>
G W Evans	5,023	-
D W Gilman	5,023	19,383
G E Picken	11,183	47,078

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' Statement of Auditors' Responsibilities, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare the financial statements on the going concern basis unless it is not appropriate.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Registered Office:

12 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1QZ

Date: -2 JUL 1996

By Order of the Board

.....  
J H McKenzie  
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF FTBF LEASING DECEMBER (C) LIMITED

We have audited the financial statements on pages 4 to 10.

**Respective responsibilities of directors and auditors**

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG  
Chartered Accountants  
Registered Auditors

Birmingham

22 July 1996

FTBF LEASING DECEMBER (C) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £	1994 £
Turnover		2,075,092	703,551
Administrative expenses	2	(687,280)	(290,345)
Interest receivable	3	1,970	2,601
Interest payable	3	(1,077,627)	(442,145)
<u>Profit/(loss) on ordinary activities before taxation</u>		312,155	(26,338)
Taxation credit on profit/(loss) on ordinary activities	4	102,123	782,896
<u>Profit on ordinary activities after taxation and retained for the financial year</u>		414,278	756,558
Deficit brought forward at 1 January		(1,416,129)	(2,172,687)
Deficit carried forward at 31 December		(1,001,851)	(1,416,129)

There are no material acquisitions and no discontinued operations during the year. There have been no other recognised gains or losses other than the profit for the financial year as stated above.

**FTBF LEASING DECEMBER (C) LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 1995**

	Notes	1995 £	1994 £
<b>CURRENT ASSETS</b>			
<u>Debtors</u>	5		
Amounts falling due within one year:			
Lease agreements		12,425,685	8,313,970
Amounts owed by parent undertakings		397,347	1,973,884
Value added tax		-	2,705,252
Other debtors		294	63
		-----	-----
		12,823,326	12,993,169
Amounts falling due after more than one year:			
Lease agreements		5,054,582	15,022,995
		-----	-----
		17,877,908	28,016,164
 CREDITORS: Amounts falling due within one year			
Obligations under finance leases with parent undertakings	6	1,266	19,443
Amounts owed to parent undertakings		14,039,117	24,469,042
Value added tax		359,848	-
Other creditors		541,752	1,438,716
		-----	-----
		14,941,983	25,927,201
 TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,935,925	2,088,963
 CREDITORS: Amounts falling due after more than one year			
Obligations under finance leases with parent undertakings	6	-	1,615
 PROVISIONS FOR LIABILITIES AND CHARGES			
	7	1,437,776	1,003,477
		-----	-----
		1,498,149	1,083,871
		-----	-----
 CAPITAL AND RESERVES			
<u>Called up share capital</u>	9	2,500,000	2,500,000
<u>Profit and loss account - Deficit</u>		(1,001,851)	(1,416,129)
		-----	-----
		1,498,149	1,083,871
		-----	-----

These financial statements were approved by the board of directors on  
and were signed on its behalf by :

**-2 JUL 1996**

.....  
D.W. Gilman  
Director

**FTBF LEASING DECEMBER (C) LIMITED**

**NOTES ON THE FINANCIAL STATEMENTS**

**1 ACCOUNTING POLICIES**

The accounting policies adopted by the Company are set out below.

**a. Accounting Convention**

The financial statements have been prepared under the historical cost convention and are in compliance with applicable accounting standards.

In accordance with the provisions of Section 8 of Financial Reporting Standard number 1, the Company is exempt from preparing a cash flow statement because the Company is a wholly owned subsidiary undertaking of a parent undertaking registered in England and Wales which prepares a cash flow statement.

**b. Income Release**

**i) Leasing**

Income from leasing contracts, other than those with major recourse or other similar agreements, is credited to the profit and loss account in proportion to the funds invested.

Where leasing contracts are covered by major recourse or other similar agreements, income is released to maintain the book amount of the asset at a value consistent with the contractual arrangements.

Leasing balances are stated in the balance sheet after the deduction of unearned charges, provision for reduced future rentals and tax credit equalisation.

**ii) Leasing Obligations**

Leasing debtors, for which the underlying assets are held under finance leases, are recognised in the balance sheet, the income from which is credited to the profit and loss account in proportion to the funds invested.

The interest element of rental obligations is charged to the profit and loss account over the period of the lease, and in proportion to the capital outstanding.

**iii) Tax Credit Equalisation**

Since leasing rates for much of the existing business reflect the tax benefits which will continue to accrue to the Company from the decline in corporation tax rates and which have been taken into account in arriving at the UK tax charge, a provision, in the form of tax credit equalisation, has been made to reduce leasing balances to amounts which equate with the principal element of future rentals.

