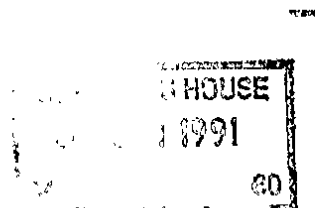


AUSTIN ROVER GROUP LIMITED

REPORT AND ACCOUNTS

1990

Registered in England number 48324



AUSTIN ROVER GROUP LIMITED

Directors:	Sir Graham Day	- Chairman
	G Simpson	- Chief Executive
	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 Woodwark	
Secretary:	A E Rowe	

REPORT OF THE DIRECTORS

The directors present the Annual Report of the Company, together with the accounts for the year ended 31 December 1990.

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.

On 10 January 1990 the Company sold its investment in Rover Group Limited to Rover Investments Limited for a consideration of £520 million.

Activities

The profit and loss account for the year is set out on page 3.

The Company did not trade during the year.

Fixed Assets

All of the movements in fixed assets are shown in notes 10 and 11.

Directors

The names of the present directors of the Company are listed above.

Directors Interests

The interests of Sir Graham Day and Mr G Simpson 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, with the exception of Sir Graham Day as disclosed in the Report and Accounts of Rover Group Holdings plc, 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 made no charitable donations (1989: £139,981).

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 no dividend should be paid for the year ended 31 December 1990, and that the loss be transferred to reserves.

Auditors

A special resolution not to reappoint the auditors, in accordance with Section 250 of the Companies Act 1985 will be proposed at the Annual General Meeting.

On behalf of the Board



Secretary

25 February 1991

AUSTIN ROVER GROUP LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1990

	Notes	1990 £ million	1989 £ million
Turnover	1	-	2,685.0
Operating result	2	-	(4.0)
Exceptional items	3	-	28.4
Decrease in provisions for losses in subsidiaries		-	1.6
Interest receivable less interest payable	7	-	5.2
Result on ordinary activities before taxation		-	31.2
Taxation on profit on ordinary activities	8	-	(2.2)
Result on ordinary activities after taxation		-	29.0
Extraordinary items	9	(573.6)	1297.1
(Loss)/profit for financial year	20	(573.6)	1326.1

Pages 5 to 14 form an integral part of these accounts

AUSTIN ROVER GROUP LIMITED
BALANCE SHEET
at 31 December 1990

		1990 £ million	1989 £ million
	Notes		
Fixed assets			
Tangible assets	10	-	1120.2
Investments	11	-	0.3
		-	1120.5
Current assets			
Stocks	12	-	367.8
Debtors	13	544.4	1173.0
Cash at bank and in hand		-	10.4
		544.4	1551.2
Creditors -			
amounts falling due within one year			
Short term borrowings	14	-	(125.9)
Other	14	-	(1230.5)
Net current assets		544.4	194.8
Total assets less current liabilities		544.4	1315.3
Creditors -			
amounts falling due after more than one year	15	-	(202.8)
Loans from parent companies and fellow subsidiaries	17	(333.4)	(301.6)
Provisions for rationalisation	18	-	(26.3)
		<u>211.0</u>	<u>784.6</u>
Capital and reserves			
Called up share capital	19	58.0	58.0
Share premium account	20	2.3	2.3
Revaluation reserve	20	-	244.2
Profit and loss account	20	150.7	480.1
		<u>211.0</u>	<u>784.6</u>

On behalf of the Board

r.b. M. [Signature]

25 February 1991

Pages 5 to 14 form an integral part of these accounts

AUSTIN ROVER GROUP LIMITED ACCOUNTING POLICIES

Accounting convention

These accounts are prepared in accordance with applicable accounting standards.

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.

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.

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.

Leasing

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.

