

# **Capital One Contracts Limited**

Report and Financial Statements

31<sup>st</sup> December 2004



Registered in England: Number 03503052  
Registered office: 350 Euston Road,  
London, NW1 3JJ

**DIRECTORS' REPORT**

The Directors present their report and the financial statements of Capital One Contracts Limited ('the Company') for the year ended 31<sup>st</sup> December 2004.

**Principal activity and review of business**

The principal activity of the Company is the sourcing and purchase of services and materials for a number of group companies.

**Results and dividends**

The loss for the year, after taxation, amounted to £92,000 (2003: loss of £310,000). The Directors do not recommend payment of a dividend on the ordinary share. The Directors consider the level of business and the prospects of the Company to be satisfactory.

**Directors**

The Directors who served in the year were as follows:

ASE Allen (appointed 1<sup>st</sup> April 2004)

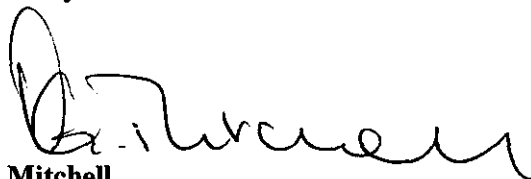
FS Brownlee

LP Ebert

RD Fairbank (resigned 30<sup>th</sup> April 2004)

**Directors' interests**

*At no point during the year or the prior year did any Director have any beneficial interest in the share capital of the Company. None of the Directors received any remuneration from the Company (2003: £nil). The number of Directors exercising share options in Capital One Financial Corporation in the year was 2 (2003: 1).*

**Signed by order of the Board**

**VG Mitchell,  
Secretary,  
23rd March 2005**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CAPITAL ONE CONTRACTS LIMITED**

We have audited the Company's financial statements for the year ended 31<sup>st</sup> December 2004 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 12. These financial statements have been prepared on the basis of 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 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 auditors' 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 United Kingdom law and accounting 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements 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 affairs of the Company as at 31<sup>st</sup> December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London  
23<sup>rd</sup> March 2005

**PROFIT AND LOSS ACCOUNT**For the year ended 31<sup>st</sup> December 2004

	Notes	2004 £'000	2003 £'000
<b>TURNOVER</b>	2	3,983	17,875
Cost of sales		<u>(3,671)</u>	<u>(17,792)</u>
<b>GROSS PROFIT</b>		312	83
Other operating income		-	82
Other operating expenses		<u>(9)</u>	<u>(12)</u>
<b>OPERATING PROFIT</b>	3	303	153
Other interest receivable from group undertakings		39	475
Other interest payable and similar charges	4	<u>(474)</u>	<u>(1,071)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(132)	(443)
Tax credit on loss on ordinary activities	5	40	133
<b>RETAINED LOSS FOR THE YEAR</b>		<u>(92)</u>	<u>(310)</u>

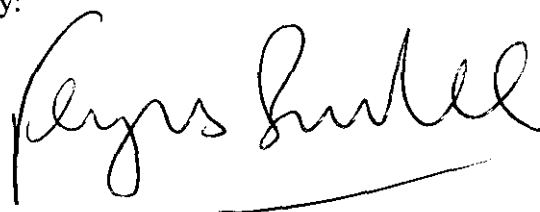
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the year ended 31<sup>st</sup> December 2004

There were no recognised gains or losses other than the loss for the year of £92,000 (2003: loss of £310,000).

**BALANCE SHEET**As at 31<sup>st</sup> December 2004

	Notes	2004 £'000	2003 £'000
<b>CURRENT ASSETS</b>			
Debtors	6	17,299	23,811
Cash at bank		143	-
		<u>17,442</u>	<u>23,811</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	7	(11,738)	(18,210)
		<u>5,704</u>	<u>5,601</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	8	(1,695)	(1,500)
		<u>4,009</u>	<u>4,101</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	-	-
Share premium account	10	1	1
Profit and loss account	10	4,008	4,100
		<u>4,009</u>	<u>4,101</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			

These financial statements were approved by the Board of Directors on 23<sup>rd</sup> March 2005 and signed on its behalf by:



**FS Brownlee**  
Director

**NOTES TO THE FINANCIAL STATEMENTS**As at 31<sup>st</sup> December 2004**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, which have been applied consistently throughout the year, is set out below.

