

**CNH CAPITAL EUROPE LTD**

**REPORT OF THE DIRECTORS**  
**AND FINANCIAL STATEMENTS**

**FOR THE YEAR**  
**ENDED 31 DECEMBER 2003**

**COMPANY NO 3420615**



**CNH CAPITAL EUROPE LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2003.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The company is a wholly owned subsidiary of CNH Capital Europe SAS, a joint venture between BNP Paribas Lease Group SA and CNH Global NV in order to provide retail and stocking finance to the customer base and dealer network of the CNH group within the UK. The company has traded successfully in its chosen market and is expected to continue to do so.

**RESULTS AND DIVIDEND**

The profit and loss account for the year ended 31 December 2003 is set out on page 4. The Board does not recommend payment of a dividend (2002: Nil).

**DIRECTORS AND DIRECTORS' INTERESTS**

The Directors of the company who served during the period were:

Mr M J Dix  
M. T B Veillet Lavallee (resigned 31<sup>st</sup> August 2003)  
Mr J S Webster  
Ms C Vasseur (appointed 12<sup>th</sup> May 2003)  
Mr M J H Venus (appointed 12<sup>th</sup> May 2003)

No director of the company has at any time had any interest in the shares of the company.

**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 of the result of the company 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 company will continue in business.

**CNH CAPITAL EUROPE LTD****DIRECTORS' REPORT****FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

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

By order of the Board



N D James  
Company Secretary  
14<sup>th</sup> July 2004

Northern Cross  
Basing View  
Basingstoke  
Hants, RG21 4HL

**INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF**  
**CNH CAPITAL EUROPE LIMITED**

We have audited the financial statements for the year ended 31 December 2003 which comprise the Company's Profit and Loss Account, Balance Sheet, Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Auditing Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

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.

We read the Director's Report, and consider the implications for our report if we become aware of any apparent misstatement within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*MAZARS*

MAZARS  
Chartered Accountants  
and Registered Auditors  
24 Bevis Marks  
London  
EC3A 7NR

*12 August 2004*

**CNH CAPITAL EUROPE LTD****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003**

<b><u>CONTINUING OPERATIONS</u></b>	<b><u>Notes</u></b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Interest receivable		10,065	2,984
Interest payable	3	(6,092)	(1,648)
<b>GROSS PROFIT</b>		<b>3,973</b>	<b>1,336</b>
Other operating income		570	113
Administrative expenses	4	(1,745)	(482)
<b>OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,798</b>	<b>967</b>
Taxation on profit on ordinary activities	5	(840)	(290)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	13	<b>1,958</b>	<b>677</b>

The company has no recognised gains or losses other than the result for the year.

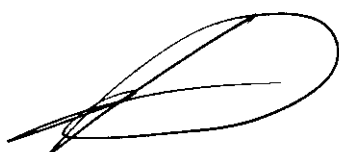
The notes on pages 7 to 14 form part of these financial statements.

**CNH CAPITAL EUROPE LTD****BALANCE SHEET AT 31 DECEMBER 2003**

	Notes	2003 <u>£'000</u>	2003 <u>£'000</u>	2002 <u>£'000</u>	2002 <u>£'000</u> As restated.
<b>FIXED ASSETS</b>					
Operating lease assets	6		-		93
<b>CURRENT ASSETS</b>					
Cash at bank and in hand		6,000		6,000	
Debtors: amounts falling due within one year	7	86,310		76,024	
Debtors: amounts falling due after more than one year	7	83,805		69,536	
<b>CREDITORS : amounts falling due within one year</b>	8	<b>(91,553)</b>		<b>(88,249)</b>	
<b>NET CURRENT ASSETS</b>			<b>84,562</b>		<b>63,311</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>84,562</b>		<b>63,404</b>
<b>CREDITORS : amounts falling due after more than one year</b>	9		<b>(69,900)</b>		<b>(50,700)</b>
<b>NET ASSETS</b>			<b>14,662</b>		<b>12,704</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		9,000		9,000
Profit and loss account			5,662		3,704
<b>EQUITY SHAREHOLDERS' FUNDS</b>		13	<b>14,662</b>		<b>12,704</b>

The notes on pages 7 to 14 form part of these financial statements.

