

Associates Capital Corporation plc

Annual Report and Financial Statements

Year ended 31 December 2001

Registered no. 1375237



Associates Capital Corporation plc

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Associates Capital Corporation plc

Report of the Directors

The directors submit their report and the consolidated financial statements for the year ended 31 December 2001.

Principal Activity and business review

The company is an authorised institution under the Financial Services and Markets Act 2000 (previously authorised under the Banking Act 1987). The group's principal activity during the year was the provision of financial services, which includes secured and unsecured consumer finance and commercial asset finance in the UK and Europe.

On 30 November 2001, the company acquired Castle Loss Adjusters Limited from Avco Trust Limited, a fellow subsidiary.

The majority of Associates Capital Corporation plc's business is in European countries outside the Euro zone. The group has consumer finance operations in the UK, Ireland, Sweden, Norway and Spain and commercial finance operations in the UK, France and Spain.

Results and Dividends

The group's profit before taxation for the year as shown in the financial statements was £75,272,000 (2000: profit: £46,837,000). The directors do not propose the payment of a dividend for the year. The retained profit of £40,262,000 (2000 loss: £136,436,000) has been transferred to reserves.

Future Developments

The company is in negotiations for the sale of two of its subsidiary undertakings, Associates Commercial Corporation Limited and CitiCapital Locavia SA, to another group company.

Directors

The directors of the company during the year were:

S Anderson	Executive Director	
M J Hall	Executive Director	
M Lenora	Executive Director	(resigned 4 January 2001)
D Malone	Executive Director	
G J Meiler	Executive Director	
T I Williams	Executive Director	
M Cronin OBE	Non-Executive Director	
G J Geary	Non-Executive Director	

Directors' interests

The directors had no beneficial interest in the shares of the company or in those of any group company incorporated in the United Kingdom at any time during the year.

Associates Capital Corporation plc

Report of the Directors (continued)

Creditor Payment Policy

The group and company's policy for the payment of its creditors is to:

- a) Agree the terms of payment with those suppliers when agreeing the terms of each transaction;
- b) Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- c) Pay in accordance with its contractual and other legal obligations.

The payment policy applies to all the payments to creditors for revenue and capital supplies of goods and services without exception. The number of days billings from suppliers outstanding at the end of the year was 21 days. (2000: 29 days).

Employee Involvement

Communication between staff and management continues to be encouraged. Employees are kept informed of the group's activities by regular internal bulletins and publications.

The group continues to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. The training, career development and promotion of disabled persons employed by the group continues to be an integral part of the personnel policy applicable to all employees of the group.

The group continues to offer employment and training opportunities to employees who became disabled during their term of employment with the group.

For details of the number of employees and their remuneration see note 4 to the Financial Statements.

Company Secretary

S W Bell

Auditors

A resolution to reappoint KPMG Audit Plc as auditor of the company will be proposed at the forthcoming Annual general meeting in accordance with the provisions of Section 385 of the Companies Act 1985, as amended.

By order of the Board



S W Bell
Company Secretary

27th March 2002

Associates Capital Corporation plc


Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By Order of the Board



S W Bell
Company Secretary

27th March 2002

Associates Capital Corporation plc

Report of the Independent Auditors to the members of Associates Capital Corporation plc

We have audited the financial statements on pages 5 to 34

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

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 group'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 affairs of the company and the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

27th March 2002

Associates Capital Corporation plc

Consolidated Profit And Loss Account for the year ended 31 December 2001

Note		2001 £000's	2000 £000's
	Interest receivable	326,460	304,966
	Interest payable	(96,671)	(97,948)
	Net interest income	229,789	207,018
	Net fees and commissions receivable	14,305	12,220
	Other operating income	85,765	76,488
	Operating income	329,859	295,726
4	Administrative expenses	(132,716)	(114,462)
	Depreciation and amortisation	(34,439)	(37,503)
23	Provisions for bad and doubtful debts	(87,432)	(96,924)
	Operating expenses	(254,587)	(248,889)
	Operating profit	75,272	46,837
6	Profit on ordinary activities before taxation	75,272	46,837
7	Tax on profit on ordinary activities	(35,010)	(23,273)
	Profit for the financial year	40,262	23,564
	Dividend paid	-	(160,000)
	Retained Profit/(loss) for the year	40,262	(136,436)

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the periods stated above, and their historical cost equivalents.

The accompanying notes are an integral part of the profit and loss account.