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:-

	1990 £ million	1989 £ million
External Customers	-	1937.4
Other group companies	-	747.6
	-	<u>2685.0</u>

2. Operating result

Operating result is calculated as follows:-

	1990 £ million	1989 £ million
Turnover	-	2685.0
Cost of sales	-	<u>(2571.2)</u>
Gross profit	-	113.8
Distribution costs	-	(46.2)
Administrative expenses	-	(55.0)
Other operating expense	-	<u>(16.6)</u>
Operating result	-	<u>(4.0)</u>

Operating result is after charging

Depreciation & amortisation of tangible assets

- owned - 86.1

- under finance lease and similar hire purchase contracts - 44.5

Auditors' remuneration - 0.3

Hire of tangible assets under operating leases

- plant and machinery - 50.9

- other - 0.2

Research and development - 23.4

For the year ended 31 December 1990 auditors' remuneration was borne by another group company.

3. Exceptional items

	1990 £ million	1989 £ million
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>28.4</u>

4. Directors' and senior employees' emoluments

	1990 £000	1989 £000
Directors' emoluments for management services including pension contributions	-	48

For the year ended 31 December 1990, the directors received no remuneration in respect of their services to this Company.

The emoluments of the highest paid director were Nil (1989 £43,576).

5. Employees

	1990	1989
Average number of employees during the year	-	30,796
Employment costs	£ million	£ million
Wages & salaries	-	401.6
Social security costs	-	29.9
Other pension costs	-	21.1
Total	-	452.6

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 Nil (1989: £21.1 million).

7. <u>Interest payable less interest receivable</u>	1990 £ million	1989 £ million
Payable in respect of		
Balances with parent companies	-	28.5
Bank borrowings and bills payable	-	1.4
Other interest and similar charges	-	13.7
Assets acquired under finance leases and similar hire purchase contracts	-	7.9
	-	51.5
Receivable in respect of		
Balances with parent companies	-	52.8
Balances with fellow subsidiaries	-	2.6
Trade bills, bank and other short term deposits	-	1.3
	-	56.7
Net interest receivable	-	5.2

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

8. <u>Taxation on result on ordinary activities</u>	1990 £ million	1989 £ million
Overseas and other taxation payable	-	(2.2)

Based on the results for the year no provision for UK Corporation Tax or deferred taxation is required.

9. <u>Extraordinary items</u>	1990 £ million	1989 £ million
Loss on disposal of the business to Rover Group Limited	(573.6)	-
Waiver of a loan by BLMC Limited	-	1297.1
	(573.6)	1297.1

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 1990	470.3	5.0	791.3	287.9	359.3	195.6	2109.4
Transfer of assets to Rover Group Limited	(445.1)	(4.5)	(782.8)	(287.9)	(359.3)	(195.6)	(2075.2)
Transfer of assets to Rover Investments Limited	<u>(25.2)</u>	<u>(0.5)</u>	<u>(8.5)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(34.2)</u>
At 31 December 1990	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Accumulated depreciation and amortisation							
At 1 January 1990	14.6	0.3	502.9	143.0	209.8	118.6	989.2
Transfer of assets to Rover Group Limited	(10.4)	(0.3)	(497.3)	(143.0)	(209.8)	(118.6)	(979.4)
Transfer of assets to Rover Investments Limited	<u>(4.2)</u>	<u>—</u>	<u>(5.6)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9.8)</u>
At 31 December 1990	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net book value at 31 December 1990	—	—	—	—	—	—	—
Net book value at 31 December 1989	455.7	4.7	288.4	144.9	149.5	77.0	1120.2

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

	1990		1989	
	Land and Buildings Owned	Buildings Leased	Land and Buildings Owned	Buildings Leased
	£million	£million	£million	£million
At 31 December				
Cost	—	—	266.3	0.9
Accumulated Depreciation	<u>—</u>	<u>—</u>	<u>49.3</u>	<u>0.2</u>
Net Book Value	<u>—</u>	<u>—</u>	<u>217.0</u>	<u>0.7</u>

11. Fixed Asset Investments

	Subsidiaries £ million
At 1 January 1990	0.3
Acquisition during the year	520.0
Disposals in the year	(520.3)
At 31 December 1990	<u>—</u>

On 1 January 1990 the Company sold its business to Rover Group Limited in exchange for 520 million ordinary shares of £1 each in that company credited as fully paid. Subsequently on 10 January 1990 the Company sold its investment in Rover Group Limited to Rover Investments Limited for a consideration of £520 million.

