

FARNBOROUGH PROPERTIES COMPANY

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1993

(Registered No: 2671605)



\*B05WG2JX\*

BIR RECEIPT DATE: 30/06/94

## FARNBOROUGH PROPERTIES COMPANY

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993

The directors have pleasure in submitting their report and the audited accounts for the year ended 31 December 1993.

#### PRINCIPAL ACTIVITY

The company's sole activity relates to its ownership of certain buildings leased to British Aerospace Plc. in the United Kingdom.

#### REVIEW OF BUSINESS

Farnborough Properties Company (the company) is a United Kingdom Unlimited Company which is a wholly-owned indirect subsidiary of Dana Credit Corporation (DCC) which is a wholly-owned indirect subsidiary of Dana Corporation (Note 8). All operations, assets and liabilities of the company are within the United Kingdom. There have been no changes in the activity of the company during the year and none are planned.

#### RESULTS AND DIVIDENDS

The results for the period are set out in the profit and loss account on page 4. The directors do not propose to pay a dividend in respect of the current period.

#### DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 December 1993, who were directors throughout the whole of the year then ended, were:

E.J. Shultz, Chairman  
R.E. Pollock  
J. Dey

None of the above directors of the company hold an interest as either a shareholder or optionholder in the company at 31 December 1993.

## FARNBOROUGH PROPERTIES COMPANY

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993 (CONTINUED)

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be submitted at the Annual General Meeting.

By Order of the Board

  
Edward J. Shultz  
Farnborough Properties Company  
Registered No. 2671605

19 April 1994

*Price Waterhouse*



## **AUDITORS' REPORT TO THE SHAREHOLDERS OF FARNBOROUGH PROPERTIES COMPANY**

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*P. J. Waverham*

Price Waterhouse

Chartered Accountants and Registered Auditors

19 April 1994

**FARNBOROUGH PROPERTIES COMPANY**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1993**

		\$ '000	
	Notes	1993	1992*
Lease income	1	9,661	7,417
Other income		41	42
Administrative expenses		<u>(29)</u>	<u>(74)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		9,673	7,385
Interest payable	4	<u>(7,398)</u>	<u>(5,911)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,275	1,474
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	5	<u>(1,158)</u>	<u>(757)</u>
<b>RETAINED PROFIT FOR THE PERIOD</b>		<u><u>1,117</u></u>	<u><u>717</u></u>
<b>MOVEMENT ON RESERVES</b>			
Reserves at beginning of period		717	-
Profit for the period transferred to reserves		<u>1,117</u>	<u>717</u>
Reserves at end of period		<u><u>1,834</u></u>	<u><u>717</u></u>


The profit for the year includes all recognised gains and losses in the year, and relates wholly to continuing activities.

\*The comparative figures relate to the period from 10 December 1991 to 31 December 1992.

**FARNBOROUGH PROPERTIES COMPANY**  
**BALANCE SHEET - 31 DECEMBER 1993**

	Notes	\$ '000	
		1993	1992
<b>CURRENT ASSETS</b>			
Net investment in finance lease			
amount falling due within one year	3	(2,422)	(2,171)
amount falling due after one year	3	100,244	97,822
Cash at bank and on hand		2,088	2,518
Debtors and other assets		-	40
<b>CREDITORS</b>			
(amounts falling due within one year)	4	<u>(3,291)</u>	<u>(3,035)</u>
<b>NET CURRENT ASSETS</b>			
		<u>96,619</u>	<u>95,174</u>
<b>CREDITORS</b>			
(amounts falling due after one year)	4	(80,613)	(81,443)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
	5	<u>(1,915)</u>	<u>(757)</u>
		<u>14,091</u>	<u>12,974</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	1,231	1,231
Share premium	6	11,026	11,026
Profit and loss account		<u>1,834</u>	<u>717</u>
		<u>14,091</u>	<u>12,974</u>

Approved by the directors on 19 April 1994  
and signed on their behalf.

