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AUSTIN ROVER GROUP LIMITED

REPORT AND ACCOUNTS

1989

Registered in England number 48324



## AUSTIN ROVER GROUP LIMITED

Directors:

Sir Graham Day	- Chairman
G Simpson	- Managing Director
R Axe	
A Barr	
R C G Bertodo	
A Curtis	
K T Morley	
H A Rose	
F B Saundry	
J Towers	
L M Wharton	
C J S Woodward	

Secretary: A E Rowe

### REPORT OF THE DIRECTORS

The directors present their annual report together with the accounts for the year ended 31 December 1989.

#### Change of Name

On 4 September 1989 the Company's name was changed to Rover Group Limited from Austin Rover Group Limited. On 1 January 1990 the Company's name was changed back to Austin Rover Group Limited.

#### Activities

The profit and loss account for the year is set out on page 4.

In 1989 the Company and its subsidiaries were engaged in the manufacture and sale of cars and car derived vans, and also of a range of civil and military four wheel drive vehicles following the Company's acquisition on 4 September 1989 of the trade and assets and certain liabilities of Land Rover (UK) Limited.

On 6th April 1989 the Company sold its Llanelli Pressings operation to Camford Engineering plc.

The turnover and results of the business purchased from Land Rover (UK) Limited have been included in the accounts from the date of acquisition.

The Company's related company and other investments were transferred to Rover Investments Limited on 19 December 1989.

During the year BLMC Limited waived its interest free loan of £1,297.1m. This amount has been included in the profit and loss account as an extraordinary item.

#### Fixed Assets

During the year the Company purchased the fixed assets of Land Rover (UK) Limited. All of the movements in fixed assets are shown in note 10.

### Research and Development

The Company has its own research and development programme and is involved in advanced automobile engineering and new product and manufacturing technologies.

### Employee Involvement

The Company operates programmes encouraging greater employee involvement in its business. Particular attention is given to ensuring that employees are informed on issues affecting their work and the business and competitive environment. Discussion groups involving shop floor workers exist to improve the two way flow of communications and to supplement specific employee briefings on major developments, such as new products, major facility investment, new technology, important negotiations and quality improvement programmes. Videos and other electronic aids are increasingly being used to improve the effectiveness of communications.

Long and short term training plans have been developed to meet the supervisory and management training needs arising from business plans.

The Company operates incentive schemes which link bonus payments to improvements in labour productivity, quality and company financial performance.

All employees are encouraged to generate ideas for cost and efficiency improvements.

Most employees belong to trade unions. Regular consultation and negotiations take place between the company and the trade unions it recognises. Biannual review meetings provide a forum for the company to present its plans and discuss its performance with full time officials of the trade unions and senior employee representatives.

### Disabled Persons

The Company continues to give job applications from disabled persons sympathetic consideration. A match is sought between the abilities and aptitudes of disabled persons and job requirements.

Whenever it is practical to do so disabled employees are given training to increase their effectiveness and potential. Such training takes into account special needs. Every effort is made to provide disabled persons with opportunities to develop their careers in the same way as other employees.

### Directors

The following directors held office throughout the year:

Sir Graham Day  
Mr R Axe  
Mr A Barr  
Mr R C G Bertodo  
Mr K T Morley  
Mr H A Rose  
Mr F B Saundry  
Mr L M Wharton  
Mr C J S Woodwark

Mr W J Bacchus resigned from the Board on 19 July 1989 and Mr N J Carver resigned on 1 August 1989. Mr A Curtis, Mr G Simpson and Mr J Towers were appointed to the Board on 10 August 1989.

### Directors Interests

The interests of Sir Graham Day, in the share capital of the ultimate holding company, British Aerospace Public Limited Company, are shown in the Report and Accounts of that Company. The interests of the other directors are shown in the Report and Accounts of Rover Group Holdings plc.

Apart from service contracts, the directors have no significant interests in any contract or arrangement entered into by British Aerospace Public Limited Company or its subsidiaries.

### Charitable Donations

During the year the Company gave £139,981 (1988: £110,000) to various charitable organisations.

### Close Company Provisions

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

### Dividends

The Directors recommend that a dividend should not be paid for the year ended 31 December 1989.