Associates Capital Corporation plc

Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 December 2001

	2001	2000
	£000's	£000's
Profit for the financial year	40,262	23,564
Dividends	-	(160,000)
Foreign exchange adjustments	(1,253)	131
Total recognised gains in the year	39,009	(136,305)

Reconciliation of Movements in Shareholders' Funds for the year ended 31 December 2001

	2001	2000
	£000's	£000's
Profit for the financial year	40,262	23,564
Dividend	-	(160,000)
Foreign exchange adjustments	(1,253)	131
Net additions/(reductions) to shareholders' funds	39,009	(136,305)
Opening shareholders' funds	320,730	457,035
Closing shareholders' funds	359,739	320,730


Associates Capital Corporation plc

Consolidated Balance Sheet as at 31 December 2001

Note		2001 £000's	2000 £000's
	Assets		
	Cash and balances at central banks	1,424	1,106
8	Loans and advances to banks	11,933	13,988
9	Loans and advances to customers	2,147,277	1,858,192
10	Loans to parent and fellow group undertakings	106,786	48,145
11	Intangible fixed assets	19,993	20,480
13	Tangible fixed assets	113,250	118,639
14	Other assets	47,766	24,360
	Prepayments and accrued income	19,043	38,501
	Total Assets	2,467,472	2,123,411
	Liabilities		
15	Deposits by banks	63,326	82,320
15	Due to parent and fellow group undertakings	1,340,381	833,453
15	Debt securities in issue	500,000	705,000
16	Other liabilities	31,837	25,017
	Accruals and deferred income	78,320	62,562
18	Subordinated liabilities	93,869	94,329
	Total Liabilities	2,107,733	1,802,681
	Shareholders' Funds		
19	Called up share capital	279,103	279,103
20	Share premium account	3,641	3,641
20	Profit and loss account	76,995	37,986
20	Equity shareholders' funds	359,739	320,730
	Total Liabilities and Shareholders' Funds	2,467,472	2,123,411
	Memorandum items		
21	Commitments	975,932	982,156

The accompanying notes form an integral part of the consolidated balance sheet.

The financial statements were approved by the Board on 27 March 2002 and were signed on its behalf by:


D Malone
Director

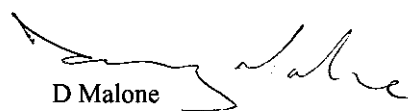
Associates Capital Corporation plc

Company Balance Sheet as at 31 December 2001

Note		2001	2000
		£000's	£000's
	Assets		
	Cash and balances at central banks	1,424	1,106
8	Loans and advances to banks	9,780	4,467
9	Loans and advances to customers	1,754,548	1,410,695
10	Loans to parent, subsidiary and fellow subsidiary undertakings	452,539	254,131
12	Shares in subsidiary undertakings	76,746	196,749
13	Tangible fixed assets	9,036	8,730
14	Other assets	30,770	7,646
	Prepayments and accrued income	16,131	37,907
	Total Assets	2,350,974	1,921,431
	Liabilities		
15	Deposits by banks	64,131	82,124
15	Due to parent, subsidiary and fellow subsidiary undertakings	1,264,275	677,653
15	Debt securities in issue	500,000	705,000
16	Other liabilities including taxation	17,155	13,518
	Accruals and deferred income	59,026	40,343
18	Subordinated liabilities	93,869	94,329
	Total Liabilities	1,998,456	1,612,967
	Shareholders' Funds		
19	Called up share capital	279,103	279,103
20	Share premium account	3,641	3,641
20	Profit and loss account	69,774	25,720
20	Equity Shareholders' funds	352,518	308,464
	Total Liabilities and Shareholders' Funds	2,350,974	1,921,431
	Memorandum items		
21	Contingent liabilities	1,122	2,657
21	Commitment	975,932	982,133

The accompanying notes form an integral part of the company balance sheet.

The financial statements were approved by the Board on 27th March 2002 and were signed on its behalf by:


D Malone
Director

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

1. Accounting Policies

a) Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups as applied by Regulation 9 of the Companies Act 1985 (Bank Accounts) Regulation 1991. The accounts comply with all applicable UK Accounting Standards and with the Statements of Recommended Accounting Practice issued jointly by the British Bankers' Association and the Irish Bankers' Federation and by the Finance and Leasing Association. The group has adopted Financial Reporting Standard 18 "Accounting Policies" and the disclosures required by the standard are made in the notes to the financial statements.

The group's financial statements consolidate the financial statements of Associates Capital Corporation plc and all its subsidiary undertakings made up to 31 December 2001. As permitted by Section 230 of the Companies Act 1985, the company profit and loss account has not been separately disclosed in these financial statements

In accordance with Financial Reporting Standard 1 'Cash flow statements' (Revised 1996), the group has taken advantage of the exemption from preparation of a cash flow statement as the consolidated financial statements of Associates First Capital Corporation, in which it is included, are publicly available.

Under the subsidiary undertakings exemption of Financial Reporting Standard No.8, the Company is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

b) Net interest income

Net interest income comprises interest receivable on loans and advances including finance leases and hire purchase contracts less interest payable on debt securities in issue and liabilities to banks and group companies, including subordinated liabilities. Interest is recognised on the accrual basis. Accrual is suspended where there is doubt over the recoverability of interest receivable.

c) Fees and commissions

Fees and commissions receivable are accrued over the life of the underlying transaction except where they represent compensation for arranging the transaction, in which case they are recognised in the profit and loss account at inception.

Commissions paid to third parties for introducing customers are deferred and expensed over the term of the loan in monthly instalments using either the actuarial or sum of the digits method.

d) Foreign currencies

Company

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resultant foreign exchange differences are dealt with in the profit and loss account with the exception of differences on foreign currency borrowings used to finance foreign equity investments, which are taken directly to reserves together with the exchange difference on the related investments.