  
Edward J. Shultz

**FARNBOROUGH PROPERTIES COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 1993**

		\$ '000	
	Notes	1993	1992*
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	<u>8,182</u>	<u>6,415</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		<u>(7,853)</u>	<u>(3,921)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(7,853)</u>	<u>(3,921)</u>
INVESTING ACTIVITIES			
Payments to acquire tangible assets		<u>-</u>	<u>(94,435)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>-</u>	<u>(94,435)</u>
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		329	(91,941)
FINANCING			
Issuance of ordinary share capital	C	-	1,231
Share premium arising on issuance of ordinary shares	C	-	11,026
Issuance of debt	C	-	82,363
Repayments of debt	C	<u>(759)</u>	<u>(161)</u>
NET CASH (OUTFLOW) INFLOW FROM FINANCING		<u>(759)</u>	<u>94,459</u>
(DECREASE) INCREASE IN CASH AT BANK AND ON HAND	B	<u>(430)</u>	<u>2,518</u>

\*The comparative figures relate to the period from 10 December 1991 to 31 December 1992.

**FARNBOROUGH PROPERTIES COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 1993**

**NOTES TO THE CASH FLOW STATEMENT**

**A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW  
FROM OPERATING ACTIVITIES**

	\$ '000	
	1993	1992
Operating profit	9,673	7,385
Income recognised in excess of cash rentals received	(2,171)	(1,216)
Decrease (increase) in debtors	40	(40)
Increase in creditors	<u>640</u>	<u>286</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b><u>8,182</u></b>	<b><u>6,415</u></b>

**B. ANALYSIS OF CHANGES IN CASH AT BANK AND  
ON HAND DURING THE PERIOD**

Balance at beginning of period	2,518	-
Net cash (outflow) inflow	<u>(430)</u>	<u>2,518</u>
Balance at end of period	<b><u>2,088</u></b>	<b><u>2,518</u></b>

**C. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD**

	SHARE CAPITAL \$ '000	SHARE PREMIUM \$ '000	BANK LOANS \$ '000
Balance at 10 December 1991	-	-	-
Cash inflow from financing	<u>1,231</u>	<u>11,026</u>	<u>82,202</u>
Balance at 31 December 1992	<u>1,231</u>	<u>11,026</u>	<u>82,202</u>
Cash outflow from financing	<u>-</u>	<u>-</u>	<u>(759)</u>
Balance 31 December 1993	<b><u>1,231</u></b>	<b><u>11,026</u></b>	<b><u>81,443</u></b>



**FARNBOROUGH PROPERTIES COMPANY**  
**NOTES TO THE ACCOUNTS 31 DECEMBER 1993**

**NOTE 1 - ACCOUNTING POLICIES**

**Basis of Presentation**

Although the company is incorporated as an Unlimited Company in the United Kingdom, the lease and related debt service payments are denominated in U.S. dollars. Accordingly, these statements are presented in U.S. dollars. The accounts have been prepared under the historic cost convention and in accordance with UK statements of standard accounting practice.

**Lease Income**

Lease income represents gross earnings on the finance lease.

**Finance Lease**

The net investment in the finance leases consists of future rentals receivable less unearned income relating to future periods. (See note 3).

Unearned income represents the unamortised portion of total finance charges on lease agreements relating to future accounting periods.

Lease income is recognised using the investment period method.

Initial direct costs are deferred and amortised over the life of the lease.

**Deferred Taxation**

Deferred taxation is accounted for in respect of all material timing differences only to the extent that a liability is expected to crystallise in the foreseeable future.

**Auditors Remuneration**

Under agreement with DCC, certain of the company's administrative expenses, including auditors remuneration, are assumed by DCC.

**NOTE 2 - DIRECTORS EMOLUMENTS**

None of the directors received any emoluments in respect of their services to the company during the period. The company has no employees.

