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AUSTIN ROVER ACCEPTANCE LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1988

COMPANY HOUSE
18 OCT 1989
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AUSTIN ROVER ACCEPTANCE LIMITED

DIRECTORS

R J Young (Chairman)
A A Mitchener

SECRETARY

M I Mathews

Austin Rover Acceptance Limited is registered in England No. 1919512.
Registered Office: 3 Princess Way, Redhill, Surrey, RH1 1NP.

AUSTIN ROVER ACCEPTANCE LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the accounts for the year ended 31 December 1988.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of credit finance by way of leasing.

BUSINESS REVIEW

The net amount financed under all forms of financial agreement entered into during the year was £86,728,495 (1987 - £57,235,305).

The profit on ordinary activities before taxation was £1,476,629 (1987 - £193,068) on which there was a taxation charge of £615,957 (1987 - £119,894). The Directors recommend the payment of a final dividend of £860,000 (1987 - £110,000) and that the balance of £672 (1987 - £36,826 deficit) be dealt with as shown in the Profit and Loss Account on page 5.

The Company traded profitably during the year under review and the Directors expect that it will continue to do so.

FIXED ASSETS

Details of additions to fixed assets are given in note 7 to the accounts.

DIRECTORS

The present members of the Board are as shown on page 1.

The following was appointed to the Board and will offer himself for re-election at the forthcoming Annual General Meeting:

Mr A A Mitchener on 23 February 1989

The following has retired from the Board:

Mr M E Lee on 23 February 1989

Mr R J Young retires by rotation and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

Mr R J Young and Mr A A Mitchener were also Directors of the holding Company, Austin Rover Finance Limited and were not therefore required to notify the Company of their interests in the share and loan capital of Group Companies.

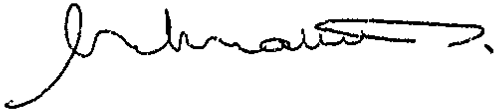
AUSTIN ROVER ACCEPTANCE LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

A resolution for the re-appointment of Peat Marwick McLintock as auditors is to be proposed at the Annual General Meeting.

By Order of the Board



M I Mathews
Secretary
17 May 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF

AUSTIN ROVER ACCEPTANCE LIMITED

We have audited the accounts on pages 5 to 13 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 1988 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.

Guildford
17 May 1989

Peat Marwick McLintock

Peat Marwick McLintock
Chartered Accountants

AUSTIN ROVER ACCEPTANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1988

| | <u>Notes</u> | <u>1988</u> | <u>1987</u> |
|---|--------------|------------------|------------------|
| | | <u>£</u> | <u>£</u> |
| Turnover | 2 | 15,050,689 | 4,529,101 |
| Depreciation on tangible fixed assets | | (8,580,248) | (1,809,859) |
| Other operating charges | 3 | (195,562) | (786,955) |
| | | <u>6,274,879</u> | <u>1,932,287</u> |
| Interest payable | 5 | (4,798,250) | (1,739,219) |
| Profit on ordinary activities before taxation | | <u>1,476,629</u> | <u>193,068</u> |
| Taxation charge on profit on ordinary activities | 6 | (615,957) | (119,894) |
| Profit on ordinary activities after taxation | | <u>860,672</u> | <u>73,174</u> |
| Proposed final dividend | | (860,000) | (110,000) |
| Transfer to/(from) general reserve | 10 | <u>672</u> | <u>(36,826)</u> |

The notes on pages 8 to 13 form part of these accounts.