### Post Balance Sheet Event

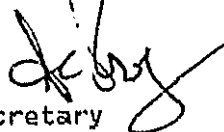
On 1 January 1990 the Company sold its business to Rover Group Limited (Registered Number 1595268) in exchange for 520 million ordinary £1 shares in that Company credited as fully paid.

### Auditors

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed their report in their new name.

A resolution to reappoint, KPMG Peat Marwick McLintock, and authorise the Directors to fix remuneration will be proposed at the Annual General Meeting.

On behalf of the Board

  
Secretary

13 March 1990

AUSTIN ROVER GROUP LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1989

	Notes	1989 £ million	1988 £ million
Turnover	1	2,685.0	2,364.1
Operating (loss)/profit	2	(4.0)	52.5
Exceptional items	3	28.4	(10.0)
Decrease in provisions for losses in subsidiaries		1.6	7.0
Interest receivable less interest payable	7	5.2	5.2
Profit on ordinary activities before taxation		31.2	54.7
Taxation on profit on ordinary activities	8	(2.2)	1.1
Profit on ordinary activities after taxation		29.0	55.8
Extraordinary items	9	1297.1	-
Profit for financial year	21	1326.1	55.8

Pages 7 to 19 form an integral part of these accounts

AUSTIN ROVER GROUP LIMITED  
BALANCE SHEET  
at 31 December 1989

		1989 £ million	1988 £ million
	Notes		
Fixed assets			
Tangible assets	10	1120.2	880.1
Investments—in subsidiaries at cost	11	0.3	0.4
—in related companies at cost	11	—	4.6
		<u>1120.5</u>	<u>885.1</u>
Current assets			
Stocks	12	367.8	262.0
Debtors	13	1173.0	358.9
Cash at bank and in hand	14	<u>10.4</u>	<u>67.4</u>
		1551.2	688.3
Creditors -			
amounts falling due within one year			
Short term borrowings	15	(125.9)	(30.1)
Other	15	<u>(1230.5)</u>	<u>(647.5)</u>
Net current assets		<u>194.8</u>	<u>10.7</u>
Total assets less current liabilities		1315.3	895.8
Creditors -			
amounts falling due after more than one year	16	(202.8)	(68.7)
Loans from parent companies and fellow subsidiaries	18	(301.6)	(1321.9)
Provisions for rationalisation	19	<u>(26.3)</u>	<u>(34.6)</u>
		<u>784.6</u>	<u>(529.4)</u>
Capital and reserves			
Called up share capital	20	58.0	58.0
Share premium account	21	2.3	2.3
Revaluation reserve	21	244.2	258.9
Profit and loss account surplus/(deficit)	21	<u>480.1</u>	<u>(848.6)</u>
		<u>784.6</u>	<u>(529.4)</u>

On behalf of the Board

13 March 1990

Pages 7 to 19 form an integral part of these accounts.

AUSTIN ROVER GROUP LIMITED

SOURCE AND APPLICATION OF FUNDS  
for the year ended 31 December 1989

	1989 £ million	1988 £ million
Sources and Applications (outflows in brackets)	133.8	171.2
Net operational flow comprises		
Profit on ordinary activities before taxation	31.2	54.7
Depreciation and amortisation (net of provision released)	122.6	116.5
Profit on disposal of tangible fixed assets and investments	(20.0)	-
Change in working capital ((Increase)/decrease)	(309.6)	363.2
Comprises	(105.8)	11.3
Stock less deposits	(814.1)	129.3
Debtors	610.3	222.6
Creditors and provisions	(375.0)	(254.7)
Capital expenditure	-	(4.3)
Investments	24.9	-
Proceeds of sale of tangible fixed assets and investments	0.1	1.1
Taxation	-	2.2
Other	1297.1	-
Loan Waiver	-	469.0
Subvention receipt	771.3	747.7
Effect on Borrowings (decreases in brackets)	(1297.1)	(469.0)
Loans from parent companies	276.8	-
Loans from fellow subsidiaries	96.2	(26.1)
Finance leasing liabilities - long term	-	(70.0)
Bank and other long term loans	152.8	(182.6)
Short term borrowings less cash	(771.3)	(747.7)

AUSTIN ROVER GROUP LIMITED  
ACCOUNTING POLICIES

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Accounting convention

These accounts are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

Group Accounts

The Company does not prepare group accounts as it is a wholly owned subsidiary of another company incorporated in England.