**FARNBOROUGH PROPERTIES COMPANY**  
**NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)**

**NOTE 3 - NET INVESTMENT IN FINANCE LEASE**

	31 December \$ '000	
	1993	1992
Amounts falling due within one year:		
Gross finance lease receivables	7,490	7,490
Unearned income	(10,081)	(9,825)
Deferred initial direct cost	169	164
	<u>(2,422)</u>	<u>(2,171)</u>
Amount falling due after one year:		
Gross finance lease receivables	260,248	267,738
Residual value	27,238	27,238
Unearned income	(190,424)	(200,505)
Deferred initial direct cost	3,182	3,351
	<u>100,244</u>	<u>97,822</u>

The cost of assets acquired under the finance lease in the year ended 31 December 1993 was nil (1992 - \$94,435,000). The aggregate rentals received under the finance lease were \$7,490,000 and \$6,201,000, respectively, for the periods ended 31 December 1993 and 31 December 1992.

**NOTE 4 - CREDITORS**

Amounts falling due within one year consist of the following:

	31 December \$ '000	
	1993	1992
Bank loans	830	759
Accrued interest payable	1,535	1,990
Other creditors	926	286
	<u>3,291</u>	<u>3,035</u>

Bank loans with amounts falling due after more than one year are as follows:

	31 December \$ '000	
	1993	1992
Between one and two years	908	830
Between two and five years	2,131	2,418
After five years	77,574	78,195
	<u>80,613</u>	<u>81,443</u>

**FARNBOROUGH PROPERTIES COMPANY**  
**NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)**

Bank loans consist of five notes payable at a fixed interest rate of 9.05%. The bank loans are secured by the assets underlying the direct financing lease; however, the debtholder does not have recourse against the company's general assets in the event of a default under the terms of the loan agreement. The total amount of interest paid on the bank loans during the year ended 31 December 1993 was \$7,853,000 (1992 - \$3,921,000) and the amount charged to profit and loss account was \$7,398,000 (1992 - \$5,911,000).

**NOTE 5 - PROVISION FOR LIABILITIES AND CHARGES**

**Deferred Taxation**

The tax on profits on ordinary activities for the periods ended 31 December 1993 and 1992 relates wholly to deferred taxation.

The analysis of amounts provided for deferred taxation, along with the full potential liability, at a rate of 33% is set out below:

	31 December			
	1993		1992	
	Amount provided \$ '000	Full potential liability \$ '000	Amount provided \$ '000	Full potential liability \$ '000
Timing differences - accelerated capital allowances	<u>1,915</u>	<u>1,915</u>	<u>757</u>	<u>757</u>
	<u>1,915</u>	<u>1,915</u>	<u>757</u>	<u>757</u>

**NOTE 6 - SHARE CAPITAL AND SHARE PREMIUM**

	31 December	
	\$ '000	
	1993	1992
Share capital, 10,000 ordinary shares £1,000 par value authorised, 706 ordinary shares issued and fully paid	1,231	1,231
Share premium	<u>11,026</u>	<u>11,026</u>
	<u>12,257</u>	<u>12,257</u>

FARNBOROUGH PROPERTIES COMPANY  
NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

NOTE 7 - RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	\$ '000	
	1993	1992
Profit for the financial period	1,117	717
New share capital subscribed	-	<u>12,257</u>
Net addition to shareholders' funds	1,117	12,974
Opening shareholders' funds	<u>12,974</u>	-
Closing shareholders' funds	<u>14,091</u>	<u>12,974</u>

NOTE 8 - ULTIMATE PARENT COMPANY

The ultimate parent company is Dana Corporation, which is incorporated in the USA. Dana Corporation is the parent undertaking of the largest group to consolidate the accounts of the company. Dana Credit Corporation, incorporated in the USA, is the parent undertaking of the smallest group. Copies of the group accounts of Dana Corporation may be obtained from PO Box 1000, Toledo, Ohio 43697, USA.