

ASSETFINANCE MARCH (D) LIMITED

FINANCIAL STATEMENTS

31 MARCH 2003



ASSETFINANCE MARCH (D) LIMITED

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ASSETFINANCE MARCH (D) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003

Principal activities

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

Results and dividends

The Company's results for the year under review are as detailed in the statement of profit and loss shown in these accounts.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2003 (2002: nil).

Directors

The directors who served during the year were as follows:

Name	Appointed	Resigned
B Carney		30 December 2002
W F Devenish		
D W Gilman		
T V Holmes		30 December 2002
C R Kell	30 December 2002	
R D Lane	30 December 2002	
G E Picken		30 December 2002

Directors' interests

The Directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, together with details of share options granted and exercised, as required to be disclosed under the Companies Act 1985 are disclosed in the financial statements of other group undertakings.

Supplier payment policy

The Company subscribes to the Better Payment Practice Code, the four principles of which are: to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier or as required by law; and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the Code is available from: The Department of Trade and Industry, No. 1 Victoria Street, London SW1H 0ET.

During the year, the Company only received goods and services from group undertakings. Part VI of Schedule 7 of the Companies Act 1985, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable.

ASSETFINANCE MARCH (D) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003

(CONTINUED)

Statement of directors' responsibilities in relation to 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 these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

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 at any time 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.

By order of the Board



M V Pearce
Secretary

01 SEP 2003

Registered Office:
8 Canada Square
London
E14 5HQ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASSETFINANCE MARCH (D) LIMITED

We have audited the financial statements on pages 4 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' report and, as described on page 2, 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 Company is not disclosed.

Basis of Audit Opinion

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

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

Opinion

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

KPMG Audit Plc

9/9/03

KPMG Audit Plc
Chartered Accountants
Registered Auditor
2 Cornwall Street
Birmingham
B3 2DL

ASSETFINANCE MARCH (D) LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH
2003

	Note	<u>2003</u> £	<u>2002</u> £
Turnover		365,926	330,897
Cost of sales		<u>(72,706)</u>	<u>(43,296)</u>
Gross Profit		293,220	287,601
Administrative expenses	3	(123,383)	(34,082)
Interest payable	4	<u>(60,538)</u>	<u>(139,429)</u>
<u>Profit on ordinary activities before taxation</u>		109,299	114,090
Tax credit/(charge) on profit on ordinary activities	5	<u>390,645</u>	<u>(34,227)</u>
<u>Profit on ordinary activities after taxation</u> <u>and retained for the financial year</u>		499,944	79,863
Accumulated losses brought forward		(7,297,358)	(7,377,221)
Accumulated losses carried forward		<u>(6,797,414)</u>	<u>(7,297,358)</u>

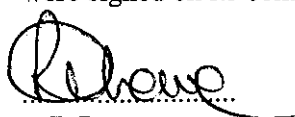
There were no acquisitions and no discontinued operations during the year.

There have been no other recognised gains or losses other than the profit for the financial year as stated above.

ASSETFINANCE MARCH (D) LIMITED
BALANCE SHEET AS AT 31 MARCH 2003

	Note	<u>2003</u> £	<u>2002</u> £
Fixed assets			
Tangible fixed assets	6	<u>163,134</u>	<u>239,128</u>
Current assets			
Debtors: amounts falling due within one year:			
Lease agreements	8	210,909	1,499,819
Debtors: amounts falling due after more than one year:			
Lease agreements	8	<u>532,320</u>	<u>816,680</u>
		<u>743,229</u>	<u>2,316,499</u>
Creditors: amounts falling due within one year:			
Amounts owed to parent undertakings		7,216,777	9,066,435
Value added tax		155,371	117,286
Accruals and deferred income		<u>7,150</u>	<u>33,516</u>
		<u>7,379,298</u>	<u>9,217,237</u>
Net current liabilities		<u>(6,636,069)</u>	<u>(6,900,738)</u>
Total assets less current liabilities		<u>(6,472,935)</u>	<u>(6,661,610)</u>
Provisions for liabilities and charges	9	<u>324,477</u>	<u>635,746</u>
NET LIABILITIES		<u>(6,797,412)</u>	<u>(7,297,356)</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account - deficit		<u>(6,797,414)</u>	<u>(7,297,358)</u>
		<u>(6,797,412)</u>	<u>(7,297,356)</u>

These financial statements were approved by the Board of Directors on **01 SEP 2003** and were signed on its behalf by:



R D Lane
Director

ASSETFINANCE MARCH (D) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

a) Basis of Preparation

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

In accordance with Financial Reporting Standard Number 1 "Cash Flow Statements", no cash flow statement is presented as all voting rights are controlled by HSBC Holdings plc which publishes such a statement in its own publicly available accounts.

The Company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard Number 8 "Related Party Disclosures" and has not disclosed details of transactions with entities that are part of the HSBC Group or with investees of that Group qualifying as related parties.

The Company has complied with the Statement of Recommended Practice on Accounting Issues in the Asset Finance and Leasing Industry, issued by the Finance & Leasing Association.

The principal activity of the Company is the provision of leasing services for commercial and industrial customers in the public and private sectors.

