

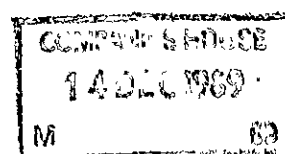
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MASSEY-FERGUSON (UNITED KINGDOM) LIMITED

REPORT AND FINANCIAL STATEMENTS

31ST JANUARY, 1989



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MASSEY-FERGUSON (UNITED KINGDOM) LIMITED


35 DAVIES STREET, LONDON, W1Y 2EA

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of the Company will be held at the Registered Office, 35 Davies Street, London, W1Y 2EA on Tuesday, October 31, 1989 at 10.05 am to transact the following business:

1. To approve and adopt the Company's Financial Statements for the year ended January 31, 1989 together with the Reports of the Directors and Auditors thereon.
2. To re-elect Directors.
3. To re-appoint the Auditors.
4. To authorise the Directors to fix the remuneration of the Auditors.

By Order of the Board


A.C. DEWEY
Secretary

October 10, 1989

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member.

DIRECTORS

M.G. Bird, Chairman

F.J. Chapman

D.I. Franklin

A.D. Jones

A.P. Jones

SECRETARY

A.C. Dewey

REGISTERED OFFICE

35 Davies Street
London
W1Y 2EA

DIRECTORS' REPORT

The directors of Massey-Ferguson (United Kingdom) Limited have pleasure in submitting their annual report and the Company's financial statements for the year ended January 31, 1989.

BUSINESS REVIEW

The principal activities of the Company are marketing and selling agricultural and industrial tractors, combine harvesters and agricultural machinery and implements.

The financial results are summarised below.

	Year to January 31, 1989 £000	Year to January 31, 1988 £000
TURNOVER	<u>376,293</u>	<u>334,927</u>
Profit/(loss) on ordinary activities before taxation	(1,954) =====	2,388 =====
Retained profit/(loss) for the year	(1,954) =====	2,388 =====

DIVIDEND

The directors recommend that no dividend be declared for the year ended January 31, 1989 in accordance with the terms of the refinancing agreements set out in notes 2 and 3 to the financial statements.

SHARE CAPITAL

The Company is a wholly-owned subsidiary of Massey-Ferguson Manufacturing Limited, a Company wholly-owned by Varity Holdings Limited, the shares of which are subject to a voting trust agreement whereby the rights attaching to the shares may be exercised by trustees for the UK Group's lenders on the occurrence of an "enabling event" under the refinancing agreement.

The Company's ultimate holding company is Varity Corporation, a company incorporated in Canada.

DIRECTORS

The following were directors of the Company who served throughout 1988:

M.G. Bird A.D. Jones
D.I. Franklin

Mr. F.J. Chapman was appointed on July 13, 1988 and Mr. A.P. Jones on January 20, 1989.

The present directors are shown on page 2. In accordance with the Articles of Association, the present directors all retire and, being eligible, offer themselves for re-election.

TANGIBLE FIXED ASSETS

A professional valuation of the Company's interest in land and buildings was carried out as at January 30, 1989 on an existing use basis. The surplus over book values of £82,000 has been credited to reserves.

Additions to tangible fixed assets during the year amounted to £691,000. (1988 £1,000)

DIRECTORS' INTERESTS

No director had any beneficial interest in any shares or debentures of the Company or any other UK Group company at any time during the financial year, or at the date of this report. There were no contracts, including service contracts, subsisting between any director and the Company either during or at the end of the financial year, or at the date of this report.

AMOUNTS GIVEN FOR POLITICAL OR CHARITABLE PURPOSES

Donations to charitable organisations amounted to £325. There were no political contributions.

STATUS OF REFINANCING

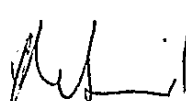
During the period under review Varity Holdings Limited and its subsidiaries (the UK Group) met the requirements of covenants established under the 1986 refinancing plan negotiated between Varity Corporation (the Company's ultimate holding company) and its lenders and the Governments of Canada, Ontario and the United Kingdom as amended for the period March 1988 to March 1989. These amended covenants are set out in the notes to the financial statements on pages 10 and 11.

On March 25, 1988 the UK Group completed an early debt repayment to its bank lenders of £13,500,000 with funds provided out of the disposal of surplus land and buildings in London and Peterborough. At the same time facilities backed by bank guarantees from the Export Credits Guarantee Department of the UK Government were reduced by £14,200,000 by deleting surplus facilities. On December 31, 1988 a further early repayment of £5,500,000 to bank lenders was achieved by means of receipt of a cash dividend from the Finance Company subsidiary (£5,214,000) and other surplus funds. At the end of the year the UK Group had generated surplus funds of £28,600,000 out of cash flow, out of which £12,500,000 has been earmarked for further early paydown to its lenders. This repayment forms an integral part of a new simplified agreement between the UK Group and its lenders, giving greater flexibility and fewer covenant restrictions which became effective on May 9, 1989. In addition, on January 31, 1989, Perkins Engines Group disposed of 18 acres of surplus land and buildings at Peterborough for £4,000,000. An amount of £3,500,000 of these funds was utilised for further early bank debt reduction on June 9, 1989.

