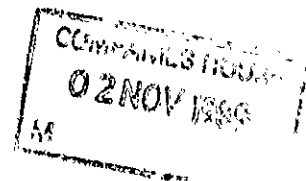


AUSTIN ROVER GROUP LIMITED

REPORT AND ACCOUNTS

1988

Registered in England number 48324



## AUSTIN ROVER GROUP LIMITED

Directors: Sir J Graham Day - Chairman  
R Axe  
W J Bacchus  
A Barr  
R C G Bertodo  
N J Carver  
K T Morley  
H A Rose  
F B Saundry  
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 1988. As indicated below the company is now part of the British Aerospace group and the directors no longer consider it appropriate to prepare consolidated accounts.

#### Activities

The company and its subsidiaries are engaged in the manufacture and sale of cars and car derived vans.

During the year the company made a further investment in Austin Rover Finance Limited to retain the company's proportion of the issued share capital at 20%. The company also joined with Austin Rover Finance Limited in the formation of a new related company, Rovard Facilities Limited.

On 26 February 1988 the company concluded an agreement for a management buy-out of the Beans Engineering operation at Tipton, and on 28 July 1988 the company sold its Fuel Systems business at Erdington to Hobourn Group Limited.

On 1 November 1988 the British Car Rental business was transferred to Rovard Facilities Limited.

The turnover and results of the above businesses have been included in the accounts up to their respective dates of sale.

The profit and loss account appears on page 4. During the year a subvention payment of £469 million was received from The Rover Group plc. The interest free loans from BLMC Limited were reduced by an equivalent amount.

#### Change of Ownership

In the course of the year British Aerospace Public Limited Company acquired the Secretary of State's shareholding in The Rover Group plc and subsequently acquired the shares of the remaining shareholders.

#### Fixed Assets

The company's land and buildings were revalued on the company's acquisition by British Aerospace Public Limited Company and the resultant surplus has been taken to revaluation reserve.

## Finance

Austin Rover Group Limited depends on The Rover Group plc for financial support extended through intermediate holding companies as set out in note 19 to the accounts.

## 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

Austin Rover Group 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. Biennial 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

Austin Rover Group 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

Dr S M Manton resigned on 17 June 1988 and Mr D R L Hankinson resigned on 31 December 1988. Mr K T Morley was appointed a director on 4 July 1988. The other directors held office throughout the year.

The interests of Sir J Graham Day are disclosed in the report and accounts of British Aerospace Public Limited Company.

The other directors had no holdings in ordinary shares of British Aerospace Public Limited Company. There have been no changes in directors' interests up to the date of this report.

Apart from service contracts there was no contract subsisting during or at the end of the financial year in which any directors of the company had a material interest.

#### Charitable Donations

During the year Austin Rover Group Limited gave £110,000 to Austin Rover Group Heritage Trust.

#### Close Company Provisions

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

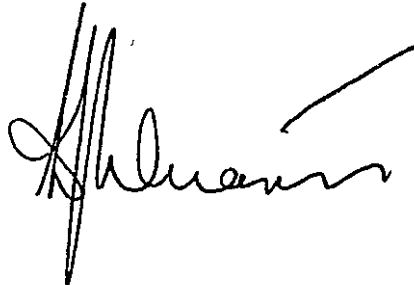
#### Dividends

The directors recommend that dividends should not be paid for the year ended 31 December 1988.

#### Auditors

Following the change in the ultimate holding company, Coopers & Lybrand resigned as auditors. Peat Marwick McLintock were appointed and a resolution to reappoint them and authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board



15 March 1989

AUSTIN ROVER GROUP LIMITED

PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 1988

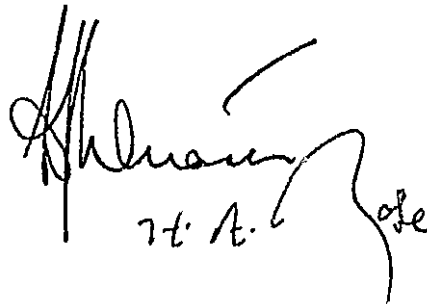
	Notes	1988 £ million	1987 £ million
Turnover	1	<u>2,364.1</u>	<u>2,312.3</u>
Operating profit/(loss)	2	52.5	(7.8)
Exceptional items	3	(10.0)	7.5
Decrease/(increase) in provisions for losses in subsidiaries		7.0	(15.3)
Interest receivable less interest payable	7	<u>5.2</u>	<u>(0.1)</u>
Profit/(loss) on ordinary activities before taxation		54.7	(15.7)
Taxation on profit/(loss) on ordinary activities	8	<u>1.1</u>	<u>-</u>
Profit/(loss) on ordinary activities after taxation - transferred to reserve	22	<u>55.8</u>	<u>(15.7)</u>

