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M. A. Rock

(Secretary)

AUTO UNION FINANCE LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1977

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

10 Coates Crescent, Edinburgh, EH3 7AL



AUTO UNION FINANCE LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1977

AUTO UNION FINANCE LIMITED

DIRECTORS

J.M. Amour	M. Heelas
B. Bowler	M.J.G. Knox
C.J. Harrison	J.N. Little

REPORT OF THE DIRECTORS

The directors submit herewith the Balance Sheet at 30th September 1977 together with the Profit and Loss Account for the year ended that date.

PROFIT AND DIVIDEND

Profit after taxation	£281,323
Balance brought forward	79,435
	<u>£360,758</u>

which the directors recommend should be carried forward to the next account. The directors do not recommend payment of any dividend for the year.

PRINCIPAL ACTIVITIES

The principal activities of the company are the provision of instalment finance and the leasing of plant to customers.

EXPORTS

No goods or services were exported during the year.

DIRECTORS

The directors listed above were directors throughout the financial year. None of the directors had a beneficial interest in the shares of the company.

The interests of the directors in the ordinary shares of 20p each of Lloyds and Scottish Limited were as follows:-

	<u>At</u> <u>30.9.77</u>	<u>At</u> <u>1.10.76</u>
J.M. Amour	20,400	20,400
B. Bowler	-	-
C.J. Harrison	6,500	6,500
M. Heelas	-	-
M.J.G. Knox	-	-
J.N. Little	8,000	8,000

AUDITORS

A resolution for the re-appointment of Peat, Marwick, Mitchell & Co. as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board,

W.S. COCKBURN

Secretary.

London.
19th December 1977.

(1)

PEAT, MARWICK, MITCHELL & CO

REPORT OF THE AUDITORS TO THE MEMBERS OF
AUTO UNION FINANCE LIMITED

We have examined the accounts set out on pages 3 to 7 which have been prepared under the historical cost convention. In our opinion they give, under that convention, a true and fair view of the state of the Company's affairs at 30th September 1977 and of the profit and source and application of funds for the year to that date and comply with the Companies Acts 1948 and 1967.

10 Coates Crescent,
Edinburgh EH3 7AL.

19th December 1977.

PEAT, MARWICK, MITCHELL & CO.,

Chartered Accountants.

AUTO UNION FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1977

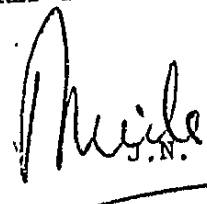
	<u>Note</u>	<u>1977</u> £	<u>1976</u> £
TURNOVER	2	<u>1,996,062</u>	<u>1,043,251</u>
PROFIT BEFORE TAXATION		586,025	340,436
after charging:			
Interest on loans repayable within five years and on bank overdrafts		858,496	461,310
Depreciation	1	80,868	12,054
Directors' emoluments	3	11,784	-
Audit fee		<u>1,000</u>	<u>600</u>
Taxation:			
Based on the profit for the year at 52%:			
Transfer to deferred taxation 1&7		226,000	135,000
Corporation tax		54,218	43,100
Amount payable to holding company for surrender of ACT		<u>24,524</u>	<u>-</u>
		304,742	178,100
Adjustment for prior year: Corporation tax		<u>(40)</u>	<u>-</u>
		<u>304,702</u>	<u>178,100</u>
PROFIT AFTER TAXATION		281,323	162,336
Balance brought forward		<u>79,435</u>	<u>17,099</u>
		360,758	179,435
Interim dividend paid		<u>-</u>	<u>100,000</u>
BALANCE CARRIED FORWARD		<u>360,758</u>	<u>79,435</u>


AUTO UNION FINANCE LIMITED

BALANCE SHEET

AT 30TH SEPTEMBER 1977

	<u>Note</u>	<u>1977</u> £	<u>1976</u> £
EMPLOYMENT OF CAPITAL			
CURRENT ASSETS:			
Hire purchase and other debtors and advances, less provision for doubtful debts	1	15,703,212 <u>2,387,807</u>	7,897,931 <u>1,131,856</u>
Less: Unearned finance charges		13,315,405	6,766,075
		330,599	38,991
		60,884	36,181
Due by Volkswagen (G.B.) Limited			
Sundry debtors and payments in advance			
Cash at bank:			
Lloyds and Scottish Trust Limited		-	928
(Fellow subsidiary company)		<u>187</u>	<u>-</u>
Cash on hand		13,707,075	6,842,175
CURRENT LIABILITIES			
	4	12,480,583	6,325,852
		1,226,492	516,323
		26,500	14,118
CORPORATION TAX payable 1st July 1978		1,199,992	502,205
FIXED ASSETS			
	5	751,766	314,513
		<u>1,951,758</u>	<u>816,718</u>
CAPITAL EMPLOYED			
SHARE CAPITAL:			
Authorised and Issued:			
102,000 'A' Ordinary shares of £1 each		102,000	102,000
98,000 'B' Ordinary shares of £1 each		<u>98,000</u>	<u>98,000</u>
		200,000	200,000
PROFIT AND LOSS ACCOUNT			
		360,758	79,435
		560,758	279,435
LOANS FROM SHAREHOLDERS			
	6	1,000,000	400,000
DEFERRED TAXATION			
	1&7	391,000	137,283
		<u>1,951,758</u>	<u>816,718</u>

X  J.N. LITTLE Director

 M.J.G. KNOX Director

(4)

AUTO UNION FINANCE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30TH SEPTEMBER 1977

