Land Rover
Annual Report and Accounts
31 December 2004

Registered in England & Wales
Number: 4019301

Contents

DIRECTORS AND AUDITORS

DIRECTORS

M. Fields
G. Polites
R. L. Shanks
D. M. Smith
M. G .R. Taylor

SECRETARY

C. C. Page

REGISTERED OFFICE

Banbury Road
Gaydon
Warwick
CV35 0RR

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

DIRECTORS' REPORT

Annual Report of the Directors of Land Rover

The directors submit the annual report and accounts for the year to 31 December 2004 for Land Rover.

PRINCIPAL ACTIVITIES
The principal activity of the company is the design, development, manufacture and sale of four wheel drive off-road vehicles and related components.

REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS
The product range is constantly being improved and updated as part of the company's commitment to provide technically advanced and competitively priced products.

The profit and loss account on page 6 shows a loss after tax for the year of £136.9 million (2003: £23.5 million loss). The directors consider that the financial position at 31 December 2004 and future prospects are satisfactory.

On 13 December 2004 the company received a capital contribution of £93.7 million from its immediate parent company, Land Rover Holdings Limited.

DIRECTORS
The current directors are:

M. Fields
G. Polites (appointed 16 August 2005)
R.L. Shanks
D.M. Smith
M.G.R. Taylor

J. Greenwell and B.W. Fowler resigned on 16 August 2005.

DIRECTORS' INTERESTS
According to the register required to be kept under section 325 of the Companies Act 1985, no director had, either at the beginning or at the end of the year ended 31 December 2004, any interest in the shares of the company, or any other group company which are required by Section 324 of the Act to be notified to the company. During the year none of the directors exercised options over the shares of Ford Motor Company.

DIVIDEND
The directors recommend that no dividend be paid in respect of 2004 (2003: Nil).

RESEARCH AND DEVELOPMENT
The company is committed to a continuing programme of major expenditure on research and development focused on its Gaydon Engineering Centre, near Warwick, England.

EMPLOYEES
Throughout the year, the company implemented its communication policy to ensure employees were informed of the company objectives and performance. Briefing groups, information bulletins and the company's in-house magazine "The Reporter" figured significantly in the communication process. Regular presentations were made to the employees by senior management, followed by an open forum for questions. Meetings were organised to enable employees to meet on an informal basis with senior management. The objective of continuous quality improvement was pursued with a high level of involvement from employees throughout the company.

Regular consultative meetings were held with employee representatives on a wide variety of subjects from general information on the company position to individual topics.

DIRECTORS' REPORT (continued)

WELFARE AND DISABLED EMPLOYEES

The company maintained all aspects of its occupational health service with medical centres at each location. Advice and counselling for personal and domestic problems are always available from medical and personnel staff.

Our facilities include the availability on site, on a regular basis, of an optician and a scheme for the purchase of safety footwear.

Land Rover is an equal opportunities employer and is unreservedly opposed to any form of direct or indirect discrimination being practised against its employees or prospective employees because of their sex, mental or parental status, colour, race, religion, nationality, creed, ethnic/national origin or disability status.

Employees who become disabled during their working life will be retrained in employment wherever possible and will be given help. Underscoring this commitment is the company's continued support of the motor industry's dedicated occupational benevolent fund, BEN, funded primarily by motor industry employees to aid their colleagues in times of need.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company has a large number of different suppliers, and consequently it does not operate a single payment policy in respect of all its suppliers. The terms and conditions of business transactions with suppliers are arranged individually and payments are made in accordance with the terms. During the year, the average period of credit taken by the company from suppliers was 37 days (2003: 34 days).

POLITICAL AND CHARITABLE DONATIONS

During the year ended 31 December 2004 the company made contributions in the United Kingdom for charitable purposes amounting to £673,046 (2003: £784,117). The company made no political contributions during the year.

CONTINGENT LIABILITIES

In September 2000, the European Parliament passed Directive 2000/53/EC on end-of-life vehicles. The directive provides for a number of obligations including the take back of end-of-life vehicles put on the market from 1 July 2002 with a zero or negative market value, the take back of all other end-of-life vehicles with zero or negative value as of 1 January 2007, the proportion of the vehicle that may be disposed of in landfills, the proportion that must be reused or recycled beginning in 2006, and bans the use of certain substances in materials and components of vehicles put on the market after 1 July 2003. Whilst member states were required to enact legislation to implement the directive by 21 April 2002, this has been delayed in some countries.