Pages 7 to 19 form an integral part of these accounts

AUSTIN ROVER GROUP LIMITED  
BALANCE SHEET  
at 31 December 1988

	Notes	1988 £ million	1987 £ million
Fixed Assets			
Tangible assets	9	880.1	484.9
Investments-in subsidiaries at cost	10	0.4	0.4
-in related companies at cost	11	4.6	0.3
		<u>885.1</u>	<u>485.6</u>
Current assets			
Stocks	12	262.0	273.3
Debtors	13	358.9	488.2
Cash at bank and in hand	14	<u>67.4</u>	<u>0.1</u>
		688.3	761.6
Creditors -			
amounts falling due within one year			
Short term borrowings	15	(30.1)	(145.4)
Other	16	<u>(647.5)</u>	<u>(444.5)</u>
Net current assets		<u>10.7</u>	<u>171.7</u>
Total assets less current liabilities		<u>895.8</u>	<u>657.3</u>
Creditors -			
amounts falling due after more than one year	17	68.7	153.7
Holding company loans	19	1321.9	1,790.9
Provisions for rationalisation	20	34.6	26.1
Capital and reserves			
Called up share capital	21	58.0	58.0
Share premium account	22	2.3	2.3
Revaluation reserve	22	258.9	-
Profit and loss account (deficit)	22	<u>(848.6)</u>	<u>(1,373.7)</u>
		<u>(529.4)</u>	<u>(1,313.4)</u>
		<u>895.8</u>	<u>657.3</u>

On behalf of the Board

  
H. A. Rose

15 March 1989

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 1988

	1988 £ million	1987 £ million
Sources and Applications (outflows in brackets)		
Net operational flow	171.2	92.2
comprises		
Profit/(loss) on ordinary activities before taxation	54.7	(15.7)
Depreciation and amortisation	116.5	107.9
Change in working capital	363.2	(355.7)
Comprises		
Stock less deposits	11.3	72.8
Debtors	129.3	(258.6)
Creditors and provisions	222.6	(169.9)
Capital expenditure	(254.7)	(91.8)
Investments	(4.3)	-
Net taxation recovery	1.1	-
Other	2.2	8.9
Subvention receipt	469.0	-
	<u>747.7</u>	<u>(346.4)</u>
Effect on Borrowings (decreases in brackets)		
Holding company loans	(469.0)	502.8
Finance leasing liabilities - long term	(26.1)	(37.2)
Bank and other long term loans	(70.0)	(165.9)
Short term borrowings less cash	(182.6)	46.7
	<u>(747.7)</u>	<u>346.4</u>

Pages 7 to 19 form an integral part of these accounts

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 land and buildings. The accounts are prepared on a going concern basis notwithstanding the deficiency of net assets shown in the balance sheet as the directors have received assurances from the intermediate holding company, BLMC Limited, that it does not intend to request repayment of its loan before 1 January 1990 and that prior to requiring repayment full account would be taken of the effect on the ability of the company to meet the claims of all other creditors.

Group Accounts

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

Acquisitions and Divestments

When subsidiary companies are acquired any difference between the consideration price and the net tangible assets at the date of acquisition is taken to reserves. When subsidiary companies are divested any profit or loss arising is taken to extraordinary or exceptional items.

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. 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.

### 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.

### Pension Funding

Rover Group operates pension schemes covering its UK employees.

In view of the favourable funding position contributions to these funds, which are charged against profits when made, have been reduced to a nominal amount until mid 1991.

### Tangible Assets

Land and buildings were valued as at August 1988 and are stated at valuation less depreciation calculated on that valuation. 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 Austin Rover Group has a substantial interest and on whose commercial and financial policy decisions Austin Rover Group Limited exercises significant influence.

