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FORD TRACTOR (BELGIUM) LIMITED

DIRECTORS

F.A. Erdman	(U.S.)	(Chairman)
G.R. Tiplady		(Deputy Chairman)
C.F. Van Herck	(Belgium)	(Managing Director)
R.E. Cook	(U.S.)	
P. Lagasse	(Belgium)	
G.L. Tessitore	(U.S.)	
S. Thomson		

SECRETARY

B.W. Parkes

REGISTERED  
OFFICE

Eagle Way, Brentwood,  
Essex, CML3 3EW

AUDITORS

Coopers & Lybrand



FORD TRACTOR (BELGIUM) LIMITED

FIFTEENTH ANNUAL REPORT OF THE DIRECTORS

The directors submit the annual report and accounts of the company for the year ended 31st December 1978.

Principal Activity

The principal activity in which the company is engaged is the manufacture of tractors.

Capital Restructure

By Ordinary Resolution passed on 18th December 1978 the authorised capital of the company was increased to £2,560,100 by the creation of 2,560,000 additional Ordinary Shares of £1 each. All the additional shares were issued fully paid for cash at par to the parent company, Ford Motor Company Limited, on 22nd December 1978.

Profit

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

Dividend

An interim dividend of £37,000,000 (1977 Nil) was paid on 22nd December 1978 and the directors recommend that this interim dividend be considered as a final dividend for 1978.

Directors

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

Mr. F.A. Erdman was appointed a director and elected chairman of the board on 19th February 1979 in place of Mr. E.O. Miller who resigned as a director and as chairman on 9th January 1979.

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 14 of the Companies Act 1976 a resolution proposing the reappointment of Coopers & Lybrand as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

B.W. PARKES

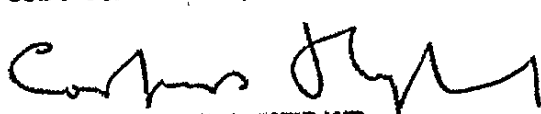
Secretary

19th February 1979

FORD TRACTOR (BELGIUM) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

In our opinion the accounts set out on pages 4 to 10 give a true and fair view of the state of the company's affairs at 31st December 1978 and of its profit and source and application of funds for the year ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

  
COOPERS & LYBRAND

Chartered Accountants

LONDON, 19th February 1979.

FORD TRACTOR (BELGIUM) LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1978

	<u>Notes</u>	<u>1978</u> £'000	<u>1977</u> £'000
TURNOVER	2	<u>175,131</u>	<u>222,683</u>
PROFIT BEFORE TAX	3	6,604	16,969
TAX	5	<u>(124)</u>	<u>(10,756)</u>
PROFIT AFTER TAX		<u>6,480</u>	<u>6,213</u>

STATEMENT OF RETAINED PROFITS

PROFIT FOR THE YEAR		6,480	6,213
RETAINED PROFITS AT 1ST JANUARY		35,396	29,183
DIVIDEND	6	<u>(37,000)</u>	<u>-</u>
RETAINED PROFITS AT 31ST DECEMBER	9	<u>4,876</u>	<u>35,396</u>

The notes on pages 7 to 10 form part of these accounts.

Auditors' report - page 3.

FORD TRACTOR (BELGIUM) LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1978

	<u>Notes</u>	<u>1978</u> £'000	<u>1977</u> £'000
<b>ASSETS EMPLOYED</b>			
<b>FIXED ASSETS</b>	7	<u>11,205</u>	<u>9,183</u>
<b>CURRENT ASSETS</b>			
Stocks	8	27,670	29,793
Debtors		3,233	2,678
Amounts owed by group companies		18,242	24,040
Bank balances and cash		<u>337</u>	<u>333</u>
		<u>49,482</u>	<u>56,844</u>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		(14,408)	(2,119)
Creditors		(15,757)	(19,683)
Current tax		(37)	(709)
Amounts owed to group companies		(3,758)	(3,143)
Short term loans		<u>(446)</u>	<u>(796)</u>
		<u>(34,406)</u>	<u>(26,450)</u>
<b>NET CURRENT ASSETS</b>		<u>15,076</u>	<u>30,394</u>
		<u>26,281</u>	<u>39,577</u>
<b>FINANCED AS FOLLOWS</b>			
<b>SHARE CAPITAL AND RESERVES</b>	9	7,437	35,396
<b>LONG TERM LOANS</b>	10		
Group company		14,706	-
Other		4,018	4,181
<b>DEFERRED TAX</b>	5	<u>120</u>	<u>-</u>
		<u>26,281</u>	<u>39,577</u>