Foreign Currencies

It is the Company's policy, where appropriate, to protect the sterling value of its estimated future foreign currency net income by forward contracts and currency options. Net revenues and related net receivables covered by forward exchange contracts (or where appropriate, options) are translated into sterling at contract rates. No account is taken of the potential but unrealised profits or losses on open forward exchange contracts or options which are intended as a hedge against future transactions; such profits and losses are accounted for when the contracts mature so as to match the exchange differences arising on the underlying currency transactions. Where appropriate option premiums are written off as incurred.

Other assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date, and the results of foreign subsidiaries are translated at average rates of exchange for the accounting period.

Differences on exchange arising from the retranslation of the opening net investment in foreign subsidiaries and from the translation of the results of those companies at average rates are taken to reserves.

Depreciation

Depreciation is provided on a straight-line basis on the cost or valuation of the tangible assets, except freehold land and assets in the course of construction, at the following annual rates.

Freehold buildings - 2.5%.

Leasehold land and buildings 2.5% or by equal annual instalments over the period of the lease, whichever is the greater.

Plant and machinery - 10% to 25%.

Special tools, dies and jigs - 16.7% or over the life of the model concerned if less than six years.



### Research and Development

All research and development expenditure, including the design and production of prototypes, is written off as incurred.

Similarly, all expenditure in respect of patents and trade marks is written off as incurred.

### Contributions to Pension Fund

Contributions to the Pension Funds are assessed in accordance with advice from qualified actuaries and charged to the profit and loss account so as to spread the cost over the expected lives of the employees within the schemes. Variations from regular contributions are spread over the expected remaining service lives of the current employees in the scheme. This is a change from the previous accounting policy under which pension fund contributions were charged to the profit and loss account as incurred.

### Interest

Interest is accounted for on an accruals basis. Interest payable includes finance charges in respect of finance leases calculated on the declining balance sum of the digits method and finance charges incurred under finished vehicle stock financing arrangements.

### Extraordinary and Exceptional Items

Only income and expenditure which is outside the ordinary activities of the Company, for example costs arising from the divestment or closure of a segment of the Company, is treated as extraordinary in the profit and loss account.

Major exceptional items, for example rationalisation costs arising from changes in the trading circumstances of continuing businesses, are included separately within the results on ordinary activities before taxation.

### Tangible Assets

Land and buildings are stated at cost or valuation, less depreciation calculated on that value. Other tangible assets are stated at original cost less depreciation.

Plant and machinery acquired under finance leasing arrangements is shown at cost less accumulated depreciation calculated in accordance with the accounting policy set out above. After deducting interest attributable to future periods, the net amount payable is included in creditors.

Payments under operating leases are included in the profit and loss account as they fall due.

### Investments in related companies

Investments in related companies comprise all interests in companies which are not subsidiaries of Austin Rover Group Limited. These include associated companies where the Company has a substantial interest and on whose commercial and financial policy decisions Austin Rover Group Limited exercises significant influence.

Income from other related companies is accounted for only as received, attributable losses are provided for as incurred.

### Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Finished products and work in progress are valued at cost of labour and materials with additions for appropriate manufacturing overheads.

Provision is made in full against service parts stocks which are not expected to be used in the next two years.

### Taxation

Provision for deferred taxation is made where a liability is likely to arise in the foreseeable future.

AUSTIN ROVER GROUP LIMITED  
NOTES TO THE ACCOUNTS

1. Turnover

Turnover excludes VAT, Car Tax and other sales taxes and is analysed as follows:-

	1989 £ million	1988 £ million
External Customers	1937.4	1856.4
Other group companies	<u>747.6</u>	<u>507.7</u>
	<u>2685.0</u>	<u>2364.1</u>

2. Operating (loss)/profit

Operating (loss)/profit is calculated as follows:-

	1989 £ million	1988 £ million
Turnover	2685.0	2364.1
Cost of sales	<u>(2571.2)</u>	<u>(2223.4)</u>
Gross profit	113.8	140.7
Distribution costs	(46.2)	(38.9)
Administrative expenses	(55.0)	(49.3)
Other operating expense	<u>(16.6)</u>	<u>-</u>
Operating (loss)/profit	<u>(4.0)</u>	<u>52.5</u>

