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FORD TRACTOR (BELGIUM) LIMITED

Directors

G R Tiplady		(Chairman)
C F Van Herck	(Belgium)	(Managing Director)
D W Finnett		
P Lagasse	(Belgium)	
R F Moglia	(US)	
S Thomson		

Secretary

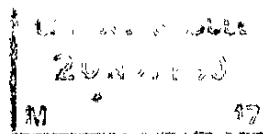
B W Parkes

Registered Office

Eagle Way
Brentwood
Essex CM13 3BW

Auditors

Coopers & Lybrand Deloitte
Plumtree Court
London EC4A 4HT



FORD TRACTOR (BELGIUM) LIMITED

The directors submit the annual report and accounts of the Company for the year ended 31 December 1989.

Review of activities

The principal activity in which the Company is engaged is the manufacture of tractors and components therefor.

Turnover for the year of £274,725,000 is £103,315,000 higher than 1988.

Results

The results for the year are set out in the profit and loss account on page 4.

Directors

The names of the present directors are shown on page 1.

In accordance with the Company's Articles of Association, all the directors, other than the Managing Director, retire from office at the Annual General Meeting and, being eligible, offer themselves for reappointment.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Coopers & Lybrand Deloitte as auditors to the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



B W PARKES
Secretary
4 April 1990

Report of the auditors to the members of
FORD TRACTOR (BELGIUM) LIMITED

We have audited the accounts on pages 4 to 15 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 1989 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND DELOITTE

Coopers & Lybrand Deloitte

Chartered Accountants
LONDON, 4 April 1990

FORD TRACTOR (BELGIUM) LIMITED

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Profit and loss account for
the year ended 31 December 1989

	<u>Notes</u>	<u>1989</u> £'000	<u>1988</u> £'000
Turnover	3	274,725	171,410
Loss on ordinary activities before taxation	4	(12,372)	(6,396)
Tax credit on ordinary activities	9	20	1,527
Loss for the financial year		(12,352)	(4,869)

STATEMENT OF ACCUMULATED LOSSES

Accumulated (losses)/profits at 1 January	(2,782)	3,545
Transfer from revaluation reserve	184	204
Exchange differences arising on translation	268	(1,662)
Loss for the financial year	(12,352)	(4,869)
Accumulated losses at 31 December	(14,682)	(2,782)

The notes on pages 7 to 15 form part of these accounts.


Auditors' report page 3.

FORD TRACTOR (BELGIUM) LIMITED

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Balance sheet - 31 December 1989

	Notes	1989 £'000	1988 £'000
FIXED ASSETS			
Tangible assets	10	34,721	25,129
CURRENT ASSETS			
Stocks	11	28,525	22,953
Debtors	12	26,912	16,000
		55,437	38,953
CREDITORS: amounts falling due within one year	13	(90,866)	(52,430)
NET CURRENT LIABILITIES		(35,429)	(13,477)
Total assets less current liabilities		(708)	11,652
CREDITORS: amounts falling due after more than one year	14	(5,819)	(6,230)
PROVISIONS FOR LIABILITIES AND CHARGES	15(b)	(252)	(117)
		(6,779)	5,305
CAPITAL AND RESERVES			
Called up share capital	16	2,560	2,560
Revaluation reserve	17	5,343	5,527
Profit and loss account		(14,682)	(2,782)
		(6,779)	5,305


 G R TIPLADY)
) Directors
 S THOMSON)

The notes on pages 7 to 15 form part of these accounts.

Auditors' report page 2.

Statement of source and application of funds
for the year ended 31 December 1989

SOURCE OF FUNDS	1989 £'000	1988 £'000
Loss on ordinary activities before taxation	(12,372)	(6,396)
Adjustments for items not involving the movement of funds:		
Exchange differences arising on translation	(4,658)	122
Depreciation and amortisation	5,269	4,807
Increase/(decrease) in provision for model changeovers	135	(3)
Total generated from operations	(11,626)	(1,470)
Funds from other sources:		
Disposal of tangible fixed assets	10	269
Group relief received	20	377
	(11,596)	(824)
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(9,945)	(7,389)
Repayment of creditors falling due after more than one year	(411)	(3,457)
	(21,952)	(11,670)
DECREASE IN WORKING CAPITAL		
Stocks	5,572	6,975
Debtors and prepayments	3,138	1,041
Balances with group companies	(47,535)	(5,755)
Trade and other creditors falling due within one year	(5,471)	(355)
	(44,296)	1,906
Movement in net liquid funds:		
Cash at bank and in hand	.	(139)
Bank loans and overdrafts	22,344	(13,437)
	(21,952)	(11,670)

Auditors' report page 3.