:- Income from 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:-

	1988 £ million	1987 £ million
External customers	1856.4	1610.3
Other Rover Group companies	<u>507.7</u>	<u>702.0</u>
	<u>2364.1</u>	<u>2312.3</u>

2. Operating profit/(loss)

1988  
£ million

1987  
£ million

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

Turnover	2364.1	2312.3
Cost of sales	<u>2223.4</u>	<u>2220.7</u>
Gross profit	140.7	91.6
Distribution costs	38.9	46.2
Administrative expenses	<u>49.3</u>	<u>53.2</u>
Operating profit/(loss)	<u>52.5</u>	<u>(7.8)</u>

Operating profit is stated after

Depreciation & amortisation of tangible assets	116.5	107.9
Auditors' remuneration	0.2	0.3
Hire of tangible assets under operating leases		
- Plant and machinery	37.1	11.1
- Other	0.2	0.3

Operating profit for 1988 reflects a benefit of £27.2 million (1987 £10.0 million) arising from a reduction in the rate of contributions to the Group's principal pension funds (see note 6).

3. Exceptional items

1988  
£ million

1987  
£ million

Provisions for rationalisation	(10.0)	-
Prior years' provisions released	<u>-</u>	<u>7.5</u>
	<u>(10.0)</u>	<u>7.5</u>

4. Directors and senior employees' emoluments

(a) As in 1987 the chairman and three other directors received remuneration for their services to The Rover Group plc and its subsidiaries as a group and their remuneration is disclosed in the accounts of The Rover Group plc.

(b) Other directors' emoluments including pension contributions	1988	1987
Management remuneration	£1,015,395	£992,473

(c) Other directors' emoluments excluding pension contributions

Emoluments	Number of directors	
	1988	1987
£ 25,001 - £ 30,000	-	1
£ 35,001 - £ 40,000	-	1
£ 40,001 - £ 45,000	1	-
£ 50,001 - £ 55,000	2	1
£ 65,001 - £ 70,000	-	2
£ 75,001 - £ 80,000	1	-
£ 95,001 - £100,000	-	2
£100,001 - £105,000	1	-
£105,001 - £110,000	-	1
£110,001 - £115,000	1	-
£115,001 - £120,000	1	-
£125,001 - £130,000	1	1
Highest paid director	£157,767	£129,704

(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	
	1988	1987
£30,001 - £35,000	11	79
£35,001 - £40,000	47	46
£40,001 - £45,000	52	18
£45,001 - £50,000	26	9
£50,001 - £55,000	14	3
£55,001 - £60,000	12	3
£60,001 - £65,000	4	5
£65,001 - £70,000	3	-
£70,001 - £75,000	4	-
£75,001 - £80,000	5	1
£80,001 - £85,000	1	1
£85,001 - £90,000	1	-

5. Employees

	1988	1987
Average number of employees during the year	<u>31,977</u>	<u>35,648</u>

	£ million	£ million
Group employment costs		
Wages & salaries	380.0	394.4
Social security costs	28.0	28.3
Other pension costs	<u>5.6</u>	<u>19.7</u>
Total	<u>413.6</u>	<u>442.4</u>

6. Pensions

Most employees in the UK are members of occupational pension schemes in respect of which contracting out certificates have been granted by the Occupational Pensions Board.

The major schemes are defined benefit schemes providing benefits based on final pensionable pay. The financial position of the schemes has enabled increases in pensions to be paid in excess of those guaranteed by the rules of the schemes. The assets of the schemes are held by trustees and are kept separate from those of the company.

Contributions, which are intended to spread the cost of members' prospective benefits over their working lifetimes, are made at the rates recommended by independent actuaries and reviewed every three years.

The most recent actuarial valuations of the major schemes, as at 5 April 1987, indicated that scheme assets continued to exceed the value of the liabilities for completed service based on employees' projected final pensionable pay. This permitted improvements in existing and prospective benefits for scheme members and the reduction of contributions by employing companies to a nominal amount until mid 1991.

The actuaries have advised that they would expect to be able to make similar statements as at 31 December 1988.

As regards other schemes, with minor exceptions, the assets of these schemes are adequate to meet accrued liabilities.

7. Interest payable less interest receivable

	1988 £ million	1987 £ million
Payable in respect of		
Bank borrowings and bills payable	5.4	12.8
Financing of vehicle stocks	9.1	8.1
Other interest and similar charges	0.1	0.3
Assets acquired under finance leases	<u>4.5</u>	<u>7.8</u>
	<u>19.1</u>	<u>29.0</u>
Receivable in respect of		
Balances with group companies	22.5	26.5
Trade bills, bank and other short term deposits	<u>1.8</u>	<u>2.4</u>
	<u>24.3</u>	<u>28.9</u>
Net interest receivable/(payable)	<u>5.2</u>	<u>(0.1)</u>

All of the interest payable, in 1988 and in 1987, was in respect of amounts which were wholly repayable within five years of the balance sheet date.