Presently, there are still some uncertainties surrounding the form and implementation of the legislation in different member states, especially regarding manufacturers' responsibilities and the resultant expenses that may be incurred. As of 31 December 2004 the following member states have adopted legislation to implement the directive: The Netherlands, Germany, Belgium, Austria, Spain, Luxembourg, Italy, France, Portugal, Finland, Greece, Denmark and Sweden, and all new EU members (Latvia, Lithuania, Estonia, Czech Republic, Hungary, Cyprus, Malta, Slovenia and Slovakia) except Poland, which is in the very final stages of adaptation.

Due to an agreement made whereby the company has agreed to reimburse Land Rover companies respectively incorporated in these countries for costs incurred in recycling vehicles originally manufactured in the UK, the company has provided for the estimated liabilities. At 31 December 2004 the provision is £0.1 million (2003: £0.9 million).

The UK has separated new vehicle sales and historic parc legislation. Following enactment in November 2003 of UK legislation on new vehicle sales since 1 July 2002, the company has become liable for costs of approximately 231,000 cars sold in the UK since 1 July 2002. The financial effect of the new vehicle sales legislation on the company is estimated to be zero.

The UK historic parc legislation has been published at the beginning of 2005, effective from 2007, and made the company liable for costs of approximately 300,000 cars sold in Britain prior to 1 July 2002 that are still estimated to be on the road after 1 January 2007. On 17 February 2005 the company has signed an agreement with Cartakeback Limited to provide customers with a free "take back" service for End of Life Vehicles from 1 January 2007. The financial effect of the legislation and the signed agreement is estimated to be zero.

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare financial statements 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. They also confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records to enable them to ensure that the financial statements comply with the Companies Act 1985, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

In accordance with Section 379a of the Companies Act 1985 (as amended by the Companies Act 1989), the company has elected to dispense with laying accounts before a general meeting, holding annual general meetings and the annual re-appointment of auditors. With such an election in force, the company's auditors shall be deemed to be re-appointed for each succeeding financial year (in accordance with Section 386 of that Act).

By order of the Board

S Pearson

S. Pearson
ASSISTANT SECRETARY
19 September 2005

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAND ROVER

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

BASIS OF AUDIT 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 judgments 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 affairs of the company at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
27 September 2005

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Notes	2004	2003
		£m	£m
Turnover	2	3,287.5	3,140.3
Cost of sales		(3,152.1)	(2,836.2)
Gross profit		135.4	304.1
Distribution costs		(208.8)	(165.6)
Administrative expenses		(88.2)	(60.6)
Operating (loss)/profit	3	(161.7)	77.9
Loss on disposal of fixed assets	3	(17.3)	-
Income from fixed asset investments	5	28.8	8.6
Net interest payable	6	(77.8)	(78.6)
(Loss)/profit on ordinary activities before taxation		(228.0)	7.9
Tax on (loss)/profit on ordinary activities	7	91.1	(31.4)
Loss for the financial year	18	(136.9)	(23.5)

The results above arise from continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss transferred from reserves stated above and their historical cost equivalents.

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

BALANCE SHEET

as at 31 December 2004

	Note	2004	2003
		£m	**£m**
Fixed assets			
Intangible assets	8	**373.7**	**399.6**
Tangible assets	9	**1,515.5**	**1,359.7**
		1,889.2	**1,759.3**
Current assets			
Stocks	11	**230.9**	**181.4**
Debtors	12	**592.0**	**700.7**
Cash at bank and in hand		**1.6**	**-**
		824.5	**882.1**
Creditors - Amounts falling due within one year	13	**983.7**	**845.3**
Net current (liabilities)/assets		**(159.2)**	**36.8**
Total assets less current liabilities		**1,730.0**	**1,796.1**
Creditors – Amounts falling due after more than one year	14	**1,177.9**	**1,112.3**
Provisions for liabilities and charges	15	**226.9**	**315.4**
Net assets		**325.2**	**368.4**
Capital and reserves			
Called up share capital	16	**300.0**	**300.0**
Share premium account	17	**361.3**	**361.3**
Other reserves	17	**93.7**	**-**
Profit and loss account	17	**(429.8)**	**(292.9)**
Equity shareholders' funds	18	**325.2**	**368.4**

The financial statements on pages 6 to 24 were approved by the board of directors on 19 September 2005, and were signed on its behalf by:

D.M. Smith
Director

Notes to the financial statements

for the year ended 31 December 2004

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom. These financial statements contain information relating to Land Rover as an individual undertaking, and do not contain consolidated financial information for Land Rover as the parent of a group. The reason for this is that the company is a wholly owned subsidiary of Land Rover Holdings, and is included in that company's consolidated financial statements. Consequently, by virtue of s. 228.1(a) of the Companies Act 1985, the company is exempt from the preparation of its own consolidated financial statements.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated into Sterling at rates ruling on the date of the transaction or at contracted rates of exchange where applicable. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period, or at forward rates of exchange where applicable. All other foreign exchange differences, except those relating to designated hedge transactions, are taken to the profit and loss account.