	<u>1977</u> £	<u>1976</u> £
SOURCE OF FUNDS:		
Profit before taxation	586,025	340,436
Adjustment for items not involving the movement of funds:		
Depreciation	<u>86,868</u>	<u>12,054</u>
TOTAL GENERATED FROM OPERATIONS	672,893	352,490
FUNDS FROM OTHER SOURCES:		
Increase in loans from shareholders	<u>600,000</u>	<u>400,000</u>
	1,272,893	752,490
APPLICATION OF FUNDS:		
Dividend paid	-	100,000
Tax paid	59,177	12,923
Purchases less sales of fixed assets	<u>524,121</u>	<u>269,679</u>
	<u>583,298</u>	<u>382,602</u>
	<u>689,595</u>	<u>369,888</u>
INCREASE IN WORKING CAPITAL		
ANALYSED AS FOLLOWS:		
Increase in hire purchase and other debtors and advances	6,549,330	3,920,791
Increase in sundry debtors and payments in advance	24,703	18,026
Decrease(increase) in sundry creditors and accrued charges	46,406	(240,057)
Increase in amount due by Volkswagen (G.B.) Limited	291,608	609,852
Decrease(increase) in amount due to Lloyds and Scottish Limited	5,734,788	(5,734,788)
Increase in amount due to Lloyds and Scottish Finance Limited	(157,533)	(104,934)
Decrease(increase) in amount due to Lloyds and Scottish (Leasing) Limited	9,352	(9,352)
Decrease in amount due to Lloyds & Scottish Assurance Limited	-	1,849
	<u>12,498,654</u>	<u>(1,538,613)</u>
Movement in net liquid funds:		
(Increase)decrease in bank overdraft	(11,808,318)	1,907,573
(Decrease)increase in cash at bank	(928)	928
Increase in cash on hand	<u>187</u>	<u>-</u>
	<u>(11,809,059)</u>	<u>1,908,501</u>
	<u>689,595</u>	<u>369,888</u>

AUTO UNION FINANCE LIMITED

NOTES ON THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1977

1. ACCOUNTING POLICIES

(a) Unearned Finance Charges:

The Company uses the "78ths" method of calculating unearned finance charges.

(b) Depreciation:

Depreciation of plant on lease is provided on a basis which spreads the profit from leasing contracts in approximate proportion to the diminishing investment outstanding. Depreciation of other fixed assets is designed to write off the net cost of those assets over their useful lives by equal annual instalments (the straight-line method).

(c) Deferred Taxation:

Deferred taxation is provided by using the net change version of the deferral method in respect of taxation deferred by accelerated taxation allowances on fixed assets.

2. TURNOVER

Turnover represents the amount of finance charges earned under instalment credit arrangements and rentals receivable under contracts for leasing of plant to customers.

3. DIRECTORS' EMOLUMENTS

	<u>1977</u> £	<u>1976</u> £
Remuneration as executive	10,346	-
Pension contributions	1,438	-
	<u>11,784</u>	<u>-</u>
Chairman	-	-
Highest paid director	10,346	-
Four other directors (1976, 4)	-	-

4. CURRENT LIABILITIES

Bank overdrafts:	172,564	150,165
The Royal Bank of Scotland Limited		
Lloyds and Scottish Trust Limited	11,785,919	-
(Fellow subsidiary company)		
Due to Lloyds and Scottish Limited	-	5,734,788
(Ultimate holding company)		
Due to Lloyds and Scottish Finance Limited	288,622	131,089
(Holding company)		
Due to Lloyds and Scottish (Leasing) Limited	-	9,352
(Fellow subsidiary company)		
Sundry creditors and outstandings	194,876	241,282
Current taxation	14,078	59,176
Amount payable to holding company for		
surrenders of ACT	<u>24,524</u>	<u>-</u>
	<u>12,480,583</u>	<u>6,325,852</u>

AUTO UNION FINANCE LIMITED

NOTES ON THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1977

5. FIXED ASSETS	<u>Plant on lease to customers</u> £	<u>Motor vehicle</u> £	<u>Total</u> £
Cost:			
At 30th September 1976	328,299	-	328,299
Additions during year	530,208	2,040	532,248
Disposals during year	(11,033)	-	(11,033)
	<u>847,474</u>	<u>2,040</u>	<u>849,514</u>
Depreciation:			
At 30th September 1976	13,786	-	13,786
Provision for year	86,358	510	86,868
Eliminated on disposals	(2,906)	-	(2,906)
	<u>97,238</u>	<u>510</u>	<u>97,748</u>
Net Book Value:			
At 30th September 1977	<u>750,236</u>	<u>1,530</u>	<u>751,766</u>
At 30th September 1976	<u>314,513</u>	-	<u>314,513</u>

6. LOANS FROM SHAREHOLDERS	<u>1977</u> £	<u>1976</u> £
Lloyds and Scottish Finance Limited (Holding company)	510,000	204,000
Volkswagen (G.B.) Limited	490,000	196,000
	<u>1,000,000</u>	<u>400,000</u>

These are unsecured, interest-free loans repayable at the option of the company.

7. DEFERRED TAXATION	<u>1977</u> £	<u>1976</u> £
Balance at 30th September 1976	165,000	30,000
Add: Transferred from profit and loss account	226,000	135,000
	391,000	165,000
Less: Surplus ACT carried forward	-	27,717
	<u>391,000</u>	<u>137,283</u>

8. CONTINGENT LIABILITIES

Under a group registration the company is jointly and severally liable for value added tax due by other group companies. At 30th September 1977 this contingent liability amounted to £186,309 (1976, nil).

9. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Lloyds and Scottish Limited which is incorporated in Great Britain.