

Coopers
& Lybrand

Volvo Car Finance Limited

Report for the period

ended 31 December 1996

Registered no: 3207783



Volvo Car Finance Limited

Report for the period ended 31 December 1996

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Directors' report for the period ended 31 December 1996

Directors' report

The directors present their report and the audited financial statements for the period ended 31 December 1996.

Principal activities

The principal activities are the offering of motor vehicle financing to and through the Volvo Dealer network. The company replaced such services as previously operated by VOCS Finance Limited.

Review of business and future developments

Volvo Car Finance Limited was incorporated on 5 June 1996 and started trading on 1 January 1997. (See note 10). In the period to 31 December 1996, the company incurred set up costs only.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The loss for the period of £427,000 will be transferred to reserves.

Directors

The directors who served the company during the period are as follows:

Hugh Reid	(appointed 10 June 1996)
Anders Lofgren	(appointed 8 November 1996)
Salvatore Mauro	(appointed 8 November 1996)
Gerard Keaney	(appointed 8 November 1996)
Malcolm Wade	(appointed 28 November 1996)

Directors' interests

None of the directors held any beneficial interest in the share capital of Volvo Car Finance Limited.

Changes in fixed assets

The movements in fixed assets during the period are set out in Note 7 to the financial statements.

Employees

The company's employment policies are based on the principles of equal opportunity, with a strong commitment to training and developing individuals based on the needs of the organisation and the abilities of the individual.

All employees are encouraged to become more involved in the business, and active steps are taken to focus each individual's efforts on achieving clear business objectives, through effective consultations, communication, leadership, motivation and incentive schemes.

Employment of disabled people

It is the company's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunity should be based on a realistic assessment of their aptitudes and abilities.

Appropriate help and support is provided to individuals who may become disabled during their employment.

Charitable and political contributions

There were no charitable or political contributions.

Post balance sheet events

The company is wholly owned by Volvo Car Corporation in Sweden, which provided an initial equity injection of £15 million which was converted into ordinary shares immediately after the year end. At the same time £94.3 million was expended on purchases from VOCS Finance Limited of outstanding debts and contracts with the dealers.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.


The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



Company Secretary

Volvo Car Finance Limited

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Report of the auditors to the members of Volvo Car Finance Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 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 these 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 at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

21 October 1997

Volvo Car Finance Limited

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Profit and loss account for the period ended 31 December 1996

	Notes	7 months to 31 December 1996 £'000
Net operating expenses		(638)
		—
Operating loss		(638)
		—
Loss on ordinary activities before taxation	5	(638)
Tax on loss on ordinary activities	6	211
		—
Retained (loss) for the financial period	14,15	(427)
		—

The company has no recognised gains or losses other than the loss above and therefore no separated statement of total recognised gains or losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents.

Volvo Car Finance Limited

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Balance sheet at 31 December 1996

	Notes	1996 £'000
Fixed assets		
Tangible assets	7	45
Current assets		
Debtors	8	230
Cash at bank and in hand		15,000
Creditors: amounts falling due within one year	9	(15,702)
		<hr/>
Net current liabilities		(472)
		<hr/>
Total assets less current liabilities		(427)
		<hr/>
Net liabilities		(427)
		<hr/>
Capital and reserves		(427)
Called up share capital	13	-
Profit and loss account	14	(427)
		<hr/>
Equity shareholder's funds	15	(427)
		<hr/>

The financial statements on pages 5 to 13 were approved by the board of directors 15 September 1997 and were signed on its behalf by:

H Reid
Director



**Notes to the financial statements
for the period ended 31 December 1996****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant and equipment	Up to 33 1/3

Deferred taxation

Provision is made for the deferred taxation using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements

The company participates in a defined benefit pension scheme operated by a fellow group undertaking. The fund is valued every three years by a professionally qualified independent actuary. The rates of contribution payable are determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining service lives of members of the scheme.

The company provides no other post retirement benefits to its employees.

Cash flow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985 and as such has taken advantage of the exemption from the requirement to publish a cash flow statement.

Related party transactions

As permitted by FRS8, transactions and balances with fellow group companies are not required to be disclosed.

Turnover

Turnover consists entirely of sales made in the United Kingdom.