TURNOVER

Turnover represents wholesales made directly to dealers, fleet customers and distributors, and fellow subsidiaries of Ford Motor Company, and excludes VAT, other sales taxes, trade discounts and commissions.

SALES SUBJECT TO RETENTION OF INTEREST

No sale is recognised where, following disposal of title of a vehicle, the company retains a significant financial interest. The company's interest in the vehicle is retained in stock until the financial interest ceases, when the sale is recognised. The estimated cost of meeting any financial commitment on the vehicle is included in creditors.

OPERATING LEASES

Rental charges under operating leases are recognised in the profit and loss account on a straight line basis over the lives of the leases.

FINANCE LEASES

Where the company enters into a lease that entails taking substantially all of the risks and rewards of ownership of the asset, the lease is treated as a "finance lease". Assets leased under finance leases are included in fixed assets at cost less accumulated depreciation and are depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets. Obligations under finance leases, net of finance charges in respect of future periods, are included in creditors. The interest element of the rental is allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligation.

Notes to the financial statements

for the year ended 31 December 2004 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

DEVELOPMENT, ENGINEERING AND RESEARCH COSTS

Development, engineering and research costs, excluding those subject to the fee arrangements noted below, including those relating to the design and launch of new models, are written off as incurred.

The company is paid a fee by Ford Motor Company, USA for the supply of engineering services. The related costs are included within development, engineering and research costs. The fee is categorised as re-billing of engineering expense. Land Rover has the right to use any intellectual property required to design and engineer vehicles and components, in return for royalties, which are based on vehicle production. The royalties are charged to operating profit as incurred.

INTANGIBLE FIXED ASSETS

Purchased goodwill is capitalised as an asset on acquisition and amortised over its economic life of up to 20 years. This is the period over which the directors estimate that the values of the businesses acquired are expected to exceed the value of the underlying assets. Each acquisition is assessed separately and the economic life is established at that point and is reviewed on a regular basis. Provision for impairment is made where appropriate.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, together with any incidental cost of acquisition less depreciation and, where appropriate, provision for impairment.

Depreciation is provided on categories of assets at rates appropriate to write down the cost of the assets to their residual values over their expected useful lives.

No depreciation is provided on land.

Leasehold premises are amortised on a straight-line basis over the periods of the leases to a maximum of 40 years.

Freehold land improvements, buildings and plant and machinery are depreciated on a straight line basis. Expected useful lives are as follows:

Freehold land improvements and buildings	30 to 50 years
Plant and machinery	4 to 25 years

Special tools are amortised on a straight-line basis over the numbers of units to be produced over the lives of the models concerned.

FIXED ASSET INVESTMENTS

Fixed asset investments in subsidiaries are stated at cost in the first instance. They are regularly tested for impairment in accordance with Financial Reporting Standard 11 "Impairment of Fixed Assets" ("FRS 11"), and provisions made where necessary.

STOCKS

Stocks are stated at the lower of original cost and net realisable value. Cost comprises production material and manufacturing expense and is stated on a first-in first-out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

WARRANTY LIABILITY

Provision is made for the estimated liability on all products under warranty. The provision has been estimated based on past experience of the level of actual warranty claims received.

Notes to the financial statements

for the year ended 31 December 2004 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

DEFERRED TAX

In accordance with Financial Reporting Standard 19 "Deferred Tax" ("FRS 19"), deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits is uncertain. Deferred tax assets and liabilities have not been discounted.

PENSION COSTS

The company operates a defined benefit scheme in the UK (the Land Rover Pension Scheme). This requires contributions to be made to a separately administered fund. Prior to 31 December 2000, the company took part in the Rover Group Pension Scheme.

Pension costs are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company in a systematic way, such that the regular pension cost is expected to be a substantially level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions.

Variations in pension costs, which are identified as a result of actuaries' valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

This year the company will continue to adopt the transitional disclosures of Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17").
The net assets or liabilities under the defined benefit pension scheme will be included in the balance sheet on full adoption of the accounting standard, which has now been deferred until 2005. Also on full adoption current and past service costs will be charged to operating profit. The expected returns on pension scheme assets will be included within other finance income.

CASH FLOW STATEMENT

The exemption allowed under Financial Reporting Standard 1 (revised) "Cash flow statements" ("FRS 1") not to prepare a cash flow statement has been effected in these accounts. The exemption is allowed where a company is more than 90 percent owned by another company whose financial statements are publicly available. The cash flow for the company has been included within the consolidated cash flows of the ultimate parent company.