AUSTIN ROVER ACCEPTANCE LIMITED

BALANCE SHEET

AT 31 DECEMBER 1988

| | <u>Notes</u> | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|--|--------------|-------------------------|-------------------------|
| <u>ASSETS</u> | | | |
| FIXED ASSETS | | | |
| Tangible assets | 7 | 89,975,341 | 46,961,640 |
| CURRENT ASSETS | | | |
| Debtors | 8 | 24,204,361 | 22,839,722 |
| | | <u>114,179,702</u> | <u>69,801,362</u> |
| <u>LIABILITIES</u> | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 9 | 100 | 100 |
| General Reserve | 10 | 5,716 | 5,044 |
| | | <u>5,816</u> | <u>5,144</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | |
| Deferred taxation | 11 | 9,825,383 | 5,216,211 |
| CREDITORS | | | |
| | 12 | 104,348,503 | 64,580,007 |
| | | <u>114,179,702</u> | <u>69,801,362</u> |

R J Young)

A A Mitchener)

Directors

Approved by the Board on 17 May 1989

The notes on pages 8 to 13 form part of these accounts

AUSTIN ROVER ACCEPTANCE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1988

| | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|--|-------------------------|-------------------------|
| SOURCE OF FUNDS | | |
| Profit on ordinary activities after taxation | 860,672 | 73,174 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 8,580,248 | 1,809,859 |
| (Profit)/loss on disposal of tangible fixed assets | (2,736,510) | 11,173 |
| Transfer to Deferred taxation | 4,609,172 | 3,594,058 |
| TOTAL GENERATED FROM OPERATIONS | <u>11,313,582</u> | <u>5,488,264</u> |
| FUNDS FROM OTHER SOURCES | | |
| Proceeds from disposal of tangible fixed assets | 26,996,856 | 60,413 |
| | <u>38,310,438</u> | <u>5,548,677</u> |
| APPLICATION OF FUNDS | | |
| Dividends paid | (110,000) | - |
| Purchase of tangible fixed assets | (75,854,295) | (46,735,943) |
| | <u>(37,653,857)</u> | <u>(41,187,266)</u> |
| DECREASE IN WORKING CAPITAL | | |
| Debtors | 1,364,639 | 5,583,584 |
| Creditors | (39,018,496) | (46,770,850) |
| | <u>(37,653,857)</u> | <u>(41,187,266)</u> |

The notes on pages 8 to 13 form part of these accounts.

AUSTIN ROVER ACCEPTANCE LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared upon the basis of historical cost.

(b) Finance Leases

Assets made available to third parties under finance leases are treated as amounts receivable.

Income from finance leases is credited to Profit and Loss Account in proportion to the funds invested.

(c) Operating Leases

Assets held for use in operating leases are recorded as fixed assets.

Income from operating leases is credited to Profit and Loss Account on a straight line basis over the period of the contract.

(d) Depreciation

Depreciation is provided on tangible fixed assets over their estimated useful lives, as follows:

| | <u>Basis</u> | <u>Estimated Useful Life</u> |
|---|--------------|------------------------------|
| Assets held for use in operating leases | Actuarial | Term of the Contract |

(e) Deferred Taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that a taxation liability is expected to arise in the future.

AUSTIN ROVER ACCEPTANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

2. TURNOVER AND BUSINESS REVIEW

- (i) Turnover represents lease income, credited to the Profit and Loss Account during the year, all of which arises in the United Kingdom.

| | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|---|-------------------------|-------------------------|
| (ii) Net amounts financed under all forms of financial agreements entered into during the year were as follows: | | |
| Finance leases | 10,874,200 | 10,499,362 |
| Operating leases | 75,854,295 | 46,735,943 |
| | <u>86,728,495</u> | <u>57,235,305</u> |

- (iii) Aggregate rentals receivable during the year were as follows:

| | | |
|------------------|-------------------|------------------|
| Finance leases | 7,378,478 | 5,749,349 |
| Operating leases | 10,498,592 | 2,716,597 |
| | <u>17,877,070</u> | <u>8,465,946</u> |

3. OTHER OPERATING CHARGES

| | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|--|-------------------------|-------------------------|
| Other operating charges include the following: | | |
| Auditors' remuneration | <u>-</u> | <u>1,100</u> |

There is no charge in this year's accounts for auditors' remuneration as the fee is to be charged in the holding Company's accounts.

4. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any Director during the year. (1987 - £nil).

None of the Directors had any material interest in any contract of significance in relation to the business of the Company.