Operating profit is after charging

Depreciation & amortisation of tangible assets

- owned	86.1	78.8
- under finance lease and similar hire purchase contracts	44.5	37.7
Auditors remuneration	0.3	0.2
Hire of tangible assets under operating leases		
- plant and machinery	50.9	37.1
- other	0.2	0.2
Research and development	23.4	38.5

3. Exceptional items

	1989 £ million	1988 £ million
Provision for rationalisation	-	(10.0)
Sale of land and buildings	14.4	-
Release of fixed asset provision	8.0	-
Sale of associate and subsidiary companies	<u>6.0</u>	<u>-</u>
	<u>28.4</u>	<u>(10.0)</u>

4. Directors and senior employees' emoluments

	1989 £000	1988 £000
(a) Directors' emoluments for management services including pension contributions	48	1,015
(b) Directors' emoluments excluding pension contributions		

For the year ended 31 December 1989, the Chairman and all directors except one (1988: Chairman and three directors) received remuneration in respect of their services to Rover Group as a whole which is disclosed in the accounts of Rover Group Holdings plc.

The emoluments of the highest paid director were £43,576 (1988 £157,767)

(c) Other directors' emoluments excluding pension contributions	Number of directors	
Emoluments	1989	1988
£ 40,001 - £ 45,000	-	1
£ 50,001 - £ 55,000	-	2
£ 75,001 - £ 80,000	-	1
£100,001 - £105,000	-	1
£110,001 - £115,000	-	1
£115,001 - £120,000	-	1
£125,001 - £130,000	-	1

(d) Emoluments, excluding pension contributions, paid to senior employees of the Company and its UK subsidiaries were within the bands shown below.

Emoluments	Number of employees	
	1989	1988
£30,001 - £35,000	223	11
£35,001 - £40,000	63	47
£40,001 - £45,000	57	52
£45,001 - £50,000	40	26
£50,001 - £55,000	17	14
£55,001 - £60,000	10	12
£60,001 - £65,000	10	4
£65,001 - £70,000	5	3
£70,001 - £75,000	5	4
£75,001 - £80,000	2	5
£80,001 - £85,000	3	1
£85,001 - £90,000	3	1
£95,001 - £100,000	1	-

5. <u>Employees</u>	1989	1988
Average number of employees during the year	<u>30,796</u>	<u>31,977</u>
Employment costs	£ million	£ million
Wages & salaries	401.6	380.0
Social security costs	29.9	28.0
Other pension costs	<u>21.1</u>	<u>5.6</u>
Total	<u>452.6</u>	<u>413.6</u>

## 6. Pensions

Most employees are members of occupational pension schemes all of which are defined benefit schemes.

The assets of the Schemes are held separately from those of Rover Group in trustee administered funds. The funds have been valued by the schemes' actuaries using the projected unit method. The most recent valuation of the Rover Group Pension Schemes at 6 April, 1989 showed the aggregate market value of assets at the valuation date to be £1,496 million which represented funding levels of between 127% and 139% of the present value of the benefits that had accrued to members, after allowing for assumed future increases in earning. The principal assumptions within these valuations were that returns on investments would be 1.5% higher than the annual increase in total pensionable remuneration and 4% higher than the annual increase in the Retail Price Index. The valuations disclosed a significant surplus of assets over pension liabilities. Part of this surplus is to be used to improve pension benefits: the balance will be used to reduce the charge for pensions in the accounts during the period of the average remaining service lives of the current members, subject to further review in the light of the results of next valuations.

The charge for pensions for the year was £21.1 million (1988: £5.6 million)

An amount of £25.9 million relating to the excess of the accumulated pension charge to the Group accounts over payments to the schemes is carried forward in provisions.

7. <u>Interest payable less interest receivable</u>	1989 £ million	1988 £ million
Payable in respect of		
Balances with parent companies	28.5	-
Bank borrowings and bills payable	1.4	5.4
Other interest and similar charges	13.7	9.2
Assets acquired under finance leases and similar hire purchase contracts	<u>7.9</u>	<u>4.5</u>
	<u>51.5</u>	<u>19.1</u>
Receivable in respect of		
Balances with parent companies	52.8	22.5
Balances with fellow subsidiaries	2.6	-
Trade bills, bank and other short term deposits	<u>1.3</u>	<u>1.8</u>
	<u>56.7</u>	<u>24.3</u>
Net interest receivable	<u><u>5.2</u></u>	<u><u>5.2</u></u>

All of the above interest payable, in 1989 and in 1988, was in respect of amounts which were wholly repayable within five years of the balance sheet date.