Group

The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Profits or losses are translated at the average rate of exchange during the year. The resultant foreign exchange differences are dealt with in the statement of total recognised gains and losses.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

e) Loans and Advances to Customers

Loans and advances, including finance leases and hire purchase contracts, are stated at the gross amount receivable less any unearned finance charges and provisions for bad and doubtful debts. Provisions are made using estimation techniques appropriate to the various categories of lending (note 23). Bad debts are written off in accordance with the appropriate estimation techniques or, if earlier, when the Directors consider that there is no prospect of further recovery.

f) Operating leases - as lessor

Assets leased under operating leases are included within Tangible fixed assets in the group balance sheet. Rental income after depreciation is recognised on an actuarial before tax basis over the primary lease term and included within other operating income.

g) Shares in group undertakings

Shares in group undertakings are stated at cost less provision for impairment.

h) Goodwill

Goodwill is stated in the balance sheet as the difference between the cost of an acquired entity's assets and the aggregate of the fair values of identifiable assets and liabilities. Goodwill arising on acquisitions prior to 1 January 1998 was written off directly against reserves. All goodwill arising on acquisitions since that date is capitalised and amortised on a straight-line basis over periods which reflect the directors' estimates of the expected value to be leveraged from the assets purchased. It is reviewed for impairment at the end of the first full financial year following acquisition and subsequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost less residual value of fixed assets on a straight line basis over their estimated useful lives as follows:

Freehold Buildings	between 25 and 50 years
Leasehold improvements	shorter of lease term and 8 years
Fixtures, fittings and computer	
Equipment	between 3 and 10 years
Motor vehicles	4 years
Operating lease assets	primary lease term

j) Deferred taxation

Deferred taxation is provided using the liability method on timing differences to the extent that it is probable that the liability will crystallise.

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Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

k) Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated as described above. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the obligation.

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease and included in administrative expenses.

l) Pensions

The group accounts for pension costs in accordance with Statement of Standard Accounting Practice 24. Additional disclosures have been made in accordance with Financial Reporting Standard 17 "Retirement Benefits".

The group operates a defined contribution scheme and two defined benefit pension schemes for employees in the UK. The defined benefit schemes are closed to new members. The assets of all schemes are held separately from those of the group in independently administered funds. Overseas branches and subsidiaries make contributions on behalf of their employees into locally administered pension schemes.

The amount charged against profits in respect of the defined contribution scheme represents the contribution payable for the year.

Assets in the defined benefit schemes are measured using market values. The schemes' liabilities are measured by qualified actuaries using the projected unit method. The rates of contribution payable are determined by the actuaries and contributions are charged against profits as incurred. Variations from the regular cost are spread over the remaining service lives of current employees in the scheme.

m) Interest rate swaps

Interest rate swaps are entered into as non-trading transactions to hedge specific risks in the balance sheet. The hedges are formally identified and documented at inception and their effectiveness regularly re-assessed during the life of the contracts. Gains and losses are recognised on an accruals basis equivalent to that used for the underlying hedged item.

2. Financial Instruments

Objectives, policies and strategies

Financial instruments are fundamental to the group's business and the risks associated with these instruments represent a significant part of the overall risk profile of the group.

The financial instruments primarily used by the group and the main purposes for which they are held are as follows:-

- **Loans and advances to customers:** Loans and advances to customers form the substantial part of the group's business. The group has established detailed strategy and policies for managing the risks associated with these instruments.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

2. Financial instruments (continued)

- **Intercompany borrowings, subordinated debt, bank borrowings and deposits and capital market debt issuance:** These instruments are used to fund the group's assets. The objective of using financial instruments for financing purposes is to minimise the market risks inherent in the management of the group's balance sheet.
- **Interest rate swaps and foreign exchange contracts:** Swaps and foreign exchange contracts are used to minimise the risks arising from adverse movements in interest and FX rates. The group does not use these instruments for trading purposes.

Interest rate risk

The group is exposed to interest rate risk as a result of the interest rate gap arising from the differing maturities of the main categories of assets and liabilities and from differing rate-fixing dates on floating rate instruments. The group uses interest rate swaps and behavioural funds matching to minimise its interest rate exposure. Interest rate risk is measured and controlled through the use of static gap analysis, earnings at risk modelling and financial forecasting.

Currency risk

The group's foreign exchange strategy, particularly at the transactional level, is directed at being risk averse. Funding in local currency for European units is currently achieved via intercompany borrowings or through local bank facilities. Typically the local currency will be borrowed, thus avoiding foreign exchange contracts altogether.

Liquidity risk

These are risks of unexpected loan demand, failure of borrowers to pay as expected and inability to replace borrowings and debt securities issued when due for repayment.

The forum for liquidity issues is the Asset/Liability Management Committee ("ALCO") which includes senior executives of the group. ALCO reviews the current and prospective funding and liquidity requirements for the group as well as the capital position and balance sheet.