RELATED PARTY DISCLOSURES

The disclosures required under Financial Reporting Standard 8 "Related Party Disclosures" ("FRS 8") are included in the relevant notes to the accounts where required. Transactions with Ford Motor Company, USA and its subsidiary and associated undertakings are not detailed in these accounts in accordance with FRS 8. The company has taken advantage of the exemption from the obligation to prepare and deliver group Accounts.

Notes to the financial statements

for the year ended 31 December 2004 (continued)

2. TURNOVER

	2004 £m	2003 £m
The analysis of turnover by geographical market is as follows:		
United Kingdom	**3,287.5**	**3,140.3**

No further geographic segmental information is disclosed, as it is the opinion of the directors that such disclosure would be seriously prejudicial to the interests of the company.

3. OPERATING (LOSS) / PROFIT

	2004 £m	2003 £m
Operating (loss)/profit is arrived at after charging/(crediting) the following:		
Depreciation and tangible fixed assets (owned):		
Buildings	**8.4**	**8.2**
Plant and machinery	**85.5**	**55.7**
Special tools	**81.7**	**66.6**
Amortisation of goodwill	**25.9**	**25.9**
Recharge of income from fellow subsidiary	**-**	**19.0**
Engineering expense	**231.8**	**227.2**
Rebilling for engineering expense	**(231.8)**	**(227.2)**
Auditors' remuneration:		
Audit services	**0.3**	**0.3**
Loss on the disposal of fixed assets	**7.5**	**5.9**
Operating lease rentals:		
Land and Buildings	**1.5**	**2.5**
Plant and machinery	**4.4**	**4.3**

The company's research and development activities are carried out at the Gaydon Engineering Centre near Warwick, England.

EXCEPTIONAL ITEMS

The exceptional loss on disposal of fixed assets of £17.3 million (2003: Nil) relates to the cessation of production of the Discovery 2 model.

Notes to the financial statements

for the year ended 31 December 2004 (continued)

4. EMPLOYMENT DATA

	2004 £m	2003 £m
EMPLOYMENT COSTS		
Wages and salaries	338.1	327.0
Social security costs	39.6	41.2
Other pension costs	80.2	52.7
Total employment costs	457.9	420.9

	2004 Number	2003 Number
ANALYSIS OF EMPLOYMENT		
Average group employment by function:		
Production and Engineering	9,406	9,965
Selling and Administration	1,302	1,298
Total	10,708	11,263

All of the above employees were based in the UK.

DIRECTORS' EMOLUMENTS

	2004 £	2003 £
Aggregate emoluments	836,502	504,237
Amounts (excluding shares) receivable under long term incentive schemes	9,392	5,481

None of the directors exercised share options in Ford Motor Company, the ultimate parent company, in the year. 2 of the directors became entitled to receive shares under the Ford Motor Company long-term incentive scheme. No retirement benefits are accruing to directors under the company's defined benefit scheme.
M Fields has neither received nor waived any remuneration for his services to the company during the year. The emoluments and pension benefits of M. Fields were paid by other members of the Ford Motor Company group, and disclosures of the emoluments have been made in their financial statements.

	2004 £	2003 £
Highest paid director		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received under long-term incentive schemes)	226,565	130,397

The emoluments of the highest paid director represent an apportionment of the total emoluments, which are shared between Ford Motor Company subsidiaries on the basis of services provided. The highest paid director had an accrued pension at the end of the year of £124,698 with any lump sum payable by commutation. (The highest paid director during 2003 had an accrued pension of £129,375 and an accrued lump sum of £122,820 at the end of 2003). The highest paid director did not exercise share options in Ford Motor Company during the period, and did not become entitled to receive shares under the Ford Motor Company executive long-term incentive scheme.

Notes to the financial statements

for the year ended 31 December 2004 (continued)

5. INCOME FROM FIXED ASSET INVESTMENTS

	2004 £m	2003 £m
Dividends receivable from group companies	28.8	8.6

6. NET INTEREST PAYABLE

	2004 £m	2003 £m
Interest receivable		
Group undertakings	2.5	2.8
Other	0.3	4.3
	2.8	7.1
Interest payable and similar charges		
Group undertakings	(71.9)	(72.6)
Bank loans, overdrafts and other loans	(4.5)	(7.6)
Finance leases	(0.2)	(1.5)
Notional interest on discounted liabilities	(4.0)	(4.0)
	(80.6)	(85.7)
Net interest payable	(77.8)	(78.6)