8. Taxation on ordinary activities

	1988 £ million	1987 £ million
Overseas taxation payable	(0.4)	-
Adjustment in respect of prior years		
Provision released	<u>1.5</u>	<u>-</u>
	<u>1.1</u>	<u>-</u>

Based on the results for the year no provision for UK corporation tax is required as any liability will be covered by losses surrendered under the group relief provisions. 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 amounts to £42 million.

## 9. 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 1988	113.5	1.0	543.6	136.2	259.7	148.8	1202.8
Revaluation	216.3	3.9	-	-	-	-	220.2
Additions							
From group	10.7	-	21.1	5.6	-	-	37.4
Other	9.6	-	160.5	-	68.0	-	238.1
Disposals-							
To group	-	-	(5.7)	(0.5)	-	-	(6.2)
Other	(0.8)	(0.3)	(12.4)	(3.6)	(1.0)	-	(18.1)
At 31 December 1988	<u>349.3</u>	<u>4.6</u>	<u>707.1</u>	<u>137.7</u>	<u>326.7</u>	<u>148.8</u>	<u>1674.2</u>
Accumulated depreciation and amortisation							
At 1 January 1988	43.6	0.3	373.5	66.6	154.3	79.6	717.9
Revaluation	(33.5)	(0.2)	-	-	-	-	(38.7)
Charge for the year	1.4	0.1	36.6	15.2	40.8	22.4	116.5
Provsns. transferred	-	-	(0.9)	-	-	-	(0.9)
Additions from group	2.6	-	14.8	3.4	-	-	20.8
Disposals-							
To group	-	-	(4.3)	(0.5)	-	-	(4.8)
Other	(0.7)	(0.1)	(12.2)	(2.8)	(0.9)	-	(16.7)
At 31 December 1988	<u>8.4</u>	<u>0.1</u>	<u>407.5</u>	<u>81.9</u>	<u>194.2</u>	<u>102.0</u>	<u>794.1</u>
Net book value at 31 December 1988	340.9	4.5	299.6	55.8	132.5	46.8	880.1
Net book value at 31 December 1987	69.9	0.7	170.1	69.6	105.4	69.2	484.9

Tangible assets include £268 million (1987 £74 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 £123 million in respect of freehold land on which no depreciation is charged.

The net book value of leased land and buildings comprises short leasehold £0.3 million (1987 £0.4 million) and long leasehold £4.2 million (1987 £0.3 million).

Land and buildings are included at a directors' valuation at the date of acquisition by British Aerospace Public Limited Company, taking account of independent professional advice, on the basis of depreciated replacement cost or open market value for existing use where this is considered more appropriate.

9. Tangible assets (continued)

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

	Land and Buildings	
	Owned £million	Leased £million
At 31 December 1988		
Cost	133.0	0.7
Accumulated depreciation	<u>45.5</u>	<u>0.2</u>
Net book value	<u>87.5</u>	<u>0.5</u>

At 31 December 1988 there were no amounts included within Land and Buildings which were stated at historical cost.

10. Investments in Subsidiaries

There was no change during the year in the parent Company's direct investment in subsidiaries. Details of principal subsidiaries are given in note 27.

11. Investments in related companies

	Cost £ Million
At 1 January 1988	0.3
Additions	<u>4.3</u>
At 31 December 1988	<u>4.6</u>

Details of related companies are given in note 27.

12. Stocks

	1988 £million	1987 £million
Raw materials and consumables	14.6	13.8
Work in progress	83.6	79.0
Finished goods and goods for resale	322.9	326.8
Deposits	<u>(159.1)</u>	<u>(146.3)</u>
	<u>262.0</u>	<u>273.3</u>

Finished vehicles on consignment are pledged as security for deposits received.



13. Debtors

	1988 <u>£million</u>	1987 <u>£million</u>
Amounts falling due within one year		
Trade debtors & bills receivable	65.8	99.5
Subsidiaries	118.2	141.4
Other group companies	127.2	199.7
Related Companies	15.2	10.4
Prepayments and accrued income	8.8	16.6
Other debtors	<u>22.3</u>	<u>18.8</u>
	357.5	486.4
Amounts falling due after more than one year	<u>1.4</u>	<u>1.8</u>
	<u>358.9</u>	<u>488.2</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 The Rover Group plc, with those banks.