8. Taxation on profit on ordinary activities

	1989 £ million	1988 £ million
Overseas and other taxation payable	(2.2)	(0.4)
Adjustment in respect of prior years	<u>—</u>	<u>1.5</u>
	<u>(2.2)</u>	<u>1.1</u>

Due to the availability of tax losses there is no UK tax liability arising in the period.

No provision for deferred taxation is required as there are significant losses carried forward for taxation purposes which, will be available to relieve future trading profits.

There is no potential liability for deferred taxation arising from accelerated capital allowances or other short term timing differences.

No deferred taxation has been provided in respect of the surplus arising on the revaluation of land and buildings; the potential liability for unrealised gains is estimated to amount to £57 million.

9. Extraordinary items

	1989 £ million	1988 £ million
Waiver of a loan by BLMC Ltd	<u>1297.1</u>	<u>—</u>

There is no attributable taxation.

# 10. Tangible Assets

	Land and Buildings		Plant and machinery		Special tools dies & jigs		Total
	Owned	Leased	Owned	Leased	Owned	Leased	
	£million	£million	£million	£million	£million	£million	£million
Cost or Valuation							
At 1 January 1989	349.3	4.6	707.1	137.7	326.7	148.8	1674.2
Additions--							
Other	7.1	—	78.2	—	84.9	—	170.2
Transfer of assets from Land Rover (UK) Limited	128.8	—	135.8	46.7	33.4	1.4	346.1
Disposals--							
Other	(14.5)	—	(26.1)	(0.2)	(31.3)	(9.0)	(81.1)
Transfer of assets between categories	<u>(0.4)</u>	<u>0.4</u>	<u>(103.7)</u>	<u>103.7</u>	<u>(54.4)</u>	<u>54.4</u>	<u>—</u>
At 31 December 1989	<u>470.3</u>	<u>5.0</u>	<u>791.3</u>	<u>287.9</u>	<u>359.3</u>	<u>195.6</u>	<u>2109.4</u>
Accumulated depreciation and amortisation							
At 1 January 1989	8.4	0.1	407.5	81.9	194.2	102.0	794.1
Charge for the year	6.4	0.1	39.1	20.3	40.5	24.2	130.6
Transfer of assets from Land Rover (UK) Limited	2.3	—	90.2	41.0	6.4	1.4	141.3
Release of provision	—	—	(8.0)	—	—	—	(8.0)
Disposals--							
Other	(2.4)	—	(25.9)	(0.2)	(31.3)	(9.0)	(68.8)
Transfer of assets between categories	<u>(0.1)</u>	<u>0.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 1989	<u>14.6</u>	<u>0.3</u>	<u>502.9</u>	<u>143.0</u>	<u>209.8</u>	<u>118.6</u>	<u>989.2</u>
Net book value at 31 December 1989	455.7	4.7	288.4	144.9	149.5	77.0	1120.2
Net book value at 31 December 1988	340.9	4.5	299.6	55.8	132.5	46.8	880.1

Tangible assets include £102.3 million (1988 £267.9 million) in respect of work in progress on unfinished major capital projects on which depreciation and amortisation is not charged until the project is completed and the assets brought into use.

Land and Buildings includes £160.0 million (1988 £123.0 million) in respect of freehold land on which no depreciation is charged.

The net book value of leased land and buildings comprises short leasehold £0.7 million (1988 £0.3 million) and long leasehold £4.0 million (1988 £4.2 million).

# 10. Tangible Assets

Land and buildings were revalued in 1988 on the basis of depreciated replacement cost. These together with subsequent additions which are included at cost are summarised as:-

	1989 £ Million
1988 valuation	339.4
Cost	<u>135.9</u>
	<u>475.3</u>

The comparable amounts determined under the historical cost accounting rules are:-

	1989		1988	
	Land and Buildings Owned £million	Leased £million	Land and Buildings Owned £million	Leased £million
At 31 December 1989				
Cost	266.3	0.9	133.0	0.7
Accumulated Depreciation	<u>49.3</u>	<u>0.2</u>	<u>45.5</u>	<u>0.2</u>
Net Book Value	<u>217.0</u>	<u>0.7</u>	<u>87.5</u>	<u>0.5</u>

# 11. Fixed Asset Investments

	Subsidiaries £ million	Related Companies £ million
At 1 January 1989	0.4	4.6
Disposals in the year	(0.1)	(4.6)
At 31 December 1989	<u>0.3</u>	<u>-</u>

The following were the principal subsidiary companies of Austin Rover Group Limited at 31 December 1989. The country of registration or incorporation is also shown. The issued capital of all classes is wholly owned; subsidiaries not owned directly are inset under their holding company.