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2004 £m	2003 £m
Current tax		
UK corporation tax on profits		
Current year and prior years	-	-
Group relief charges		
Current year	13.2	3.7
Prior years	-	-
	13.2	3.7
Foreign tax		
Current year and prior years	-	-
Total current tax credit	13.2	3.7
Deferred tax (see note 12)		
Origination and reversal of timing differences	77.9	(35.1)
Tax credit/(charge) on (loss)/profit on ordinary activities	91.1	(31.4)

Notes to the financial statements

for the year ended 31 December 2004 (continued)

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The company has surrendered the benefit of tax losses to two fellow subsidiaries (2003: one) Land Rover Exports for consideration of £10.9 million (2003: £3.7 million) and to Land Rover Group Limited for consideration of £2.2 million.

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2004		2003	
	%	£m	%	£m
(Loss)/profit on ordinary activities before tax		(228.0)		7.9
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 30%)	30.0	(68.4)	30.0	2.4
Current year corporation tax charge/(credit) included above	5.8	(13.2)	(46.8)	(3.7)
Difference	24.2	55.2	(16.8)	(6.1)
The difference from the current tax charge is due to the effects of:				
Depreciation in excess of capital allowances	24.2	55.2	(84.9)	6.7
Other timing differences (including provisions)	(3.6)	(8.3)	448.8	(35.3)
Permanent adjustments - expenses not deductible for tax purposes	3.6	8.3	(285.8)	22.5
		55.2		(6.1)

Factors that may affect future tax charges

Group relief charges are expected to be made in future unless there is commercial reason not to do so. Deferred tax assets, whether recognised or unrecognised, have not been discounted.

8. INTANGIBLE ASSETS – GOODWILL

	£m
Cost	
At 1 January and 31 December 2004	473.5
Amortisation	
At 1 January 2004	73.9
Charge for the year	25.9
At 31 December 2004	99.8
Net book value 31 December 2004	373.7
Net book value 31 December 2003	399.6

Notes to the financial statements

for the year ended 31 December 2004 (continued)

9. TANGIBLE ASSETS

	Freehold Land and buildings	Plant and Machinery Owned	Plant and Machinery Leased	Special tools	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2004	332.8	824.2	5.3	604.6	1,766.9
Additions	10.4	78.1	-	268.1	356.6
Disposals	(1.1)	(44.2)	-	-	(45.3)
At 31 December 2004	342.1	858.1	5.3	872.7	2,078.2
Depreciation					
At 1 January 2004	(25.1)	(159.5)	(5.3)	(217.3)	(407.2)
Charge for the year	(8.4)	(85.5)	-	(81.7)	(175.6)
Disposals	0.1	20.0	-	-	20.1
At 31 December 2004	(33.4)	(225.0)	(5.3)	(299.0)	(562.7)
Net book value					
At 31 December 2004	308.7	633.1	-	573.7	1,515.5
At 31 December 2003	307.7	664.7	-	387.3	1,359.7

Included in the above are assets in the course of construction of £56.3 million (2003: £140.2 million).
Assets held under finance leases are fully written down.

Notes to the financial statements

for the year ended 31 December 2004 (continued)

10. FIXED ASSET INVESTMENTS

The investment carrying value of the fixed assets investments is £100 (2003: £100).

Details of the subsidiary undertakings are as follows:

Subsidiary Undertaking	Interest	Country of incorporation and registration	Activity
Land Rover Exports Limited	100%	England & Wales	Sale of motor vehicles
Land Rover Pension Trustees Limited	100%	England & Wales	Pension scheme trustee company

Subsidiary undertakings have an accounting reference date of 31 December and operate in their country of incorporation. The shareholdings above are recorded at nominal values in the company's accounts.

11. STOCKS

	2004 £m	2003 £m
Raw material and consumables	2.5	2.7
Work in progress	104.1	61.5
Finished goods and goods for resale	124.3	117.2
	230.9	181.4

Included in finished goods and goods for resale is £8.0 million (2003: £9.0 million) relating to stocks in which the company still has a financial interest although legal title has passed to a third party.

12. DEBTORS

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade debtors	28.4	37.3
Amounts owed by group undertakings	389.5	584.9
Other debtors	28.4	36.2
Prepayments and accrued income	26.6	1.1
Deferred tax (see below)	119.1	41.2
	592.0	700.7

Included in Other debtors is an amount of £27.7 million (2003: £34.9 million), which represents management's estimate of amounts recoverable from suppliers arising from settlement of warranty liabilities.