The group maintains sufficient liquidity to meet requirements. This is typically achieved through:

- Medium term borrowings
- Issuance of medium term debt such as Floating Rate Notes to the Capital Markets
- Investment of surplus liquidity to meet maturities (within agreed investment guidelines)
- Committed availability of credit facilities from group companies
- Injections of capital and/or subordinated debt for capital adequacy purposes

Liquidity risk is measured and controlled through the use of a Market Access Report model and behavioural modelling.

Credit risk

The group has established a standard set of credit policies which reflect the overall risk appetite and risk-adjusted yield targets set by senior management. The standard policies lay down credit approval procedures and authority limits for all areas of the group's business. They also set out criteria for credit underwriting, collections, credit risk-modelling, risk mitigation, write-off, portfolio acquisitions and the use of credit bureaux.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

2. Financial instruments (continued)

Credit risk (continued)

The approval of all extensions of credit and the credit quality of the portfolios remain the responsibility of line management. Regular examinations are carried out by Control and Compliance and by Audit and Risk Review of adherence to the standard credit policies and of portfolio credit quality.

Operational risk

Operational risk is the risk of unforeseen losses due to systems failure, human error or inadequate controls and procedures. All business areas carry out a regular process of self-assessment to identify and mitigate operational risk and Control and Compliance carries out a regular review of this process to ensure operational risks are being properly controlled. Additionally, contingency plans are in place to enable business continuity in the event of serious disruption to business operations.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

3. Segmental analysis

The group operated mainly in one area of activity (financial services) in two geographical areas during the year, the UK & Ireland and mainland Europe. Interest receivable, fees and commissions receivable, other operating income, group profit on ordinary activities before tax, net assets and total assets are analysed below by these segments. The analysis is based on the location of the office at which the transaction was made.

	UK & Ireland		Mainland Europe		Total	
	2001	2000	2001	2000	2001	2000
	£000's	£000's	£000's	£000's	£000's	£000's
Interest Receivable	272,585	270,227	53,875	34,739	326,460	304,966
Fees & Commissions Receivable	14,305	12,220	-	-	14,305	12,220
Other Operating Income	84,852	71,948	913	4,540	85,765	76,488
Profit Before Tax	52,306	40,314	22,966	6,523	75,272	46,837
Net Assets	322,181	300,754	37,558	19,976	359,739	320,730
Total Assets	1,994,564	1,760,733	472,908	362,678	2,467,472	2,123,411

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

4. Administrative Expenses

	Group	
	2001 £000's	2000 £000's
Administrative expenses include the following:		
Staff costs:		
Salaries	52,673	41,142
Social Security costs	5,444	4,058
Other Pension costs	2,162	1,720
	<u>60,279</u>	<u>46,920</u>
Management charge from a parent company	352	2,195
Other administrative expenses	<u>72,085</u>	<u>65,347</u>
	<u>132,716</u>	<u>114,462</u>

The average number of employees (including directors) employed by the group during the year was as follows:

	Group	
	2001	2000
Management	474	375
Administration	218	170
Operations	1,098	870
	<u>1,790</u>	<u>1,415</u>

5. Directors' Emoluments

The aggregate amount of emoluments paid to directors of the company consisted of:

	2001 £000's	2000 £000's
Directors' emoluments (excluding pension fund contributions)	1,335	1,316
Pension fund contributions	56	71
Compensation for loss of office	-	203
	<u>1,391</u>	<u>1,590</u>

The highest paid director's emoluments, including pension fund contribution, totalled £449,000 (2000 - £427,000). The highest paid director did not exercise his stock options in the ultimate parent company during the accounting period.

Three directors are members of the defined benefit pension scheme in the UK (2000: three). The other directors are either non-executive directors or directors based in the USA.

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Notes to the Financial Statements (continued)

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Group	
	2001 £000's	2000 £000's
Operating Lease Rentals		
Land and Buildings	6,060	5,540
Motor Vehicles	808	921
Interest payable in respect of subordinated liabilities	5,226	5,953
Depreciation and goodwill amortisation charge for the year:		
Amortisation of goodwill	1,153	1,153
Tangible fixed assets	33,286	36,349

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Auditors Remuneration:				
Fees in respect of audit work	373	354	283	269
Fees in respect of non-audit work	40	80	40	60
	413	434	323	329

7. Taxation on profit on ordinary activities

	Group	
	2001 £000's	2000 £000's
UK Corporation Tax @ 30%		
- current	26,033	21,212
- deferred	-	(394)
Overseas Tax		
- current	6,354	3,713
Double tax relief	(4,480)	(3,713)
Under/(over) provision in respect of prior years		
- current	7,103	2,455
	35,010	23,273

The current years taxation is higher than the prima-facie amount due to an under accrual in the previous year.