 C.R. TIPLADY  
 S. THOMSON
 } Directors

The notes on pages 7 to 10 form part of these accounts.

Auditors' report - page 3.

FORD TRACTOR (BELGIUM) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 1978

	<u>1978</u>	<u>1977</u>
	£'000	£'000
<b>SOURCE OF FUNDS</b>		
Profit before tax	6,604	16,969
Adjustments for items not requiring the movement of funds:		
Depreciation	2,656	2,477
	<u>9,260</u>	<u>19,446</u>
<b>TOTAL GENERATED FROM OPERATIONS</b>		
<b>FUNDS FROM OTHER SOURCES</b>		
Increase in share capital	2,560	-
Disposal of fixed assets	15	335
Long term loans	14,543	764
	<u>26,378</u>	<u>20,545</u>
<b>APPLICATION OF FUNDS</b>		
Dividend paid	(37,000)	-
Tax paid	(675)	(10,093)
Purchase of fixed assets	(4,693)	(2,556)
Adjustment for translation of tax in historical pounds	-	(333)
	<u>(15,990)</u>	<u>7,563</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Stocks	(2,123)	1,601
Debtors and prepayments	555	1,248
Balances with group companies - net	(6,413)	7,859
Creditors and accrued liabilities	3,926	(825)
Short term loans	350	192
Movement in net liquid funds:		
Cash	4	(2,059)
Bank overdrafts	(12,289)	(453)
	<u>(15,990)</u>	<u>7,563</u>

# FORD TRACTOR (BELGIUM) LIMITED

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## NOTES ON ACCOUNTS - 31ST DECEMBER 1978

### 1. Holding Company

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

### 2. Turnover

Turnover represents sales less returns invoiced to customers net of sales tax.

### 3. Profit before Tax

Profit before tax is stated after charging:-

	<u>1978</u>	<u>1977</u>
	£'000	£'000
Depreciation and amortisation	2,656	2,477
Auditors' remuneration	24	15
Interest payable on bank overdrafts and loans repayable within five years	671	820
Interest payable on other loans	340	313
Research and development costs	<u>6,293</u>	<u>2,992</u>

### 4. Directors' Emoluments

None of the directors has received any emoluments from the company for services performed in the United Kingdom (1977 - Nil).

### 5. Tax

The tax charge is made up as follows:-

	<u>1978</u>	<u>1977</u>
	£'000	£'000
Overseas taxes	33	9,624
Adjustments applicable to previous year's income	(29)	(47)
Deferred tax	120	-
Reversal of prior year accrual for recoverable deferred tax	-	1,179
	<u>124</u>	<u>10,756</u>

The deferred tax liability of £120,000 represents provision for future taxes at the current tax rate on the excess of net book value of fixed assets over their corresponding written down value for tax purposes.