Notes to the financial statements

for the year ended 31 December 2004 (continued)

12. DEBTORS (CONTINUED)

Deferred tax

	Accelerated Capital Allowances	Losses	Other	Total
	£m	£m	£m	£m
Provided				
1 January 2004	5.4	-	35.8	41.2
(Charge)/credit for the Year	86.5	4.4	(13.0)	77.9
At 31 December 2004	91.9	4.4	22.8	119.1
Unrecognised				
1 January 2004	-	-	-	-
(Charge)/credit for the Year	-	-	-	-
At 31 December 2004	-	-	-	-
Full timing differences including deferred tax unprovided at 31 December 2004	91.9	4.4	22.8	119.1

Notes to the financial statements

for the year ended 31 December 2004 (continued)

13. Creditors - Amounts falling due within one year

	2004 £m	2003 £m
Bank loans and overdrafts	22.4	9.4
Trade creditors	269.3	289.6
Amounts owed to group undertakings	220.4	155.6
Obligations under finance leases	0.3	3.5
Social security and other taxes	38.1	43.0
Accruals and deferred income	433.2	344.2
	983.7	845.3

14. Creditors - Amounts falling due after more than one year

	2004 £m	2003 £m
Amounts owed to holding company and fellow subsidiaries	1,117.6	1,061.9
Accruals and deferred income	60.3	50.4
	1,177.9	1,112.3
Due in more than one year, and not more than two years	35.0	26.9
Due between two and five years	25.2	22.6
Due after more than five years	1,117.7	1,062.8
	1,177.9	1,112.3

Amounts owed to holding company and fellow subsidiaries reflects an unsecured loan from a fellow subsidiary of Ford Motor Company. It is repayable in 2010, and attracts interest at 1% over LIBOR.

Future minimum payments under finance leases are as follows:

	2004 £m	2003 £m
Due within one year	0.3	3.7
Due between two and five years	-	-
Total gross payments	0.3	3.7
Less finance charges included above	-	(0.2)
	0.3	3.5

Notes to the financial statements

for the year ended 31 December 2003 (continued)

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty	Other	Total
	£m	£m	£m
At 1 January 2004	278.7	36.7	315.4
Utilised during the year	(191.5)	(107.0)	(298.5)
Charge for the year	129.8	80.2	210.0
At 31 December 2004	217.0	9.9	226.9

The company offers warranty cover in respect of manufacturing defects, which become apparent within a period of up to eight years after purchase, dependent on the market in which the purchase occurred. A warranty provision of £188.1 million (2003: £221.6 million) has been carried forward for expected claims based on past experience of the level of actual warranty claims received. The remainder of the provision relates to specific Warranty Campaign costs, relating to specific known issues with products. It is anticipated that £122.3 million (2003: £134.7 million) of the warranty provision will be utilised in less than one year.
Other provisions relate to the pensions funding shortfall referred to in note 22.

16. SHARE CAPITAL

	2004	2003
	£m	£m
Authorised		
Ordinary shares of £1 each	2,000.0	2,000.0
	2,000.0	2,000.0
Allotted and fully paid		
Ordinary shares of £1 each	300.0	300.0
	300.0	300.0

17. RESERVES

	Share premium account	Profit and loss account	Capital contributions
	£m	£m	£m
At 1 January	361.3	(292.9)	-
Capital contribution	-	-	93.7
Loss for the financial year	-	(136.9)	-
At 31 December	361.3	(429.8)	93.7

On 13 December 2004 the company received a capital contribution of £93.7 million from Land Rover Holdings Limited, its immediate parent company.

18. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2004	2003
	£m	£m
At 1 January	368.4	391.9
Loss for the financial year	(136.9)	(23.5)
Capital contribution	93.7	-
At 31 December	325.2	368.4

Notes to the financial statements

for the year ended 31 December 2004 (continued)

19. CONTINGENT LIABILITIES AND COMMITMENTS

	2004 £m	2003 £m
Guarantees and other commitments arising in the normal course of business	96.0	220.3

As a result of group registration for VAT purposes, the company is contingently liable for VAT liabilities arising in other companies in the Land Rover Holdings Group.

In September 2000, the European Parliament passed Directive 2000/53/EC on end-of-life vehicles. The directive provides for a number of obligations including the take back of end-of-life vehicles put on the market from 1 July 2002 with a zero or negative market value, the take back of all other end-of-life vehicles with zero or negative value as of 1 January 2007, the proportion of the vehicle that may be disposed of in landfills, the proportion that must be reused or recycled beginning in 2006, and bans the use of certain substances in materials and components of vehicles put on the market after 1 July 2003. Whilst member states were required to enact legislation to implement the directive by 21 April 2002, this has been delayed in some countries.