8. Loans and advances to banks

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Repayable on demand	11,933	13,988	9,780	4,467

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

9. Loans and advances to customers

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Secured loans	554,514	422,552	540,545	407,348
Unsecured loans	763,000	674,794	726,476	653,280
Finance leases	114,826	376,927	26	4,239
Hire purchase loans	310,759	125,529	24,369	12,392
Credit cards	575,122	474,868	575,122	474,868
Total gross receivables	2,318,221	2,074,670	1,866,538	1,552,127
Unearned income	(107,074)	(136,855)	(57,167)	(73,534)
Provisions for bad and doubtful debts (Note 23)	(63,870)	(79,623)	(54,823)	(67,898)
Total loans and advances to customers	2,147,277	1,858,192	1,754,548	1,410,695

Remaining maturity of gross receivables is as follows:

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Repayable on demand	16,156	44,325	14,643	33,075
Repayable in not more than three months	250,489	228,233	139,929	171,928
Repayable in more than three months but less than one year	450,656	435,012	350,394	327,843
Repayable in more than one year but less than five years	1,165,421	989,868	961,757	736,468
Repayable in more than five years	435,499	377,232	399,815	282,813
	2,318,221	2,074,670	1,866,538	1,552,127

10. Loans to parent and fellow group undertakings

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Repayable in more than three months but less than one year	106,786	48,145	452,539	254,131

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

11. Intangible fixed assets

	Purchased Goodwill £000's
Cost:	
At 1 January 2001	22,228
Additions (Refer note 12)	666
At 31 December 2001	<u>22,894</u>
Amortisation:	
At 1 January 2001	1,748
Charge for year	1,153
At 31 December 2001	<u>2,901</u>
Net Book Value at 31 December 2001	<u>19,993</u>
Net Book Value at 31 December 2000	<u>20,480</u>

Goodwill relates to the acquisition of CitiCapital Fleet Ltd (previously called Associates Fleet Services Ltd) in 1999.

Goodwill is being amortised on a straight line basis over the remaining useful economic life of 18 years.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

12. Shares in group undertakings

Investments

The Company's investments in the share capital of subsidiary undertakings comprised:

	2001 £'000's	2000 £'000's
At 1 January	196,749	196,749
Acquisition of Castle Loss Adjusters Ltd	1,157	-
Additional cost of investment of Citicapital Fleet Ltd	666	-
Repayment of capital contribution by Associates Commercial Corporation Ltd	(121,826)	-
At 31 December	76,746	196,749

Details of principal subsidiary undertakings held at 31 December 2001 are as follows:

a) Companies registered in England & Wales and operating in the UK

Name of Company		No of Shares	Unit Value	% Equity Held	Nature of Business
Associates Commercial Corporation Ltd	Ordinary	990,000,000	1p	100	Asset Finance
	Deferred	100,000	£1	100	
CitiCapital Fleet Ltd	Ordinary	1,000,000	£1	100	Fleet Leasing
Associates Print Ltd	Ordinary	2	£1	100	Printing
Castle Loss Adjusters Ltd	Ordinary	2	£2	100	Insurance

b) Companies incorporated and operating outside the UK

		No of Shares	Unit Value	% Equity Held	Nature of Business	Country of Incorporation
CitiCapital Locavia SA	Ordinary	3,047,877	FF25	100	Asset Finance	France
Steeple Finance Ltd	Ordinary	100,000	£1	100	Asset Finance	Jersey
Associates Capital (Guernsey) Ltd	Ordinary	10,000	£1	100	Asset Finance	Guernsey
Associates (Isle of Man) Ltd	Ordinary	2	£1	100	Asset Finance	Isle of Man
Prestige Property Company Ltd	Ordinary	7	£1	100	Property	Guernsey

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

12. Shares in group undertakings (continued)

On 30 November 2001, the company acquired 100% of the issued share capital of Castle Loss Adjusters Limited for cash consideration of £1,156,561. The book and fair value of the assets and liabilities at acquisition are shown below:

	Book and fair value at 30 November 2001 £'000
Intercompany loans receivable	1,892
Other assets	8
Other liabilities	(743)
Net assets acquired and consideration	1,157

On 8 February 2001, the company paid contingent consideration of £666,000 for CitiCapital Fleet Ltd.

Shares in group undertakings are held by the company and are unlisted. All subsidiaries are included in the consolidation and have an accounting reference date of 31 December.

The directors consider that the aggregate value of the company's investments in each of its subsidiary undertakings is not less than the amount at which they are stated in the accounts.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

13. Tangible fixed assets

a) Group

	Freehold Buildings	Short Leasehold Improvements	Furniture & Fittings	Motor Vehicles	Operating Lease Assets	Computer Equipment	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost							
At 1 January							
2001	688	5,946	7,412	522	159,423	8,647	182,638
Additions	78	1,039	149	-	44,251	2,983	48,500
Transfers to other assets	-	-	-	-	(4,303)	-	(4,303)
Disposals	-	(65)	(815)	(114)	(38,536)	(118)	(39,648)
Total	766	6,920	6,746	408	160,835	11,512	187,187
Depreciation							
At 1 January							
2001	255	2,532	4,644	352	51,088	5,128	63,999
Charge for year	65	914	823	25	29,048	2,411	33,286
Transfers to other assets	-	-	-	-	2,427	-	2,427
Disposals	-	(9)	(401)	(82)	(25,165)	(118)	(25,775)
Total	320	3,437	5,066	295	57,398	7,421	73,937
Net book value at 31 December 2001	446	3,483	1,680	113	103,437	4,091	113,250
Net book value at 1 January 2001	433	3,414	2,768	170	108,335	3,519	118,639