Rover Exports Limited	England
Rover Overseas Holdings Limited	England
Rover Belgium NV	Belgium
Rover France SA	France
Rover Nederland BV	Holland
Rover Ireland Limited	Ireland
Rover Italia SpA	Italy
Rover Espana SA	Spain
Rover Deutschland GmbH	West Germany
Rover Japan Limited	Japan
Rover Portugal - Comercializacao de Veiculos e Pecas Lda	Portugal
Land Rover Exports Limited	England

Rover Overseas Holdings Limited is an intermediate holding company; the other subsidiaries are engaged in the distribution and sale of the products manufactured by Austin Rover Group Limited.

Land Rover Exports Limited was acquired during the year from another group company.



12. <u>Stocks</u>	1989 £million	1988 £million
Raw materials and consumables	17.3	14.6
Work in progress	87.0	83.6
Finished goods and goods for resale	435.4	322.9
Deposits	<u>(171.9)</u>	<u>(159.1)</u>
	<u>367.8</u>	<u>262.0</u>

Finished vehicles on consignment are pledged as security for advances from associated finance company.

13. <u>Debtors</u>	1989 £million	1988 £million
Amounts falling due within one year		
Trade debtors & bills receivable	102.0	65.8
Amounts owed by parent companies	500.5	-
Amounts owed by fellow subsidiaries	25.4	127.2
Amounts owed by subsidiaries	512.6	118.2
Related companies	-	15.2
Other debtors	8.9	22.3
Prepayment and accrued income	<u>23.5</u>	<u>8.8</u>
	1172.9	357.5
Amounts falling due after more than one year - other debtors	<u>0.1</u>	<u>1.4</u>
	<u>1173.0</u>	<u>358.9</u>

14. Cash at bank and in hand

The Company has given certain of its bankers the authority to combine or offset its own accounts, certain of its subsidiaries' accounts, and certain accounts of other subsidiaries of Rover Group Holdings plc, with those banks.

15. <u>Creditors -</u>	1989 £million	1988 £million
<u>Amounts falling due within one year</u>		
Short term borrowings		
Bank overdrafts & short term loans	89.9	4.0
Finance leases (Note 17)	<u>36.0</u>	<u>26.1</u>
	<u>125.9</u>	<u>30.1</u>
	1989 £million	1988 £million
Trade creditors and bills payable	278.8	274.7
Amounts due to parent companies	403.1	-
Amounts due to fellow subsidiaries	65.9	2.3
Amounts due to own subsidiaries	49.6	53.1
Amounts due to related companies	-	9.8
VAT and car tax	53.8	34.6
Other taxes and social security costs	15.0	11.3
Accruals	343.7	244.8
Other creditors	<u>20.6</u>	<u>16.3</u>
	<u>1230.5</u>	<u>647.5</u>

Interest is payable on unsecured loans at rates varying with inter bank rates.

16. Creditors	1989 £million	1988 £million
<u>Amounts falling due after more than one year</u>		
Finance leasing liabilities (note 17)	134.5	38.3
Accruals	<u>68.3</u>	<u>30.4</u>
	<u>202.8</u>	<u>68.7</u>

17. Finance leasing liabilities	1989 £million	1988 £million
Payable - after more than five years	23.7	-
- between two and five years	79.5	20.6
- between one and two years	<u>31.3</u>	<u>17.7</u>
	134.5	38.3
- within one year	<u>36.0</u>	<u>26.1</u>
	<u>170.5</u>	<u>64.4</u>

The amount payable within one year has been included in short term borrowings.

Finance leasing liabilities which arise under various leasing agreements, bear interest at effective rates up to 13% and are repayable in instalments up to 1995.