Presently, there are still some uncertainties surrounding the form and implementation of the legislation in different member states, especially regarding manufacturers' responsibilities and the resultant expenses that may be incurred. As of 31 December 2004 the following member states have adopted legislation to implement the directive: The Netherlands, Germany, Belgium, Austria, Spain, Luxembourg, Italy, France, Portugal, Finland, Greece, Denmark and Sweden, and all new EU members (Latvia, Lithuania, Estonia, Czech Republic, Hungary, Cyprus, Malta, Slovenia and Slovakia) except Poland, which is in the very final stages of adaptation.

Due to an agreement made whereby the company has agreed to reimburse Land Rover companies respectively incorporated in these countries for costs incurred in recycling vehicles originally manufactured in the UK, the company has provided for the estimated liabilities. At 31 December 2004 the provision is £0.1 million (2003: £0.9 million).

The UK has separated new vehicle sales and historic parc legislation. Following enactment in November 2003 of UK legislation on new vehicle sales since 1 July 2002, the company has become liable for costs of approximately 231,000 cars sold in the UK since 1 July 2002. The financial effect of the new vehicle sales legislation on the company is estimated to be zero.

The UK historic parc legislation has been published at the beginning of 2005, effective from 2007, and made the company liable for costs of approximately 300,000 cars sold in Britain prior to 1 July 2002 that are still estimated to be on the road after 1 January 2007. On 17 February 2005 the company has signed an agreement with Cartakeback Limited to provide customers with a free "take back" service for End of Life Vehicles from 1 January 2007. The financial effect of the legislation and the signed agreement is estimated to be zero.

20. CAPITAL EXPENDITURE APPROVED

	2004 £m	2003 £m
Aggregate of committed contracts not provided for in the accounts	60.3	260.0

Notes to the financial statements

for the year ended 31 December 2004 (continued)

21. OPERATING LEASE COMMITMENTS

	2004	2003
	£m	£m
Annual commitments as at 31 December 2004 under non-cancellable operating leases are as follows:		
Land and buildings:		
Leases expiring:		
Within one year	-	0.2
Between two and five years	0.6	0.6
In excess of five years	1.1	1.1
	1.7	1.9
Plant and machinery:		
Leases expiring:		
Within one year	0.2	0.8
Between two and five years	1.8	1.9
In excess of five years	0.4	1.1
	2.4	3.8
	4.1	5.7

22. A) PENSION COSTS

The company operates a defined benefit scheme the assets of which are held in separate trustee administered funds. The Land Rover Pension Scheme was established with effect from 1 January 2001 to assume the provision of retirement benefits for Land Rover employees from the Rover Group Pension Scheme, and in excess of 99% of members agreed to transfer benefits from that scheme.

The most recent actuarial valuation was carried out by an independent, qualified actuary as at 5 April 2004 using the Projected Unit Method. The principal assumptions made by the actuary were as follows:

Pre-retirement discount rate	6.75%
Post-retirement discount rate	5.25%
Rate of increase in pensionable pay	4.5%
Rate of increase in pensions	2.75%
Rate of inflation	3.0%

The market value of the scheme's assets was £877 million, representing 78% of the benefits that had been accrued to members, after allowing for expected increases in earnings.

The shortfall has been provided for and was addressed by an increase in the company contribution rate. The total cost of providing retirement benefits for the company was £80.2 million in 2004 (2003: £52.7 million).

Notes to the financial statements

for the year ended 31 December 2004 (continued)

22. PENSION COSTS (CONTINUED)

B) ADDITIONAL DISCLOSURES REQUIRED BY FRS17 "RETIREMENT BENEFITS"

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 5 April 2004. This valuation has been updated by an independent, qualified actuary to 31 December 2004 in accordance with FRS 17.

Contributions

The contributions paid and agreed by the company are as follows (figures are expressed as a percentage of pensionable pay and a re net of NI age related rebates):

1 January 2004 – 31 December 2004	£107.1m
1 January 2005 – 31 December 2005	£98.0m
1 January 2006 – 31 December 2006	Nil
1 January 2007 – 31 December 2015	15.9% plus £32m per annum

Assumptions

The major assumptions used by the actuary are:

	At 31 Dec 2004	At 31 Dec 2003	At 31 Dec 2002
Rate of increase in salaries	4.0%	4.0%	4.0%
Rate of increase in pensions in payment attracting LPI	2.5%	2.5%	2.5%
Discount rate	5.25%	5.5%	5.5%
Inflation assumption	2.5%	2.5%	2.5%