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

13. Tangible fixed assets (continued)

b) Company

	Land and Buildings £000's	Short Leasehold Improvements £000's	Furniture, & Fittings £000's	Motor Vehicles £000's	Computer Equipment £000's	Total £000's
Cost						
At 1 January 2001	-	5,817	6,365	241	7,918	20,341
Additions	58	1,038	507	-	3,246	4,849
Disposals	-	(18)	(403)	(22)	(454)	(897)
Total	58	6,837	6,469	219	10,710	24,293
Depreciation						
At 1 January 2001	-	2,446	4,154	214	4,797	11,611
Charge for year	1	903	736	18	2,318	3,976
Disposals	-	(18)	(73)	(17)	(222)	(330)
Total	1	3,331	4,817	215	6,893	15,257
Net Book Value at 31 December 2001	57	3,506	1,652	4	3,817	9,036
Net Book Value at 1 January 2001	-	3,371	2,211	27	3,121	8,730

Residual Values

The following table sets out the maturity of the group's unguaranteed residual values of assets leased to customers:

Recoverable	Operating Leases £'000	Finance leases £'000	Total £'000
Within 1 year	21,536	4,072	25,608
Between 1-2 years	20,511	4,674	25,185
Between 2-5 years	16,670	15,269	31,939
Greater than 5 years	-	2,008	2,008
Total	58,717	26,023	84,740

Regular reviews are made of residual values in the light of available market data and provisions are made in respect of leases where ultimate recovery is in doubt.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

14. Other Assets

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Deferred broker commissions	16,253	7,448	13,421	7,448
Other debtors	31,513	16,912	17,349	198
	<u>47,766</u>	<u>24,360</u>	<u>30,770</u>	<u>7,646</u>

15. Funding Liabilities

Deposits by banks

The remaining maturity on liabilities is as follows:

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Repayable on demand	28,326	7,107	29,131	6,911
Repayable in not more than three months	10,000	213	10,000	213
Repayable in more than three months but less than one year	25,000	35,000	25,000	35,000
Repayable in more than one year but less than five years	-	40,000	-	40,000
	<u>63,326</u>	<u>82,320</u>	<u>64,131</u>	<u>82,124</u>

Amounts due to parent and fellow group undertakings:

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Repayable on demand	68,452	13,247	78,131	16,443
Repayable in not more than three months	901,413	820,206	828,707	661,210
Repayable in more than three months but less than one year	88,000	-	88,000	-
Repayable in more than one year but less than five years	282,516	-	269,437	-
	<u>1,340,381</u>	<u>833,453</u>	<u>1,264,275</u>	<u>677,653</u>

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

15. Funding Liabilities (continued)

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Repayable in not more than three months	-	205,000	-	205,000
Repayable in more than three months but less than one year	150,000	-	150,000	-
Repayable in more than one year but less than five years	350,000	500,000	350,000	500,000
	500,000	705,000	500,000	705,000

The debt securities in issue are guaranteed by Citigroup Inc.

Total Debt

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Short Term Debt (less than one year)	1,271,191	1,080,773	1,208,969	924,777
Long Term Debt (more than one year)	632,516	540,000	619,437	540,000
	1,903,707	1,620,773	1,828,406	1,464,777

a) Short Term Debt

Group and company short term debt includes the current portion of long term fixed rate borrowings originally drawn for one to five years and amounting to £35,000,000 (2000: £35,000,000).

Also included in this category is commercial paper issuance of £Nil (2000: £205,000,000).

b) Long Term Debt

Group and company long-term debt includes all borrowings with remaining maturities in excess of one year. £150,000,000 is borrowed under guaranteed floating rate notes which mature in 2003, and £200,000,000 is borrowed under guaranteed floating rate notes which mature in 2004.

Intercompany borrowings include £336,969,000 (2000: £833,453,000) borrowed under a committed facility which is extended annually unless otherwise advised. The current facility expires 30 December 2004.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

16. Other Liabilities

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Corporation Tax Payable	25,568	16,440	17,155	10,265
Security Deposits	6,269	5,324	-	-
Other payables	-	3,253	-	3,253
	31,837	25,017	17,155	13,518

17. Provisions for Liabilities and charges

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Deferred Tax	-	-	(110)	(318)

Deferred taxation is provided in the accounts at the rates of tax expected to be in force when the liability is likely to crystallise (2001: 30% and 2000: 30%). The potential amounts, including the amount for which provision has been made are as follows:

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Capital allowances in advance of depreciation	(7,082)	(4,112)	147	965
Other timing differences	(4,208)	(6,701)	(4,318)	(5,506)
	(11,290)	(10,813)	(4,171)	(4,541)
Amounts provided:				
As at 1 January 2001	-	-	(318)	-
Net movement	-	-	208	(318)
As at 31 December 2001	-	-	(110)	(318)

The deferred tax asset of £110,000 (2000: £318,000) is included within other assets and relates to other timing differences.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

18. Subordinated Liabilities

The group and the company have subordinated liabilities due to AFC-BV, a financing parent undertaking as follows:

	Group and Company	
	2001	2000
	£000's	£000's
Variable rate note, denominated in Euro -undated	18,202	18,662
Variable rate note, denominated in Sterling - undated	75,667	75,667
Total subordinated liabilities	93,869	94,329

All liabilities are repayable on demand, subject to the prior agreement of the Financial Services Authority.