Notes to the accounts - 31 December 1989Principal accounting policies

1 The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings. The following is a summary of the principal accounting policies:-

(a) Depreciation

Depreciation is provided on a declining balance method on the net written down value of categories of fixed assets at rates appropriate to write down the cost or valuation of the assets over their expected useful lives. For the major asset categories, asset lives are as follows:-

Land improvements and buildings - 20 years
Plant, machinery and other equipment - 4-10 years

No depreciation is provided on land. Leasehold premises are amortised over the period of the lease to a maximum of 40 years.

Special tools are amortised over a period of five years.

(b) Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost consists of direct material and labour costs together with the relevant factory overheads. Direct materials are valued on a first in first out basis. Net realisable value is the price at which stocks can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from an existing state to a finished condition.

(c) Foreign currency

The company carries out its operations in Belgium and the translation from Belgium francs to pounds sterling is made as follows:-

Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Differences on exchange arising from the translation of opening net assets/liabilities of Belgian operations are taken to reserves.

Profit and loss account transactions are translated at the actual exchange rates ruling on the date of the transaction.

(d) Research and development

All research and development costs, including those related to the design and launch of new models, are written off as incurred.

Notes to the accounts - 31 December 1989 continued(e) Pension costs

Pension costs in respect of employees who are members of the scheme called Het Pensioen - en Voorzorgsfonds van de Ford Maatschappijen in België, are spread over members' working lives.

(f) Deferred tax

Provision is made for deferred tax on the liability method at the appropriate rate of corporation tax. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Basis of accounting

2 The accounts have been prepared on a going concern basis. Ford New Holland Inc has agreed to provide to Ford Tractor (Belgium) Limited, or procure the provision of, such finances, in addition to bank and other facilities already available, as may be necessary for the continuance of the business of the company for a period of twelve months from the date of approval of these accounts. Ford New Holland Inc is a subsidiary of Ford Motor Company.

Turnover

3 Turnover represents sales invoiced to customers net of sales tax. The geographical analysis of turnover is as follows:-

	<u>1989</u>	<u>1988</u>
	<u>£'000</u>	<u>£'000</u>
United Kingdom	116,918	99,631
Rest of Europe	37,904	19,423
South America	12,491	13,704
Australia and Asia	6,073	3,851
Africa	1,908	692
North America	99,431	34,109
	<u>274,725</u>	<u>171,410</u>

Notes to the accounts - 31 December 1989 continued

Loss on ordinary activities before taxation

4	<u>1989</u> £'000	<u>1988</u> £'000
Turnover (see note 3)	274,725	171,410
Cost of sales	(277,333)	(173,966)
Gross loss	(2,608)	(2,556)
Distribution costs	(9)	(3)
Administration expenses	(5,400)	(1,912)
Operating loss (see note 5)	(8,017)	(4,471)
Interest receivable and similar income	57	10
Interest payable and similar charges (see note 8)	(4,412)	(1,935)
Loss on ordinary activities before taxation	<u>(12,372)</u>	<u>(6,396)</u>

Operating loss

5 Operating loss is stated after charging:-

	<u>1989</u> £'000	<u>1988</u> £'000
Auditors' remuneration	40	40
Depreciation and amortisation of tangible fixed assets	5,269	4,807
Research and development costs	11,446	12,493

Directors' emoluments

6 None of the directors has received any emoluments from the company for services performed in the United Kingdom (1988 £Nil).