These financial statements were approved by the Board of Directors on



M J Dix  
Director 14<sup>th</sup> July 2004

**CNH CAPITAL EUROPE LTD****CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>Notes</u>	<b>2003</b> <b><u>£'000</u></b>	<b>2002</b> <b><u>£'000</u></b>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	14	<b>(7,857)</b>	<b>(106,080)</b>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	15	<b>(6,092)</b>	<b>(2,270)</b>
<b>TAXATION</b>		<b>(237)</b>	<b>(730)</b>
		<hr/>	<hr/>
		<b>(14,186)</b>	<b>(109,080)</b>
<b>FINANCING</b>			
Increase in loans from group undertakings	16/17	<b>15,171</b>	<b>104,755</b>
		<hr/>	<hr/>
<b>(DECREASE)/INCREASE IN CASH</b>	16/17	<b>985</b>	<b>(4,325)</b>
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 7 to 14 form part of these financial statements.

**CNH CAPITAL EUROPE LTD****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003****1. ACCOUNTING POLICIES****a) Basis of Preparation of Financial Statements**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards on a going concern basis.

**b) Gross Profit**

Gross profit comprises interest charges, finance income on leases, loans and hire purchase agreements, operating lease rental income and depreciation charges and commissions receivable during the year less interest payable and similar charges.

Gross profit is apportioned over the life of agreements to give a constant periodic rate of return on the net investment. Income from insurance related products is apportioned over the period of the agreements to which they relate.

**c) Deferred Taxation**

Deferred tax is provided in respect of the tax effect of all timing differences at the rates of tax expected to apply when the timing differences reverse.

**d) Finance Leases and Hire Purchase Agreements**

The Company's net investment in finance leases and hire purchase agreements is included in the balance sheet at the gross amount of minimum future receivables, less gross earnings allocated to future periods and specific bad debt provisions.

**e) Depreciation of Tangible Fixed Assets**

Operating lease assets are depreciated on the same basis as finance leases to anticipated residual value at the end of the agreements.

**2. LEASING ACTIVITY RENTAL INCOME**

Interest earned on activities, all within the UK, includes aggregate lease and hire purchase rentals receivable of £20,219,792 (2002: £4,316,878). Of this amount, £13,044 (2002: £34,817) was derived from Operating Leases.

Interest earned on leasing activities includes a charge of £93,340 (2002: £135,549) being depreciation in respect of Operating Lease assets (Note 6).



**CNH CAPITAL EUROPE LTD****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003**

(Continued)

**3. INTEREST PAYABLE**

	<b>2003</b>	<b>2002</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Interest payable to related parties	<b>6,090</b>	1,647
Other interest payable and similar charges	<b>2</b>	1
	<hr/> <b>6,092</b>	<hr/> 1,648
	<hr/> <hr/>	<hr/> <hr/>

Interest payable to related parties is payable on loans advanced by BNP Paribas a related party (Note 12) and the immediate parent company of BNP Paribas Lease Group SA. Interest is charged on loans and finance lease agreements on normal commercial terms.

**4. ADMINISTRATIVE EXPENSES**

Auditors remuneration for the period amounts to £ 11,465 (2002: £10,000) and is for audit work only.

A management charge of £232,033 (2002: £162,372) is payable to BNP Paribas Lease Group, a related party (Note 12), for the provision of administration services. During the year there were management charges paid to CNH UK Ltd of £709,109 (2002: £113,145), a related party.