FORD TRACTOR (BELGIUM) LIMITED

NOTES ON ACCOUNTS - 31ST DECEMBER 1978 Continued

6. Dividend

	1978 £'000	1977 £'000
Interim dividend paid	<u>37,000</u>	<u>-</u>

7. Fixed Assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant, machinery and other equipment £'000	Special tools £'000	Total £'000
<u>Cost</u>					
Balance at 1st January 1978	2,910	103	21,301	4,711	29,025
Additions	143	12	2,940	1,598	4,693
Disposals	(1)	-	(179)	(1,835)	(2,015)
Balance at 31st December 1978	<u>3,052</u>	<u>115</u>	<u>24,062</u>	<u>4,474</u>	<u>31,703</u>
<u>Depreciation</u>					
Balance at 1st January 1978	1,127	65	15,133	3,517	19,842
Charge for the year	178	16	1,742	720	2,656
Disposals	(1)	-	(164)	(1,835)	(2,000)
Balance at 31st December 1978	<u>1,304</u>	<u>81</u>	<u>16,711</u>	<u>2,402</u>	<u>20,498</u>
<u>Net Book Value at 31st December 1978</u>	<u>1,748</u>	<u>34</u>	<u>7,351</u>	<u>2,072</u>	<u>11,205</u>
<u>Net Book Value at 31st December 1977</u>	<u>1,783</u>	<u>38</u>	<u>6,168</u>	<u>1,194</u>	<u>9,183</u>

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 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. Special tools acquired before 1st January 1974 have been amortised over a period of three years and those acquired since 1st January 1974 are amortised over a period of five years.



NOTES ON ACCOUNTS - 31ST DECEMBER 1978 Continued8. Stocks

	<u>1978</u> £'000	<u>1977</u> £'000
Raw material	122	99
Work in progress	21,404	17,127
Finished products	4,227	10,935
Parts, accessories and sundries	1,917	1,632
	<u>27,670</u>	<u>29,793</u>

Stocks and work in progress are stated at the lower of cost and net realisable value. Costs consist of direct material and labour costs together with the relevant factory overheads. Direct material is valued on a first in, first out basis.

9. Share Capital and Reserves

	<u>1978</u> £	<u>1977</u> £
Share capital	2,560,100	100
Retained profits	4,876,518	35,396,071
	<u>7,436,618</u>	<u>35,396,171</u>

The authorized and issued share capital was increased to £2,560,100 by the creation of 2,560,000 additional ordinary shares of £1 each. The additional shares were issued, fully paid, for cash at par on 22nd December 1978.

10. Long Term Loans

The group company loan was granted by F.I.C.O. Bermuda and consists of a promissory note amounting to U.S. \$ 30,000,000 payable on 22nd December 1983. The loan is at a fixed interest rate of 10.75%.

The other loans were issued in 1976 and 1977 and are repayable in equal annual instalments from 1980 until 1988. Interest is payable at a rate of 10½% which is reduced by an interest subsidy of 3% during the first six years.

11. Conversion of Foreign Currencies

The company carried out a substantial part of its operations in Belgium and the conversions from Belgian francs to pounds sterling have been made as follows:-

Fixed assets, stocks and prepaid expenses at the rate ruling at the date of acquisition; all other balance sheet items are converted at the rate ruling at the balance sheet date.

Income and expenditure, excluding depreciation and amortisation charges, have been converted at actual rates ruling during the year; depreciation and amortisation charges are converted at rates applicable to the related assets.

Profits/losses arising on exchange are debited or credited to the profit and loss account.

FORD TRACTOR (BELGIUM) LIMITED

NOTES ON ACCOUNTS - 31ST DECEMBER 1978 - Continued

12. Research and Development

All research and development costs (including those relating to the design and launching of new models) are written off as incurred.

13. Repairs and Renewals

All repairs and renewals are written off as incurred.

14. Capital Expenditure

The estimated aggregate of contracts committed but not provided for in the accounts is £1,797,000 (1977 £1,761,379). The estimated amount authorised by the directors but not contracted for is £1,208,000 (1977 £2,333,707).

15. Contingent Liabilities

There are contingent liabilities of £303,000 (1977 £359,490) in respect of drafts discounted.

16. Pension Contributions

The company's pension plan is administered by a trust fund. Current service costs are accrued and funded on a current basis. Contributions for three cost of living increases and for a plan improvement are paid to the fund in annual instalments over a maximum period of 25 years. At 31st December 1978 the total contributions not provided for in the accounts, in respect of such plan improvement and cost of living adjustments, amounted to £509,425 (1977 £705,642).