18. Group Loans	1989 £million	1988 £million
Interest free loans		
From parent companies	24.8	1321.9
From fellow subsidiaries	<u>276.8</u>	<u>-</u>
	<u>301.6</u>	<u>1321.9</u>

The loans are made in lieu of other forms of capital subscription and are non interest bearing to form the basis of the Company's long-term funding.

The loan from BLMC Limited was waived during the year and has been included as an extraordinary item.

The loans from these companies are technically repayable at one months notice but the companies have stated that (a) they do not intend to request repayment before 1 January 1991 and (b) prior to requiring repayment, full account would be taken of the effect on the ability of the Group to meet all other claims of creditors.

19. Provisions for rationalisation	1989 £million
At beginning of year	34.6
Transfer from Rover Group Holdings Plc	(4.9)
Expenditure during year	(7.3)
Charge to profit and loss account	4.1
Released to profit and loss account	<u>(0.2)</u>
At end of year	<u>26.3</u>

	1989 £million	1988 £million
20. <u>Called up share capital</u>		
232 million ordinary shares of 25p each		
Authorised, issued and fully paid	<u>58.0</u>	<u>58.0</u>

21. Reserves

	Share Premium £million	Revaluation Reserve £million	Profit and Loss Account £million
At 1 January 1989	2.3	258.9	(848.6)
Transferred to reserves	-	(2.6)	2.6
Released through the Profit and loss account in the year	-	(12.1)	-
Profit for the year	<u>-</u>	<u>-</u>	<u>1326.1</u>
At 31 December 1989	<u>2.3</u>	<u>244.2</u>	<u>480.1</u>

22. Contingent liabilities

In the normal course of business there are contingent liabilities in respect of bills discounted, guarantees, claims, and other commitments entered into amounting to £5.7 million (1988 £4.0 million). No material loss is expected to arise.

23. Capital commitments

Capital expenditure approved by the Board but not incurred amounted to £148.7 million (1988: £205.4 million). Contracts to the value of £15.9 million (1988: £41.6 million) had been placed by the balance sheet date.

24. Operating lease commitments

Payments totalling £19.1 million (1988 £14.0 million) were committed at the end of the year to be made during the following year in respect of operating leases, analysed as follows:

	Land and Buildings		Other tangible assets	
	1989	1988	1989	1988
	£million	£million	£million	£million
Agreements expiring				
Within one year	-	-	10.6	12.1
between one and five years	5.3	1.0	0.9	0.7
beyond five years	<u>1.5</u>	<u>0.2</u>	<u>0.8</u>	<u>-</u>
	<u>6.8</u>	<u>1.2</u>	<u>12.3</u>	<u>12.8</u>

25. Group Accounts

The Company, being the wholly owned subsidiary of another company registered in England, is not required to present group accounts. In the opinion of the directors the aggregate value of the assets of the Company consisting of shares in, and amounts owing from, the Company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated in the balance sheet.

26. Ultimate holding company

The Company is a wholly owned subsidiary of Rover Group Holdings plc. The ultimate holding company is British Aerospace Public Limited Company, which is incorporated in England.

27. Post balance sheet event

On 1 January 1990 the Company sold its business to Rover Group Limited (Registered Number 1595268) in exchange for 520 million ordinary £1 shares in that Company credited as fully paid.

28. Directors' interests

Rover Group Holdings plc owns a half interest in a flat in London in which the Chairman Sir Graham Day owns the remaining interest. The flat is occupied by Sir Graham without payment to the company but he has full responsibility for the maintenance and all outgoings. Sir Graham has an option to purchase the Company's interest in the property at full market value with vacant possession at the time the option is exercised. The Companies Act 1985 requires accounts to state the 'value' of any such arrangement and provides that, if such value cannot be expressed as a specific sum of money, it is deemed to exceed £50,000. The Directors consider that Sir Graham's rights over the property cannot be expressed as a specific sum of money; however, they believe the real value of this right during 1989 was less than £50,000.

Apart from service contracts, the directors have no significant interest in any contract or arrangement entered into by British Aerospace Public Limited Company or its subsidiaries.

REPORT OF THE AUDITORS

TO THE MEMBERS OF AUSTIN ROVER GROUP LIMITED

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We have audited the accounts on pages 4 to 19 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1989 and of the profit and source and application of funds of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Peat Marwick McLintock*

- KPMG Peat Marwick McLintock  
Chartered Accountants  
Birmingham  
13 March 1990