12. Stocks

	1990 £million	1989 £million
Raw materials and consumables	—	17.3
Work in progress	—	87.0
Finished goods and goods for resale	—	435.4
Deposits	—	(171.9)
	<u>—</u>	<u>367.8</u>

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

13. Debtors

	1990 £million	1989 £million
Amounts falling due within one year		
Trade debtors & bills receivable	—	102.0
Amounts owed by parent companies	—	500.5
Amounts owed by fellow subsidiaries	544.4	25.4
Amounts owed by subsidiaries	—	512.6
Other debtors	—	8.9
Prepayment and accrued income	—	23.5
	<u>544.4</u>	<u>1172.9</u>
Amounts falling due after more than one year — other debtors	—	0.1
	<u>544.4</u>	<u>1173.0</u>

14. Creditors —

	1990 £million	1989 £million
<u>Amounts falling due within one year</u>		
Short term borrowings	—	89.9
Bank overdrafts & short term loans	—	36.0
Finance leases (Note 16)	—	125.9

	1990 £million	1989 £million
Trade creditors and bills payable	-	278.8
Amounts due to parent companies	-	403.1
Amounts due to fellow subsidiaries	-	65.9
Amounts due to own subsidiaries	-	49.6
VAT and car tax	-	53.8
Other taxes and social security costs	-	15.0
Accruals	-	343.7
Other creditors	-	20.6
	-	<u>1230.5</u>

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

15. <u>Creditors</u>	1990 £million	1989 £million
<u>Amounts falling due after more than one year</u>		
Finance leasing liabilities (note 16)	-	134.5
Accruals	-	68.3
	-	<u>202.8</u>

16. <u>Finance leasing liabilities</u>	1990 £million	1989 £million
Payable - after more than five years	-	23.7
- between two and five years	-	79.5
- between one and two years	-	31.3
	-	<u>134.5</u>
- within one year	-	36.0
	-	<u>170.5</u>

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

17. <u>Group loans</u>	1990 £million	1989 £million
Interest free loans		
From parent companies	59.3	24.8
From fellow subsidiaries	<u>274.1</u>	<u>276.8</u>
	<u>333.4</u>	<u>301.6</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 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 1992 and (b) prior to requiring repayment, full account would be taken of the effect on the ability of the Company to meet all other claims of creditors.

18. <u>Provisions for rationalisation</u>	1990 £million
At beginning of year	26.3
Transfer to Rover Group Limited	<u>(26.3)</u>
At end of year	-

	1990 £million	1989 £million
19. <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>

20. Reserves

	Share Premium £million	Revaluation Reserve £million	Profit and Loss Account £million
At 1 January 1990	2.3	244.2	480.1
Transferred to reserves	-	(244.2)	244.2
Loss for the year	<u>-</u>	<u>-</u>	<u>(573.6)</u>
At 31 December 1990	<u>2.3</u>	<u>-</u>	<u>150.7</u>

21. Contingent liabilities

In the normal course of business there are no contingent liabilities in respect of bills discounted, guarantees, claims, and other commitments entered into (1989 £5.7 million).

22. Capital commitments

There was no capital expenditure approved by the Board but not incurred. (1989: £148.7 million). In 1989 contracts to the value of £15.9 million had been placed by the balance sheet date.

23. Operating lease commitments

No payments were committed at the end of the year to be made during the following year in respect of operating leases. In 1989 these commitments were analysed as follows:

	Land and Buildings		Other tangible assets	
	1990	1989	1990	1989
	£million	£million	£million	£million
Agreements expiring				
Within one year	-	-	-	10.6
between one and five years	-	5.3	-	0.9
beyond five years	<u>-</u>	<u>1.5</u>	<u>-</u>	<u>0.8</u>
	<u>-</u>	<u>6.8</u>	<u>-</u>	<u>12.3</u>

24. Ultimate holding company

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

REPORT OF THE AUDITORS KPMG PEAT MARWICK McLINTOCK
TO THE MEMBERS OF AUSTIN ROVER GROUP LIMITED

We have audited the accounts on pages 3 to 14 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 1990 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock

Chartered Accountants
Birmingham
25 February 1991