Assets in the Funds and Expected Rates of Return at 31 December 2004

	Value at 31 Dec 2004 £m	Long term expected return on assets at 31 Dec 2004	Value at 31 Dec 2003 £m	Long term expected return on assets at 31 Dec 2003	Value at 31 Dec 2002 £m	Long term expected return on assets at 31 Dec 2002
Equities	653.5	8.45%	537.0	9.65%	385.4	9.5%
Bonds	258.8	6.30%	199.0	6.7%	171.3	6.75%
Other assets	38.4	3.5%	8.9	3.5%	25.9	5.25%
	950.7		744.9		582.6	

Notes to the financial statements

for the year ended 31 December 2004 (continued)

22. PENSION COSTS (CONTINUED)

The following amounts were measured in accordance with FRS 17:

	Value at 31 Dec 2004 £m	Value at 31 Dec 2003 £m	Value at 31 Dec 2002 £m
Total market value of assets	950.7	744.9	582.6
Present value of scheme liabilities	(1,286.0)	(1,122.5)	(955.1)
Pension deficit	(335.3)	(377.6)	(372.5)
Unrecognised related deferred tax asset at 30%	100.6	113.3	111.8
Net pension deficit	(234.7)	(264.3)	(260.7)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 31 December 2004 would be as follows:

	2004 £m	2003 £m
Net assets excluding SSAP 24 pension provision	335.1	405.1
Net FRS 17 pension liability	(234.7)	(264.3)
Net assets including FRS 17 pension liability	100.4	140.8
Profit and loss reserve excluding SSAP 24 pension provision	(419.9)	(256.2)
Net FRS 17 pension liability	(234.7)	(264.3)
Profit and loss reserve including FRS 17 pension liability	(654.6)	(520.5)

Analysis of amount charged to operating profit	Year ended 31 Dec 2004 £m	Year ended 31 Dec 2003 £m
Current service cost	53.2	52.4
Past service costs	-	-
Settlements/curtailments	6.0	-
	59.2	52.4

Analysis of amount credited to other finance income	Year ended 31 Dec 2004 £m	Year ended 31 Dec 2003 £m
Expected return on pension scheme assets	73.3	51.9
Interest on pension liabilities	(61.5)	(52.4)
	11.8	(0.5)

Analysis of amount recognised in Statement of Total Recognised Gains and Losses	Year ended 31 Dec 2004 £m	Year ended 31 Dec 2003 £m
Actual return less expected return on pension scheme assets	20.7	55.4
Experience gains and losses arising on the scheme liabilities	34.9	(4.4)
Changes in assumptions underlying the present value of the scheme liabilities	(73.0)	(56.2)
	(17.4)	(5.2)

Notes to the financial statements

for the year ended 31 December 2004 (continued)

22. PENSION COSTS (CONTINUED)

Analysis of movement in deficit during the year	**Year ended 31 Dec 2004 £m**	**Year ended 31 Dec 2003 £m**
Deficit in scheme at beginning of year	(377.6)	(372.5)
Current service cost	(53.2)	(52.4)
Contributions	107.1	53.0
Settlements/curtailments	(6.0)	(0.0)
Other finance income	11.8	(0.5)
Actuarial gain	(17.4)	(5.2)
Deficit in scheme at end of year	(335.3)	(377.6)

	For the year ended 31 Dec 2004	**For the year ended 31 Dec 2003**	**For the year ended 31 Dec 2002**
Difference between expected and actual return on scheme assets			
- Amount (£m)	20.7	55.4	(150.0)
- Percentage of scheme assets	2%	7%	(26%)
Experience gains/(losses) on scheme liabilities			
- Amount (£m)	34.9	(4.4)	(30.0)
- Percentage of the present value of scheme liabilities	3%	(0%)	(3%)
Total amount recognised in STRGL			
- Amount (£m)	(17.4)	(5.2)	(289.7)
- Percentage of the present value of scheme liabilities	(1%)	(0%)	(30%)

23. DIRECTORS' TRANSACTIONS

The directors participate in vehicle purchase schemes, which are available to managers of Ford Motor Company subsidiary undertakings. The schemes enable participants to purchase a vehicle from a group company and to return the vehicle, in accordance with the scheme terms, to that company at a specified future date.

24. ULTIMATE PARENT COMPANY

Land Rover is a wholly owned subsidiary of Land Rover Holdings, a company incorporated in England and Wales. The directors regard Ford Motor Company, a company incorporated in Delaware, USA, as the ultimate parent company. Copies of the ultimate parent company's accounts may be obtained from Ford Motor Company, One American Road, Dearborn, Michigan 48126, USA.

The parent company of the smallest group in which the company's accounts are included is Land Rover Holdings.