**c. Bad Debts**

Lease agreements in debtors are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired balances to their expected realisable value. General provisions are made on the basis of past experience, current economic conditions and other relevant factors, to provide for losses not yet specifically identified.

**FTBF LEASING DECEMBER (C) LIMITED**

**NOTES ON THE FINANCIAL STATEMENTS**

**1 ACCOUNTING POLICIES (continued)**

**d. Taxation**

The credit for taxation is based on the result for the year and recognises deferred taxation, calculated on the liability method on all timing differences, to the extent that they are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is estimated that tax will be payable. The company is able to participate in arrangements whereby tax losses may be surrendered for nil consideration by other group undertakings which will support any residual liability.

**2. ADMINISTRATIVE EXPENSES**

Administrative expenses include £666,152 (1994 £479,256) in respect of group management charges.

The directors made no charge for their services. Audit fees are borne by another group undertaking.

**3. INTEREST RECEIVABLE/(PAYABLE)**

All interest receivable was due from parent undertakings.

All interest payable was due to parent undertakings and includes £910 (1994 £1,592) in respect of finance lease charges.

**4. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

The credit for taxation comprises:

	1995 £	1994 £
Group relief (receivable)/payable		
- current year @ 33% (1994 33%)	(545,515)	(1,952,050)
- prior year	(334)	20,258
Deferred taxation - current year	445,041	1,137,719
- prior year	(10,742)	8,077
Transfer to/(from) tax credit equalisation reserve	(656)	1,021
Notional tax on tax credit equalisation release	10,083	2,079
	<u>(102,123)</u>	<u>(782,896)</u>



**FTBF LEASING DECEMBER (C) LIMITED**

**NOTES ON THE FINANCIAL STATEMENTS**

**5. DEBTORS**

**Lease agreements**

During the year assets valued at £411,903 (1994 £20,663,695) were acquired for use in finance lease agreements.

The balances outstanding on lease agreements, all of which are finance leases, are stated after deducting unearned charges of £2,100,171 (1994 £3,006,256) and a provision of £243,589 (1994 £187,857) in respect of rental rebates and tax credit equalisation.

Aggregate lease rentals receivable in the financial year were £4,635,365 (1994: £1,635,321).

**6. OBLIGATIONS UNDER FINANCE LEASES WITH GROUP UNDERTAKINGS**

**Amounts payable:**

	1995 £	1994 £
Within one year	1,266	23,596
	-----	-----
	1,266	23,596
Less : Finance charges allocated to future periods	-	2,538
	-----	-----
	1,266	21,058
	-----	-----

**Obligations under finance leases:**

	1995 £	1994 £
Amounts falling due within one year	1,266	19,443
Amounts falling due after more than one year	-	1,615
	-----	-----
	1,266	21,058
	-----	-----

FTBF LEASING DECEMBER (C) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

7. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided	£
Balance at 1 January 1995	1,003,477
Transfer from profit and loss account	434,299
Balance at 31 December 1995	<u>1,437,776</u>

The balance at the end of the year consists of deferred taxation relating to:

	1995	1994
	£	£
Leasing transactions	<u>1,437,776</u>	<u>1,003,477</u>

Potential deferred taxation not provided

	1995	1994
	£	£
Leasing transactions	<u>741,217</u>	<u>514,866</u>

8. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1995	1994
	£	£
Profit on ordinary activities after taxation and retained for the financial year	<u>414,278</u>	<u>756,558</u>
Net transfer to shareholders' funds	414,278	756,558
Opening shareholders' funds	<u>1,083,871</u>	<u>327,313</u>
Closing shareholders' funds	<u>1,498,149</u>	<u>1,083,871</u>

Shareholders' funds are wholly attributable to equity shareholders.

9. SHARE CAPITAL

	1995	and	1994
	Authorised	Allotted, called	up and fully paid
Ordinary shares of £1 each	<u>5,000,000</u>		<u>2,500,000</u>

FTBF LEASING DECEMBER (C) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

10. PARENT UNDERTAKINGS

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is HSBC Holdings plc, and the parent undertaking of the smallest such group is Forward Trust Group Limited, both of which are registered in England and Wales.

The result of the Company is included in the group financial statements of Forward Trust Group Limited and HSBC Holdings plc. Copies of the group financial statements may be obtained from the following addresses:

Forward Trust Group Limited  
12 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1QZ

HSBC Holdings plc  
10 Lower Thames Street  
London  
EC3R 6AE