**Accounting convention**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. A cash flow statement has not been included in these financial statements as allowed by Financial Reporting Standard ('FRS') 1, *Cash Flow Statements (revised)*. A consolidated cash flow statement is included in the consolidated financial statements of the ultimate parent company.

**Long-term contracts**

Profit on long-term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Revenues derived from variations in contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

**Leasing and hire purchase commitments**

Rental payments and receipts under operating leases are recognised in the profit and loss account on a straight line basis over the lease term.

Income from each hire purchase contract is allocated to accounting periods over the hire purchase contract term to give a constant periodic rate of return over the period of the agreement using the sum of digits method.

Net investments in hire purchase contracts comprise the total of the minimum hire purchase instalments receivable less finance charges allocated to future periods and is stated net of provisions for doubtful rental collections.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**As at 31<sup>st</sup> December 2004**2. TURNOVER**

Turnover, which is stated net of value added tax, represents amounts invoiced to group undertakings, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Turnover is derived wholly from group undertakings, and is attributable to the continuing activities of the management of construction contracts on behalf of clients in respect of the design, refurbishment or full build out of properties, and that of the sourcing and purchase of services and materials for a number of group companies.

**3. OPERATING PROFIT**

	2004 £'000	2003 £'000
This is stated after charging/(crediting):		
Auditors' remuneration: audit fees	8	12
Income under hire purchase contracts	-	(82)

**4. OTHER INTEREST PAYABLE AND SIMILAR CHARGES**

	2004 £'000	2003 £'000
Bank loans and overdrafts	3	1
Interest payable to other group undertakings	471	1,070
	<u>474</u>	<u>1,071</u>

**5. TAX ON LOSS ON ORDINARY ACTIVITIES****UK corporation tax**

	2004 £'000	2003 £'000
Total current tax:		
Group relief recoverable	40	133

**Factors affecting current tax**

The tax credit for the year is based upon the standard UK corporation tax rate of 30% (2003: 30%). The tax credit for the year is equal to the standard UK corporation tax rate applied to the loss on ordinary activities before tax.

Group relief on UK corporation tax is available for surrender to other group undertakings for which payment is made at a rate equivalent to the standard UK corporation tax rate of 30% (2003: 30%) for each £1 surrendered.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**As at 31<sup>st</sup> December 2004**6. DEBTORS**

	2004 £'000	2003 £'000
Amounts due from group undertakings	1,808	8,394
Other taxes	15,491	15,355
Prepayments	-	59
Other debtors	-	3
	<u>17,299</u>	<u>23,811</u>

**7. CREDITORS: amounts falling due within one year**

	2004 £'000	2003 £'000
Bank overdraft	-	73
Amounts owed to group undertakings	11,738	16,240
Accruals	-	1,897
	<u>11,738</u>	<u>18,210</u>

**8. PROVISIONS FOR LIABILITIES AND CHARGES**

	Provisions for liabilities and charges £'000
As at 1 <sup>st</sup> January 2004	1,500
Additional provisions made in the year	195
As at 31 <sup>st</sup> December 2004	<u>1,695</u>

The provision of £1.695 million (2003: £1.5 million) relates to potential claims against the Company. The Directors cannot determine the timing of use of the provision and cannot disclose other information because such disclosure might be prejudicial to the outcome.

**9. CALLED UP SHARE CAPITAL**

	2004 £	2003 £
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**As at 31<sup>st</sup> December 2004**10. MOVEMENT IN RESERVES AND SHAREHOLDERS' FUNDS**

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
As at 1 <sup>st</sup> January 2003	-	1	4,410	4,411
Loss for the year	-	-	(310)	(310)
As at 31 <sup>st</sup> December 2003	-	1	4,100	4,101
Loss for the year	-	-	(92)	(92)
As at 31 <sup>st</sup> December 2004	-	1	4,008	4,009

**11. RELATED PARTIES**

Transactions with other companies within the Capital One Group are not disclosed due to the exemption allowed by FRS 8 'Related Party Disclosures' (Note 12).

**12. PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent company is Capital One Services, Inc, a company incorporated in the United States of America. The Company's ultimate parent company is Capital One Financial Corporation, which is incorporated in the United States of America. The consolidated financial statements of Capital One Financial Corporation, which include the Company, are available from the registered office.