5. INTEREST PAYABLE

| | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|---|-------------------------|-------------------------|
| On bank loans and overdrafts, and other loans wholly repayable within five years: | | |
| From National Westminster Bank Group Companies | <u>4,798,250</u> | <u>1,739,219</u> |

AUSTIN ROVER ACCEPTANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

6. TAXATION CHARGE

| | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|---|-------------------------|-------------------------|
| Group relief receivable * | 4,138,762 | 3,537,451 |
| Transfer to Deferred taxation (note 11) | (4,655,582) | (3,594,058) |
| Revision in respect of prior years: | | |
| Group relief receivable* | (145,547) | (63,287) |
| Deferred taxation (note 11) | 46,410 | - |
| | <u>(615,957)</u> | <u>(119,894)</u> |

* Provision for group relief is made on the assumption that the claimant Company will make payment to the surrendering Companies at rates appropriate to the periods in which the losses claimed are utilised.

AUSTIN ROVER ACCEPTANCE LIMITED

STATEMENT OF THE ACCOUNTS (Continued)

7. TANGIBLE FIXED ASSETS

| | Assets held for use in operating leases |
|---|--|
| | <u>£</u> |
| <u>Cost</u> | |
| At 1 January 1988 | |
| Additions | 48,837,102 |
| Disposals | 75,854,295 (28,789,149) |
| At 31 December 1988 | <u>95,902,248</u> |
| <u>Depreciation</u> | |
| At 1 January 1988 | |
| Charge for the year | 1,875,462 |
| Disposals | 8,580,248 (4,528,803) |
| At 31 December 1988 | <u>5,926,907</u> |
| <u>Net book value at 31 December 1988</u> | <u>89,975,341</u> |
| <u>Net book value at 31 December 1987</u> | <u>46,961,640</u> |

8. DEBTORS

| | 1988 <u>£</u> | 1987 <u>£</u> |
|---|----------------------|----------------------|
| Amounts falling due: | | |
| i) Wholly within one year | | |
| Amounts owed by National Westminster Bank Group Companies | | |
| Trade debtors | 5,370,366 346,715 | 4,305,459 428,644 |
| | <u>5,717,081</u> | <u>4,734,103</u> |
| ii) Not wholly within one year | | |
| Net investment in finance leases due: | | |
| Within one year | 8,800,517 | 8,939,349 |
| In more than one year | 9,686,763 | 9,166,270 |
| | <u>18,487,280</u> | <u>18,105,619</u> |
| Total debtors | <u>24,204,361</u> | <u>22,839,722</u> |

AUSTIN ROVER ACCEPTANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

9. CALLED UP SHARE CAPITAL

| | <u>1988</u> | | <u>1987</u> | |
|-------------------------------|-------------------|---|-------------------|---|
| | <u>Authorised</u> | <u>Allotted issued and fully paid</u> | <u>Authorised</u> | <u>Allotted issued and fully paid</u> |
| | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> |
| Ordinary shares of £1 each | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |

10. GENERAL RESERVE

| | <u>£</u> |
|---------------------------------------|--------------|
| Balance at 1 January 1988 | 5,044 |
| Transfer from Profit and Loss Account | 672 |
| Balance at 31 December 1988 | <u>5,716</u> |

11. DEFERRED TAXATION

| | <u>£</u> |
|--|------------------|
| Balance at 1 January 1988 | 5,216,211 |
| Transfer from Profit and Loss Account (note 6) | 4,609,172 |
| Balance at 31 December 1988 | <u>9,825,383</u> |

The above balances represent the full potential liability in respect of capital allowances.

AUSTIN ROVER ACCEPTANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. CREDITORS

| | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|---|-------------------------|-------------------------|
| Amounts falling due wholly within one year | | |
| Amounts owed to National Westminster Bank Group Companies | 97,499,231 | 61,468,733 |
| Trade creditors | 5,457,485 | 2,704,803 |
| Other creditors | 531,787 | 296,471 |
| Proposed dividend | 860,000 | 110,000 |
| | <u>104,348,503</u> | <u>64,580,007</u> |

13. ULTIMATE HOLDING COMPANY

The ultimate holding Company is National Westminster Bank PLC,
incorporated in Great Britain.