2 Net operating expenses

7 months to
31 December
£'000

Continuing operations

Administration and general expenses

638

3 Directors' emoluments

None of the directors received any remuneration in respect of their services to the company.

4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the period was:

	7 months to 31 December 1996 £'000
Management and administration	2
Sales and service	14
	<hr/>
	16
	<hr/>

	7 months to 31 December 1996 £'000
Staff costs (for the above persons)	
Wages and salaries	115
Social security costs	11
Other pension costs (see note 12)	11
	<hr/>
	137
	<hr/>

5 Loss on ordinary activities before taxation

	7 months to 31 December 1996 £'000
The loss on ordinary activities is after charging:	
Depreciation	3
Auditors' remuneration	3
	<hr/>

6 Tax on loss on ordinary activities

**7 months to
31 December 1996
£'000**

United Kingdom corporation tax at 33%

Deferred taxation credit 211

211

7 Tangible fixed assets

	Plant and equipment £'000	Total £'000
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Cost

At 5 June 1996	-	-
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Additions	48	48
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At 31 December 1996	<u>48</u>	<u>48</u>
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Depreciation

At 5 June 1996	-	-
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Charge for year	3	3
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At 31 December 1996	<u>3</u>	<u>3</u>
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Net book value at 31 December 1996	<u>45</u>	<u>45</u>
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8 Debtors

	1996 £'000
Amounts falling due within one year:	
Deferred taxation	211
Other taxation and social security	19
	<hr/>
	230
	<hr/> <hr/>

9 Creditors: amounts falling due within one year

	1996 £'000
Amounts owed to immediate holding company	15,000
Amounts owed to fellow subsidiary undertakings	464
Corporation tax payable	-
Accruals and deferred income	238
	<hr/>
	15,702
	<hr/> <hr/>

10 Post balance sheet events

£94.3 million was expended after the year end on purchases from VOCS Finance Limited of outstanding debts and contracts with the dealers.

£15 million ordinary share capital was issued immediately after the year end, converting the £15 million intercompany creditor with the holding company into share capital.

11 Deferred taxation

The amount of deferred tax included in note 8 represents the full potential asset for 1996. There are no liabilities.

12 Pension schemes

The company is part of the Volvo Car UK Limited pension scheme and contributions are based on pension costs across the group as a whole. The pension schemes are defined benefit and their assets are held in trustee administered funds independent of group finances.

The total pension cost for the period was £11k.

Contributions to the Volvo Car UK Pension Scheme are made in accordance with the advice of an independent professionally qualified actuary and the cost of providing

pension benefits is spread over the average remaining service lives of the employees in the scheme.

The latest actuarial valuation of the scheme was at 31 December 1995. The assumptions that have the most significant effect on the valuation are those relating to the rate of return of investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5% per annum, that dividend increases would be 4.0% per annum, that salary increases would average 6.0% per annum and that present and future pensions would increase at the rate of 3.5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £17.73m and the actuarial value of the assets was sufficient to cover over 100% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The long term contribution rate of 15.2% of basic salary was reduced to 13.6% of basic salary with effect from 1 January 1996.

13 Called up share capital

	1996
Authorised	
100 ordinary shares of £1 each	£100
	<hr/>
Allotted and fully paid capital	
2 ordinary shares of £1 each	£2
	<hr/>

Post balance sheet event

Immediately after the year end, the authorised ordinary £1 share capital was increased by £15,000,000 and 15,000,000 shares were issued. See note 10.

14 Profit and loss account

	£'000
At 5 June 1996	-
Retained loss for the financial period	(427)
	<hr/>
At 31 December 1996	(427)
	<hr/>

15 Reconciliation of movements in shareholders' funds

	1996 £'000
Loss for the period	(427)
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	(427)
	<hr/>

16 Financial commitments and contingent liabilities

The company is a party to a cross guarantee given by the group, of which it is a member, to its bankers.

17 Capital commitments

	1996 £'000
Capital expenditure that has been contracted but not provided for	-
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18 Ultimate parent company

The directors regard AB Volvo, in Sweden, as the ultimate parent company. The immediate holding company is Volvo Car Finance Holdings in Sweden. Copies of the parent's financial statement may be obtained from: AB Volvo, S/40508 Göteborg, Sweden.