The principal risk of the Company is residual value risk, which arises in relation to a leasing transaction to the extent that the actual value of the leased asset at the end of the lease term (the residual value) recovered through disposing of or re-letting the asset at the end of the lease term, could be different to that projected at the time that the lease inception. Residual value exposure is regularly monitored by the business through reviewing the recoverability of the residual value projected at lease inception. Provision is made in accordance with Financial Reporting Statement number 11 to the extent that the carrying value of assets is impaired through residual values not being fully recoverable.

b) Income Release

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 and provision for reduced future rentals.

ASSETFINANCE MARCH (D) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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 values. 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.

d) Tangible Fixed Assets and Depreciation

Fleet vehicles are depreciated over the period of the relevant hirer's rental contract to an estimated residual value on an actuarial basis to reflect the interest expense to the Company. This depreciation charge is included within cost of sales in the profit and loss account.

e) Deferred Taxation

Deferred taxation is recognised in full on timing differences between the accounting and taxation treatment of income and expenditure, subject to recoverability of deferred tax assets. Deferred tax balances are not discounted.

f) Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from finance leases and operating leases. This business is operated entirely within the United Kingdom.

2. ACCUMULATED LOSSES

The accumulated losses being greater than the called up share capital gives rise to there being an excess of liabilities over assets. The financial statements have been prepared under the going concern concept because the parent undertaking has agreed to provide adequate funding for the Company to meet its liabilities as they fall due.

3. ADMINISTRATIVE EXPENSES

Administrative expenses include movements in bad debt provisions and £10,960 (2002: £35,017) in respect of group management charges. The Directors made no charge for their services. Audit fees are borne by another group undertaking.

4. INTEREST PAYABLE

All interest payable was due to parent undertakings and includes £169 (2002: £1,488) in respect of finance lease charges.

ASSETFINANCE MARCH (D) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

5. **TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

The (credit)/charge for taxation comprises:	<u>2003</u>	<u>2002</u>
	£	£
Group relief payable/(receivable)		
- current tax on income for the year	344,059	423,504
- reduced group relief payable in respect of prior years	(423,435)	-
Total current tax	(79,376)	423,504
Deferred taxation		
- Origination/reversal of timing differences (note 9)	(311,269)	(389,277)
Total tax (credit)/charge on profit on ordinary activities	(390,645)	34,227

The current tax (credit)/charge for the year is higher than (2002: higher than) the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	<u>2003</u>	<u>2002</u>
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	109,299	114,090
Expected current tax at 30% (2002: 30%)	32,790	34,227
Effects of:		
Leasing transactions timing differences	311,269	389,277
Reduced group relief payable in respect of prior years	(423,435)	-
Total current tax credit (see above)	(79,376)	423,504

Leasing transactions timing differences relate principally to accelerated capital allowances.

ASSETFINANCE MARCH (D) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

6. **TANGIBLE FIXED ASSETS**

Operating lease assets

<u>Cost</u>	£
At 1 April 2002 and 31 March 2003	572,607

<u>Depreciation</u>	
At 1 April 2002	333,479
Charge for the year	75,994

At 31 March 2003	409,473

Net book value at 31 March 2003	163,134

Net book value at 31 March 2002	239,128

7. **RESIDUAL VALUES**

Included in Tangible Fixed Assets and Leasing Debtors are residual values at the end of current lease terms, which will be recovered through sale or re-letting in the following periods:

	<u>2003</u>		<u>2002</u>	
	Operating <u>leases</u>	Finance <u>leases</u>	Operating <u>leases</u>	Finance <u>leases</u>
	£	£	£	£
Within 1 year	-	298,700	-	232,663
Between 1-2 years	46,381	-	-	70,878
Between 2-5 years	-	55,390	43,186	186,967
More than 5 years	-	-	-	-
	-----	-----	-----	-----
Total exposure	46,381	354,090	43,186	490,508
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8. **DEBTORS**

Lease agreements:

Aggregate finance lease rentals receivable in the financial year were £453,621 (2002: £1,592,891).

Aggregate operating lease rentals receivable in the financial year were £94,021 (2002: £114,613).

ASSETFINANCE MARCH (D) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

9. **PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation £
Leasing transactions timing differences:	
As at 1 April 2002	635,746
Transfer to profit and loss account	(311,269)

As at 31 March 2003	324,477

Leasing transactions timing differences relate principally to accelerated capital allowances.

10. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>2003</u> £	<u>2002</u> £
Profit on ordinary activities after taxation and retained for the financial year	499,944	79,863
Opening shareholders' funds - deficit	(7,297,356)	(7,377,219)
	-----	-----
Closing shareholders' funds - deficit	(6,797,412)	(7,297,356)
	-----	-----

Shareholders' funds are wholly attributable to equity shareholders.

11. **SHARE CAPITAL**

	<u>2003</u> £	<u>2002</u> £
Authorised		
100 Ordinary shares of £1 each	100	100
	-----	-----
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2
	-----	-----

ASSETFINANCE MARCH (D) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

12. PARENT UNDERTAKINGS

The ultimate parent undertaking (which is the ultimate controlling party) and 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 HSBC Bank plc. The immediate holding company is Assetfinance Limited. The result of the Company is included in the group financial statements of HSBC Bank plc and HSBC Holdings plc.

Copies of the group financial statements may be obtained from the following addresses:

HSBC Bank plc
8 Canada Square
London
E14 5HQ

HSBC Holdings plc
8 Canada Sqaure
London
E14 5HQ