19. Share Capital

	Group and Company	
	2001	2000
	£000's	£000's
Ordinary shares of £1 each		
Authorised	300,500	300,500
Issued and fully paid	279,103	279,103

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

20. Shareholders' funds

Group

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds	Total shareholders' funds
	2001 £'000	2001 £'000	2001 £'000	2001 £'000	2000 £'000
At 1 January	279,103	3,641	37,986	320,730	457,035
Foreign exchange adjustments	-	-	(1,253)	(1,253)	131
Profit for the financial year	-	-	40,262	40,262	23,564
Dividends paid	-	-	-	-	(160,000)
At 31 December 2001	279,103	3,641	76,995	359,739	320,730

Company

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds	Total shareholders' funds
	2001 £'000	2001 £'000	2001 £'000	2001 £'000	2000 £'000
At 1 January	279,103	3,641	25,720	308,464	453,324
Foreign exchange adjustments	-	-	(818)	(818)	-
Profit for the financial year	-	-	44,872	44,872	15,140
Dividends paid	-	-	-	-	(160,000)
At 31 December 2001	279,103	3,641	69,774	352,518	308,464

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

21. Contingent Liabilities and Commitments

(a) Contingent liabilities at the year end

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Guarantees and amounts pledged on collateral	-	-	1,122	2,657

(b) Commitments at the year end

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Capital commitments – authorised and contracted for	929	204	929	181
Other commitments – unutilised formal credit lines	975,003	981,952	975,003	981,952
Total commitments	975,932	982,156	975,932	982,133

22. Operating lease commitments

At 31 December, the annual commitments under non-cancelable operating leases were as follows:

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
i) Land and Buildings				
Terminating within one year	265	154	265	103
Terminating after one year but within five years	1,437	2,058	1,278	1,818
Terminating after five years	2,337	2,080	2,012	2,006
Total	4,039	4,292	3,555	3,927
ii) Other				
Commitments expiring within one year	96	117	637	117
Commitments expiring within two to three years	20	531	284	500
Commitments expiring within three to five years	-	26	-	26
Total	116	674	921	643
Total operating lease commitments	4,155	4,966	4,476	4,570

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

23. Provisions for bad and doubtful debts

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
<i>Loans and advances to customers:</i>				
Balance as at 1 January	79,623	58,675	67,898	55,700
Profit and loss charge	87,432	96,924	68,257	89,431
Amounts written off	(122,491)	(92,171)	(99,811)	(92,566)
Amount recovered in respect of amounts previously written off	19,306	16,195	18,479	15,333
Balance at 31 December 2001	63,870	79,623	54,823	67,898

The total advances on which interest has been suspended are as follows:

Gross receivables	78,453	49,262	60,347	39,105
Net receivables	40,687	49,262	33,896	39,105

During the year the basis of estimation for the provision for bad and doubtful debts on consumer loans was changed from a portfolio percentage to a provision based on known loss probabilities applied to portfolio delinquency. The change resulted in a reduction of £16.6 million in the provision. The directors consider that the new basis provides a more reliable estimate of losses.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

24. Interest rate sensitivity gap for the non-trading book

The tables that follow represent the interest bearing assets and liabilities on a contractual basis, allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date. A positive gap position tends to benefit net interest income in times of increasing interest rates. However, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rate sensitivity within pricing periods and among currencies.

Group

As at 31 December 2001

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non- interest bearing	Total
	£m	£m	£m	£m	£m	£m	£m
Assets:							
Loans & advances to banks	12	-	-	1	-	-	13
Loans & advances to customers	1,044	102	188	689	231	-	2,254
Non-interest earning assets	-	-	-	-	-	200	200
Total assets	1,056	102	188	690	231	200	2,467
Liabilities:							
Deposits by banks	38	5	20	-	-	-	63
Loans due to parent and fellow group undertakings	1,184	30	89	36	-	-	1,339
Debt securities in issue	500	-	-	-	-	-	500
Subordinated liabilities	94	-	-	-	-	-	94
Interest free liabilities	-	-	-	-	-	124	124
Shareholders' funds	-	-	-	-	-	347	347
Total liabilities	1,816	35	109	36	-	471	2,467
Net interest rate swaps	(500)	150	-	350	-	-	-
Interest rate sensitivity gap	(252)	(83)	79	304	231	-	-
Cumulative gap	(252)	(335)	(256)	48	279	-	-