**CNH CAPITAL EUROPE LTD****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003**

(Continued)

**5. TAXATION****a) Analysis of charge in period**

	<b>2003</b>	2002
	<b><u>£'000</u></b>	<u>£'000</u>
Current Tax (see note b below):		
UK Corporation tax on profits of the period	(2,165)	(182)
Deferred Tax (See note 10):		
Origination and reversal of timing differences	1,325	(108)
	<u>(840)</u>	<u>(290)</u>
	<u><u>          </u></u>	<u><u>          </u></u>

**b) Factors affecting tax charge for period:**

The tax assessed for the period is different to the standard rate of corporation tax in the UK.

The differences are explained below:

	<b>2003</b>	2002
	<b><u>£'000</u></b>	<u>£'000</u>
Profit on ordinary activities before tax	2,798	967
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002:30%)	(840)	(290)
Depreciation for the period (in excess of)/less than capital allowances	(1,325)	108
Current tax charge for the period:	<u>(2,165)</u>	<u>(182)</u>
	<u><u>          </u></u>	<u><u>          </u></u>

**CNH CAPITAL EUROPE LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**  
(Continued)

**6. OPERATING LEASE ASSETS**

	<b><u>£'000</u></b>
<b><u>Cost</u></b>	
At 1 January 2003	164
Additions	-
Disposals	(120)
	<hr/>
At 31 December 2003	44
	<hr/>
<b><u>Depreciation</u></b>	
At 1 January 2003	(71)
Charge for the year (Note 2)	(93)
Disposals	120
	<hr/>
At 31 December 2003	(44)
	<hr/>
<b><u>Net Book Value</u></b>	
At 1 January 2003	93
	<hr/>
At 31 December 2003	-
	<hr/>

**7. DEBTORS:**

	<b><u>2003</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2002</u></b>
	<b><u>Receivable within</u></b>	<b><u>Receivable</u></b>	<b><u>Receivable within</u></b>	<b><u>Receivable</u></b>
	<b><u>one year</u></b>	<b><u>after one year</u></b>	<b><u>one year</u></b>	<b><u>after one year</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Net investments in hire purchase agreements	69,350	76,738	66,408	62,361
Net investments in leases	7,880	6,997	6,272	7,049
Fixed term advances to customers	128	70	468	126
Other debtors	7,509	-	2,758	-
Prepayments and accrued income (Note 10)	1,443	-	118	-
	<hr/>	<hr/>	<hr/>	<hr/>
	86,310	83,805	76,024	69,536
	<hr/>	<hr/>	<hr/>	<hr/>

CNH UK Limited a subsidiary of CNH Global NV, a related party (Note 12) has provided guarantees to the company in respect of £67,400 (2002: £228,900) of certain advances included within debtors. Of this amount, £67,400 (2002: £228,900) is conditional upon the successful repossession of the underlying assets.

CNH UK Limited has given shortfall undertakings on residual values included within Net Investments in Leases to the value of £6,570,597. This undertaking is conditional upon the sale of the underlying assets.

**CNH CAPITAL EUROPE LTD****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003**

(Continued)

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b><u>2003</u></b>	<b><u>2002</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Bank loans and overdrafts	74,990	80,004
Corporation tax	2,165	237
Amounts owed to related parties	393	17
Other creditors	14,005	7,991
	<u>91,553</u>	<u>88,249</u>
	<u><u>91,553</u></u>	<u><u>88,249</u></u>

Bank Loans and overdrafts includes the sum of £74,747,877 (2002: £76,476,787) due to BNP Paribas, a related party (Note 12) and the immediate parent company of BNP Paribas Lease Group SA.

**9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b><u>2003</u></b>	<b><u>2002</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Bank loans and overdrafts, falling due		
between one and two years	42,000	33,500
between two and five years	27,900	17,200
	<u>69,900</u>	<u>50,700</u>
	<u><u>69,900</u></u>	<u><u>50,700</u></u>

All bank loans and overdrafts are due to BNP Paribas, a related party (Note 12) and the ultimate parent company.