Employee information

7(a) The average number of persons employed by the company during the year (including executive directors) is analysed below:-

	<u>1989</u>	<u>1988</u>
Hourly paid	1,601	1,440
Salaried employees - Plant	273	249
- Other	95	100
	<u>1,969</u>	<u>1,789</u>

Notes to the accounts - 31 December 1989 continued

(b) Employment costs of all employees included above:-

	<u>1989</u> £'000	<u>1988</u> £'000
Gross wages and salaries	26,366	23,779
Employer's social security costs	9,677	8,608
Other pension costs	905	877
	<u>36,948</u>	<u>33,264</u>

Interest payable and similar charges

<u>8</u>	<u>1989</u> £'000	<u>1988</u> £'000
Interest payable to group companies	3,076	600
Interest payable on bank overdrafts and other loans repayable within five years	840	1,192
Interest payable on other loans	496	143
	<u>4,412</u>	<u>1,935</u>

Tax credit on ordinary activities

9 The tax credit for the year comprises:-

	<u>1989</u> £'000	<u>1988</u> £'000
Group relief receivable	-	1,722
Adjustment to prior years		
- corporation tax	-	(195)
- reversal of group relief allocation	20	-
	<u>20</u>	<u>1,527</u>

The company is subject to tax in Belgium on the activities carried out by its Belgian branch. At 31 December 1989, the Belgian branch had accumulated tax losses of approximately £83,200,000, subject to agreement by the Belgian tax authorities. These losses are available for carry forward indefinitely for offset against future Belgian taxable profits.

Notes to the accounts - 31 December 1989 continued

Tangible fixed assets

10	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant machinery and other equipment £'000	Special tools £'000	Total £'000
Cost or valuation					
1 January 1989	14,523	31	63,063	4,896	82,513
Additions	653	-	7,489	1,803	9,945
Disposals	(62)	-	(1,623)	(1,117)	(2,802)
Translation adjustment	3,347	-	11,881	951	16,179
31 December 1989	18,461	31	80,810	6,533	105,835
Depreciation					
1 January 1989	3,901	31	51,456	1,996	57,384
Charge for the year	700	-	3,672	897	5,269
Disposals	(62)	-	(1,613)	(1,117)	(2,792)
Translation adjustment	1,463	-	9,435	355	11,253
31 December 1989	6,002	31	62,950	2,131	71,114
Net book value at 31 December 1989	12,459	-	17,860	4,402	34,721
Net book value at 31 December 1988	10,622	-	11,607	2,900	25,129

Land, land improvements and buildings are included at a revaluation which was carried out by Naamloze Vennootschap Industriële Schattingen Job & Co. on an existing use basis as at 31 December 1983. The revalued amount is being depreciated over 20 years or a declining balance method.

The historical cost of freehold land and buildings at 31 December 1989 amounted to £12,724,000 (1988 £10,231,000).

Stocks

11	1989 £'000	1988 £'000
Raw materials and consumables	58	59
Work in progress	21,790	19,107
Finished goods and goods for resale	4,756	2,299
Parts, accessories and sundries	1,921	1,488
	28,525	22,953

FORD TRACTOR (BELGIUM) LIMITED

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Notes to the accounts - 31 December 1989 continued

Debtors

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	<u>1989</u> £'000	<u>1988</u> £'000
Trade debtors	3,881	1,224
Amounts owed by group companies	19,807	12,033
Other debtors	2,642	2,723
Prepayments	582	20
	<u>26,912</u>	<u>16,000</u>

Other debtors include £897,000 (1988 £1,354,000) due after more than one year.

Creditors: amounts falling due within one year

13

	<u>1989</u> £'000	<u>1988</u> £'000
Bank loans and overdrafts	3,094	25,438
Trade creditors	13,964	11,283
Amounts owed to group companies	62,452	7,143
Other creditors	11,356	8,566
	<u>90,866</u>	<u>52,430</u>

Bank loans from one bank, including amounts falling due after more than one year (note 14), are guaranteed by Ford Motor Company Limited up to a total credit line of £6,122,000 which was fully utilised at 31 December 1989.

Bank loans and overdrafts with four other banks, amounting to £582,500, were given on the basis of a letter of awareness from Ford Motor Company Limited.