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

24. Interest rate sensitivity gap for the non-trading book (continued)

Group

As at 31 December 2000

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non- interest bearing	Total
	£m	£m	£m	£m	£m	£m	£m
Assets:							
Loans & advances to banks	14	-	-	1	-	-	15
Loans & advances to customers	887	107	167	532	213	-	1,906
Other	-	-	-	-	-	202	202
Total assets	901	107	167	533	213	202	2,123
Liabilities:							
Deposits by banks	7	-	35	40	-	-	82
Loans due to parent and fellow group undertakings	820	-	-	-	-	13	833
Debt securities in issue	705	-	-	-	-	-	705
Subordinated liabilities	94	-	-	-	-	-	94
Other	-	-	-	-	-	88	88
Shareholders' funds	-	-	-	-	-	321	321
Total liabilities	1,626	-	35	40	-	422	2,123
Net interest rate swaps	(500)	-	-	500	-	-	-
Interest rate sensitivity gap	(237)	107	132	(7)	213		
Cumulative gap	(237)	(130)	2	(5)	208		

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

25. Assets and liabilities in foreign currencies

	Group		Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
Assets				
Sterling	1,974	1,737	1,963	1,643
Other	493	376	388	278
	<u>2,467</u>	<u>2,113</u>	<u>2,351</u>	<u>1,921</u>
Liabilities				
Sterling	1,958	1,740	1,946	1,645
Other	509	373	405	276
	<u>2,467</u>	<u>2,113</u>	<u>2,351</u>	<u>1,921</u>

The company and group hedged all foreign currency borrowings so as to minimise foreign exchange risk, to the extent that they are not used to finance foreign currency assets.

Non-trading book currency risk exposure arises principally out of the group's investment in overseas activities principally in Europe. There are no significant transactional foreign currency exposures in the non-trading book.

The Group's structural currency exposures as at 31 December 2001 were as follows:

Net investments in overseas operations

Functional Currency of the operating involved	Net investment in overseas operations	Borrowings taken out in the functional currency of the overseas operations	Remaining structural currency exposure
	£'000	£'000	£'000
Euro	18,443	18,202	241

26. Fair value of financial instruments

Non- trading book interest rate swaps	2001 £m	2000 £m
Notional principal	500	500
Year-end positive fair value	-	-
Year-end negative fair value	6.7	1.5

The fair value of debt securities issued is not materially different from the book value.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

27. Hedging instruments

Gains and losses on derivatives used for hedging are recognised in line with the underlying hedged items.

Of the losses £4.4 million is expected to be recognised in the year ending 31 December 2002 and £2.3 million in subsequent years.

The gains included in the reporting period's profit and loss account that arose from interest rate swaps amounted to nil (2000 gains: £0.6 million).

28. Pensions

The group operates two pension schemes:

- a) Associates Pension Plan (comprising a defined contribution scheme and a defined benefit scheme)
- b) Associates (AVCO) United Kingdom Pension and Life Assurance Scheme (defined benefit scheme)

All new members join the defined contribution scheme. Neither of the defined benefit schemes has accepted new members during the year.

The group pension cost for the year was £2,447,017 (2000 - £1,719,794). In addition the group meets the running expenses of the schemes and the cost of insurance for the lump sum death in service benefit.

The funding policy is to contribute fixed amounts to be invested in the defined contribution scheme and, on the advice of the actuary, to contribute such variable amounts to the defined benefit schemes as will achieve a 100% funding level on a projected salary basis.

Associates Capital Corporation plc

Notes to the Financial Statements (continued)

28. Pensions (continued)

Additional disclosures in accordance with Financial Reporting Standard 17.

	Associates Pension Plan (defined benefit scheme)	Associates (AVCO) United Kingdom Pension and Life Assurance Scheme(defined benefit scheme)
Date of most recent full actuarial valuation	6 April 1999	31 March 1998
Date of valuation for accounting disclosure	6 April 2001	31 March 2001
Actuarial assumptions		
Rate of increase in salaries	3.50%	3.50%
Rate of increase in pensions in payment	2.00%	2.00%
Discount rate	5.75%	5.75%
Inflation assumption	2.00%	2.00%
	<u>£'000</u>	<u>£'000</u>
Group contribution for the year	719	899
Assets in the scheme		
Equities	6,536	18,470
Bonds	1,149	1,564
Other	689	44
	<u>8,374</u>	<u>20,078</u>
Present value of scheme liabilities	(8,796)	(23,264)
Deficit in the scheme	<u>(422)</u>	<u>(3,186)</u>

It is intended that the deficit in both schemes will be eliminated through increased contributions over a period of time to be agreed between the company and the trustees.

29. Ultimate holding company

The company's ultimate parent company is Citigroup Inc., which is incorporated in the United States of America. Citigroup Inc., is the largest group in which the results of Associates Capital Corporation Plc are included. Copies of these group accounts are available to the public and can be obtained from their offices at 399 Park Avenue, New York, New York 10043, United States of America.

The smallest group in which the results of the accounts are consolidated is that headed by Associates First Capital Limited. Copies of these group accounts are available to the public and may be obtained from its offices at 87 Castle Street, Reading, RG1 7DX, United Kingdom.