15. Creditors -

Short term borrowings

	1988 £million	1987 £million
Bank overdrafts - unsecured	4.0	108.7
Finance leasing liabilities (note 18)	<u>26.1</u>	<u>36.7</u>
	<u>30.1</u>	<u>145.4</u>

16. Creditors - Other

Trade creditors	274.7	186.4
Subsidiaries	53.1	60.4
Other group companies	2.9	14.7
Related companies	9.8	8.1
VAT and car tax	34.6	29.5
Other taxes and social security costs	11.3	11.9
Accruals	244.8	120.9
Sundry creditors	<u>16.3</u>	<u>12.6</u>
	<u>647.5</u>	<u>444.5</u>

17. Creditors -

amounts falling due after more than one year

Finance leasing liabilities (note 18)	38.3	64.4
Bank and other loans - unsecured	-	70.0
Accruals	<u>30.4</u>	<u>19.3</u>
	<u>68.7</u>	<u>153.7</u>

18. <u>Finance leasing liabilities</u>	1988 £million	1987 £million
Payable		-
- between two and five years	20.6	38.3
- between one and two years	<u>17.7</u>	<u>26.1</u>
	38.3	64.4
- within one year	<u>26.1</u>	<u>36.7</u>
	<u>64.4</u>	<u>101.1</u>

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

Finance leasing liabilities arise under various lease agreements, bear interest at effective rates up to 12% and are payable in instalments to 5 November 1992.

19. <u>Holding company loans</u>	1988 £million	1987 £million
Interest free loans from		
ARG Holdings Limited	24.8	24.8
BLMC Limited	<u>1297.1</u>	<u>1766.1</u>
	<u>1321.9</u>	<u>1790.9</u>

These loans are made in lieu of other forms of capital subscription and are intended to form the basis of the group's long-term funding.

The loans are technically repayable at one month's notice but BLMC Limited and ARG Holdings Limited have stated that (a) they do not intend to request repayment before 1 January 1990 and (b) prior to requiring repayment full account would be taken of the effect on the ability of the company to meet the claims of all other creditors.

20. <u>Provision for rationalisation</u>	1988 £million
At 1 January 1988	26.1
Profit and loss account	10.0
Transfer to group companies	(0.6)
Transfer from tangible assets	0.9
Expenditure during year	<u>(1.8)</u>
At 31 December 1988	<u>34.6</u>

	1988 £million	1987 £million
21. <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>

22. Reserves

	Share Premium £million	Revaluation Reserve £million	Profit and Loss Account £million
At 1 January 1988	2.3	—	(1373.7)
Profit for the financial year			55.8
Foreign currency translation			0.3
Revaluation of land and buildings			
— depreciation written back		38.7	
— adjustment to cost or valuation		220.2	
Subvention from The Rover Group plc			<u>469.0</u>
At 31 December 1988	<u>2.3</u>	<u>258.9</u>	<u>(848.6)</u>

23. 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 £4 million (1987 £18 million). No material loss is expected to arise.

24. Capital commitments

Capital expenditure approved by the Board but not incurred amounted to £205 million (1987 £364 million) contracts to the value of £42 million (1987 £95 million) had been placed by the balance sheet date.

25. Operating lease commitments

Payments totalling £14.0 million (1987 £9.5 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	
	1988	1987	1988	1987
	£million	£million	£million	£million
Agreements expiring				
Within one year	—	0.2	12.1	7.5
between one and five years	1.0	0.7	0.7	0.7
beyond five years	<u>0.2</u>	<u>0.4</u>	<u>—</u>	<u>—</u>
	<u>1.2</u>	<u>1.3</u>	<u>12.8</u>	<u>8.2</u>

26. Ultimate holding company

British Aerospace Public Limited Company, a company incorporated in England, is the ultimate holding company.

## 27. Subsidiary and related companies

The following were the principal subsidiary companies of Austin Rover Group Limited at 31 December 1988. 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.

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

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

The related companies, all registered in England, are as follows:-

<u>Name</u>	<u>Issued Share Capital</u>	<u>Percentage Equity Holding</u>
Austin Rover Finance Limited	22,000,000 ordinary shares of £1 each	20%
Autoprime Limited	250,000 deferred ordinary shares of £1 each 250,000 new ordinary shares of one penny each	49%
Rovard Facilities Limited	100,000 ordinary shares of £1 each	50%

## 28. 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.

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 approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1988 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Pat Marnick Mfluitock*

Chartered Accountants  
Birmingham  
15 March 1989