**CNH CAPITAL EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003**

(Continued)

**10. PREPAYMENTS AND ACCRUED INCOME****Deferred taxation****Potential & Fully Provided**

	<b>2003</b>	<b>2002</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Capital allowance timing differences	1,443	118
	<u>          </u>	<u>          </u>
The movement in deferred taxation is as follows:	<b><u>£'000</u></b>	
Balance at 1 January 2003	118	
Credit for the year (Note 5)	1,325	
	<u>          </u>	
Balance at 31 December 2003	1,443	
	<u>          </u>	

**11. CONTINGENT LIABILITIES**

The company has accepted the credit risk amounting to £2,897 (2002: £139,627) attaching to certain agreements entered into by subsidiary undertakings of BNP Paribas Lease Group SA a related party.

**12. SHARE CAPITAL**

	<b>2003</b>	<b>2002</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Authorised, Allotted and Fully Paid £1 ordinary shares	9,000	9,000
	<u>          </u>	<u>          </u>

The company is a wholly owned subsidiary of CNH Capital Europe SAS, a company registered and incorporated in France, which is in turn a joint venture company of BNP Paribas Lease Group SA which owns 50.1% of the share capital of the company and CNH Global NV which owns 49.9% of the share capital of the company. Both investors have been disclosed in the financial statements as related parties. Through its parent and subsidiary companies BNP Paribas Lease Group SA provides the company with the majority of its finance. CNH Global NV via its UK dealer network provides the company with its underlying customer base.

**CNH CAPITAL EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003**

(Continued)

**13. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	<b>2003</b>	2002
	<b><u>£'000</u></b>	<u>£'000</u>
At start of period	12,704	12,027
Profit for the period	1,958	677
	<u>          </u>	<u>          </u>
At 31 December	<b>14,662</b>	12,704
	<u>          </u>	<u>          </u>

**14. RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW FROM OPERATING ACTIVITIES**

	<b>2003</b>	2002
	<b><u>£'000</u></b>	<u>£'000</u>
Operating profit before tax	2,798	967
(Increase)/decrease in advances to customers	(18,386)	(113,992)
(Increase)/decrease in other debtors	(4,375)	(2,389)
Increase/(decrease) in creditors	6,014	7,064
Interest paid added back (Note 16)	6,092	2,270
	<u>          </u>	<u>          </u>
Net cash outflow from operating activities	<b>(7,857)</b>	(106,080)
	<u>          </u>	<u>          </u>

**15. RETURNS ON INVESTMENT AND SERVICING OF FINANCE**

	<b>2003</b>	2002
	<b><u>£'000</u></b>	<u>£'000</u>
Interest paid to related parties	6,092	2,270
	<u>          </u>	<u>          </u>

**CNH CAPITAL EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003**

(Continued)

**16. ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 1.1.03 £'000</b>	<b>Cash flows £'000</b>	<b>At 31.12.03 £'000</b>
Cash at bank and in hand	6,000	-	6,000
Overdrafts	(1,227)	985	(242)
Debt due within one year	(76,477)	1,729	(74,748)
Debt due after one year	(53,000)	(16,900)	(69,900)
	—	—	—
	(124,704)	(14,186)	(138,890)
	=====	=====	=====

**17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<b>2003 £'000</b>
Increase in cash in period (Note 16)	985
Cash outflow from decrease in debt from related parties	— (15,171)
Change in Net Debt resulting from cashflows	(14,186)
Net Debt at 1 January 2003	— (124,704)
Net Debt at 31 December 2003 (Note 16)	— (138,890)
	=====

**18. ULTIMATE PARENT COMPANY**

The immediate holding company is CNH Capital Europe SAS which is incorporated and registered in France.

The smallest group in which the results of the company are consolidated is that headed by CNH Capital Europe SAS. Financial statements for that company may be obtained from 5 Avenue Kleber, Paris, France.

The largest group into which the results of the company are consolidated are those headed by BNP Paribas SA which is registered in France. The consolidated financial statements of BNP Paribas SA are available to the public and may be obtained from 16 Boulevard des Italiens, 75009 Paris, France.