Notes to the accounts - 31 December 1989 continued

Creditors: amounts falling due after more than one year

	<u>1989</u>	<u>1988</u>
	<u>£'000</u>	<u>£'000</u>
14		
Bank loan agreed on 20 March 1980 repayable in equal annual instalments over a period of 10 years:		
Tranche "B" issued on 4 February 1981 at an interest rate of 12.75% repayable from 1985 until 1990	-	637
Tranche "C" issued on 1 December 1981 at an interest rate of 12.75% repayable from 1985 until 1991	838	1,421
Notes payable issued on 25 May 1983 repayable in equal annual instalments over a period of 10 years, from 1985 until 1993 at an interest rate of 12.9% for the period up to 1989	2,773	3,139
Provisions for redundancies and pensions	2,208	1,033
	<u>5,819</u>	<u>6,230</u>

Provisions for liabilities and charges

15(a) Deferred taxation

	<u>1989</u>		<u>1988</u>	
	<u>Provision made</u>	<u>Full potential liability</u>	<u>Provision made</u>	<u>Full potential liability</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Accelerated capital allowances	-	5,263	-	3,596
Revalued properties	-	-	-	1,499
	<u>-</u>	<u>5,263</u>	<u>-</u>	<u>5,095</u>

No provision has been made for deferred taxation in respect of the tax that would be payable if revalued properties were disposed of at their revalued amounts as there is no intention currently to dispose of the properties.

For 1989 account is taken of legislative changes that allow the rebasing of tax on capital gains to 31 March 1982 values.

(b) Other provisions:-

	<u>1989</u>	<u>1988</u>
	<u>£'000</u>	<u>£'000</u>
Provision for model changeovers	252	117

Notes to the accounts - 31 December 1989 continuedCalled up share capital

16	<u>1989</u> £'000	<u>1988</u> £'000
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Authorised, allotted, called up and fully paid:

2,560,100 ordinary shares of £1 each	<u>2,560</u>	<u>2,560</u>
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Revaluation reserve

17	<u>1989</u> £'000	<u>1988</u> £'000
At 1 January	5,527	5,731
Transfer to profit and loss account	<u>(184)</u>	<u>(204)</u>
At 31 December	<u>5,343</u>	<u>5,527</u>

The revaluation reserve relates to the revaluation of freehold land and buildings (see note 10).

Capital expenditure

18 The estimated aggregate of contracts committed but not provided for in the accounts is £9,989,000 (1988 £6,789,000). The estimated amount authorised by the directors but not contracted for is £9,781,000 (1988 £10,927,000).

Pension costs

19 Statement of Standard Accounting Practice 24 - 'Accounting for pension costs' has been adopted in 1989. No material adjustments have arisen from the adoption of the standard.

The company together with other Belgian group companies participates in a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are invested and held separately from those of group companies. Contributions to the scheme are based on a global contribution rate advised by the scheme's actuary. The charge to the profit and loss account is calculated so as to spread the cost of pensions over employees' working lives. The charge is determined by a qualified actuary on the basis of annual valuations using the aggregate valuation method. The most recent valuation was as at 31 December 1988. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment returns would be 5.17% per annum and that salary increases would average 3.2% per annum.

Notes to the accounts - 31 December 1989 continued

The pension charge for the period was £617,000 (1988 £988,000).

The pension prepayment at 31 December 1989 was £372,000 (1988 £nil).

The most recent actuarial valuation showed that the market value of the assets of the group scheme was £109,666,000 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Credit is taken for the excess of the actuarial value of the funds' assets over the benefits accrued to members over the remaining working lives of members.

Commitments made to pay early pensions

20 In 1982 the company made a commitment to the trade unions that 153 employees could take early retirement at the age of 55 (50 years for female employees) on the same conditions as other employees entitled to early retirement.

In compensation for the cost of the early pensions, the trade unions agreed to an abatement of two hourly base rate cost of living increases.

The remaining cost of the commitment, which is estimated to amount to £295,886, is expected to be covered by this agreement so that, in principle, the commitment should not result in a charge to the company. Accordingly, no provision has been made in these accounts.

Holding company

21 The company is a wholly owned subsidiary of Ford Motor Company Limited, a company incorporated in England. The ultimate holding company is Ford Motor Company, a company incorporated in the State of Delaware, United States of America.