

Registered Number 1524344

MIDLAND MONTAGU LEASING (GB) LIMITED

FINANCIAL STATEMENTS

31 MARCH 1995



MIDLAND MONTAGU LEASING (GB) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1995

PROFIT AND APPROPRIATIONS

The profit for the year after taxation amounted to: £428,871
Interim dividend payable on 31 August 1995 £428,871

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 and industrial customers in the public and private sectors. No change in the Company's activities is anticipated.

DIRECTORS

Mr E P Lester resigned as a director of the Company on 29 April 1994.

Mr P C Aldridge was appointed a director of the Company on 3 May 1994.

The directors of the Company who held office at 31 March 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:-

	at 1 April 1994 (or date of appointment, if later)			at 31 March 1995		
	Shares	Options	Bonds	Shares	Options	Bonds
I J Browne	2,330	-	-	2,402	983	-
G W Evans	3,378	2,500	-	3,528	3,998	-
D W Gilman	740	23,210	-	764	28,645	-
G E Picken	3,287	56,654	-	3,431	65,168	-
P C Aldridge (appt 3.5.94)	583	-	315	602	-	315

The death of I J Browne on 4 April 1995 was noted with regret.

Options were adjusted during the year following the payment by HSBC Holdings plc of an enhanced scrip alternative to their 1993 final dividend. Options at 1 April 1994 have not been restated.

MIDLAND MONTAGU LEASING (GB) LIMITED

During the year options over shares were granted as follows:

	<u>Granted</u>
I J Browne	983
G W Evans	1,476
D W Gilman	5,226
G E Picken	8,000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' statement of their 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 a 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.

AUDITORS

On 6 February 1995, the Company's auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name.

Registered Office:

145 City Road
London
EC1V 1JY

Date :

29 AUG 1995

By Order of the Board

.....
J H McKenzie
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF MIDLAND MONTAGU LEASING (GB) LIMITED

We have audited the financial statements on pages 4 to 9.

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 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPAV

29/8/95

KPMG
Chartered Accountants
Registered Auditors

Birmingham

MIDLAND MONTAGU LEASING (GB) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1995

	Notes	1995 £	1994 £
Turnover		1,483,141	1,599,436
Administrative expenses	2	(73,447)	(57,617)
Interest receivable	3	36	43
Interest payable	3	(745,648)	(981,023)
		-----	-----
<u>Profit on ordinary activities before taxation</u>		664,082	560,839
Taxation (charge)/credit on profit on ordinary activities	4	(235,211)	235,358
		-----	-----
<u>Profit on ordinary activities after taxation</u>		428,871	796,197
Dividend	5	(428,871)	(796,197)
		-----	-----
Retained for the financial year		-	-
Reserves brought forward at 1 April		-	-
		-----	-----
Reserves carried forward at 31 March		-	-
		-----	-----

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

MIDLAND MONTAGU LEASING (GB) LIMITED

BALANCE SHEET AS AT 31 MARCH 1995

	Notes	1995 £	1994 £
CURRENT ASSETS			
<u>Debtors</u>			
Amounts falling due within one year:	6		
Lease agreements		3,328,015	3,255,533
Amounts owed by parent undertakings		8,131	-
		-----	-----
Amounts falling due after more than one year:		3,336,146	3,255,533
Lease agreements		14,630,641	19,413,536
		-----	-----
		17,966,787	22,669,069
CREDITORS: amounts falling due within one year			
Amounts owed to parent undertakings		15,362,173	19,152,801
Proposed dividend	5	428,871	796,197
Value added tax		14,623	15,668
		-----	-----
		15,805,667	19,964,666
TOTAL ASSETS LESS CURRENT LIABILITIES		2,161,120	2,704,403
PROVISIONS FOR LIABILITIES AND CHARGES	7	2,161,118	2,704,401
		-----	-----
		2	2
CAPITAL AND RESERVES		-----	-----
<u>Called up share capital</u>	9	2	2
		-----	-----
		2	2
		-----	-----

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

.....
D W Gilman
Director

29 AUG 1995

MIDLAND MONTAGU LEASING (GB) 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 in accordance with applicable accounting standards.

In accordance with the provisions of Financial Reporting Standard number 1, the Company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary 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, tax credit equalisation and grant equalisation.

ii) Regional Development Grants

Grants are released to the profit and loss account through an equalisation account in accordance with the income policy for leasing. The release to the profit and loss account is grossed up for the rate of corporation tax attributable to the company's accounting period.

iii) Tax Credit Equalisation

Since rates for leasing in the UK 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 tax credit, 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. The effect has also been equalised by applying a notional tax charge in the profit and loss account to determine the amounts reflected as income.

c) Taxation

The credit for taxation is based on the result for the year and recognises deferred taxation, calculated on the liability method, to the extent that it is considered that a liability will crystallise. 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.

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NOTES ON THE FINANCIAL STATEMENTS

2 ADMINISTRATIVE EXPENSES

Administrative expenses include £63,947 (1994 £57,617) in respect of group management charges.

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

The Company has no employees.

3 INTEREST RECEIVABLE/(PAYABLE)

All interest receivable/(payable) was due from/(to) parent undertakings.

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge/(credit) for taxation comprises:	1995	1994
	£	£
Group relief payable		
- current year @ 33% (1994 33%)	1,563,963	1,257,156
Discount on purchase of group relief	-	(6,683)
Deferred taxation		
- current year	(1,330,783)	(1,488,745)
Notional tax charge on tax credit equalisation release	2,031	2,914
	-----	-----
	235,211	(235,358)
	-----	-----

For the year ended 31 March 1995, the impact of reassessing the value of advance corporation tax offset within deferred tax as set out in note 7 has been to increase the deferred tax credit by £455,332 (1994 £790,000).

5 DIVIDEND

	1995	1994
	£	£
Proposed dividend	428,871	796,197
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NOTES ON THE FINANCIAL STATEMENTS

6. DEBTORS

Lease agreements

The balances outstanding on lease agreements, all of which are finance leases, are stated after deducting unearned charges of £2,419,869 (1994 £4,277,639) and a provision of £1,787 (1994 £5,912) in respect of tax credit equalisation.

Aggregate lease rentals receivable in the financial year were £5,469,857 (1994 £5,000,335).

7. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided	£
Balance at 1 April 1994	2,704,401
Advance corporation tax utilised against corporation tax liability	787,500
Transfer to profit and loss account	(1,330,783)
Balance at 31 March 1995	2,161,118

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

	1995 £	1994 £
Leasing transactions	3,916,950	4,792,401
Advance corporation tax recoverable	(1,755,832)	(2,088,000)
	2,161,118	2,704,401

Potential deferred taxation not provided:

	1995 £	1994 £
Leasing transactions	2,109,127	2,580,523
Advance corporation tax recoverable	(253,668)	(709,000)
	1,855,459	1,871,523

The Company has made arrangements with its parent undertaking for the surrender of advance corporation tax. Potential deferred tax includes the excess of the recoverable value over the value of ACT reflected within the balance sheet. The directors regularly review the value of ACT offset within deferred tax and the assumptions implicit therein being principally the projected timing of utilisation of the ACT and future interest rates.

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NOTES ON THE FINANCIAL STATEMENTS

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Profit on ordinary activities after taxation	428,871	796,197
Dividend	(428,871)	(796,197)
Retained for the financial year and net transfer to shareholders' funds	-	-
Opening shareholders' funds	2	2
Closing shareholders' funds	2	2

9. SHARE CAPITAL

	1995 Authorised	1994 Allotted, called up and fully paid
Ordinary shares of £1 each	100	2

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 smaller 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