AUDITORS

Arthur Young merged their practice with Ernst & Whinney on September 1, 1989 and now practice in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

On behalf of the Board



M.G. BIRD
Chairman

October 10, 1989

Massey-Ferguson (United Kingdom) Limited

Profit and Loss Account and Statement of Retained Earnings
For the year ended January 31, 1989

	Notes	Year to January 31, 1989 £000	Year to January 31, 1988 £000
TURNOVER	4	376,293	334,927
Cost of sales		(356,544)	(317,142)
GROSS PROFIT		19,749	17,785
Administration expenses		(12,446)	(6,227)
Interest receivable and similar income	5	250	419
Interest payable and similar charges	6	(9,523)	(9,589)
Exceptional items	7	(94)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	8	(1,954)	2,388
Tax on profit on ordinary activities	21	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT/(LOSS) FOR THE YEAR		(1,954)	2,388
Retained loss brought forward		(11,245)	(13,642)
Transfer from revaluation reserve in respect of depreciation on revaluation surplus	18	8	9
RETAINED LOSS CARRIED FORWARD		(13,191)	(11,245)
		=====	=====

The notes on pages 9 to 18 form part of these financial statements

Massey-Ferguson (United Kingdom) Limited

Balance Sheet
January 31, 1989

	Notes	January 31, 1989 £000	January 31, 1988 £000
FIXED ASSETS:			
Tangible assets	9	301	86
Investments	10	<u>413</u>	<u>385</u>
		<u>714</u>	<u>471</u>
CURRENT ASSETS:			
Stock	11	7,688	1,621
Debtors	12	39,142	215,843
Lease receivables from a group company	13	8,028	9,810
Cash at bank and in hand		<u>-</u>	<u>245</u>
		254,858	227,519
Creditors: amounts falling due within one year	14	<u>(55,307)</u>	<u>(26,457)</u>
Net current assets		<u>199,551</u>	<u>201,062</u>
Total assets less current liabilities		200,265	201,533
Creditors: amounts falling due after more than one year	15	<u>(213,331)</u>	<u>(212,727)</u>
NET LIABILITIES		<u>(13,066)</u> =====	<u>(11,194)</u> =====
CAPITAL AND RESERVES:			
Called up share capital	17	10	10
Revaluation reserve	18	115	41
Profit and loss account		<u>(13,191)</u>	<u>(11,245)</u>
		<u>(13,066)</u> =====	<u>(11,194)</u> =====

The notes on pages 9 to 18 form part of these financial statements.

APPROVED BY THE BOARD OF DIRECTORS
on October 10, 1989

M.G. BIRD

Director

A.P. JONES

Director

Massey-Ferguson (United Kingdom) Limited

Statement of Source and Application of Funds
For the year ended January 31, 1989

	Year to January 31, 1989 £000	Year to January 31, 1988 £000
SOURCE OF FUNDS:		
Profit/(loss) on ordinary activities before taxation (excluding interest forgiveness)	(1,954)	2,388
Adjustment for items not involving the movement of funds:		
Depreciation	56	17
Translation difference	(3)	64
Total generated from operations	(1,901)	2,469
Other sources:		
Decrease in lease receivables	1,782	1,247
Disposal of investments	-	25
Increase in creditors falling due after more than one year	604	-
	485	3,741
	=====	=====
APPLICATION OF FUNDS:		
Purchase of fixed assets	189	1
Purchase of investments	25	-
Loans repaid	-	2,944
(Decrease)/Increase in working capital - Note A	271	796
	485	3,741
	=====	=====
	Year to January 31, 1989 £000	Year to January 31, 1988 £000
NOTE A INCREASE IN WORKING CAPITAL:		
Stocks	6,067	(5,080)
Debtors	23,299	9,769
Creditors	(26,788)	(3,706)
	2,578	983
(Decrease)/increase in net liquid funds:		
Cash at bank and in hand	(245)	149
Bank overdraft	(2,062)	(336)
(Decrease)/increase in working capital	271	796
	=====	=====

The notes on pages 9 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of accounting

Certain land and buildings are stated at revalued amounts; all other items are stated in the financial statements under the historical cost convention. The Company has received assurances from Varity Holdings Limited, and from its fellow subsidiaries, that they will continue to provide financial support to enable the Company to meet its liabilities as they fall due.

Exchange

Assets and liabilities denominated in foreign currencies have been translated into Sterling at the appropriate rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction. All exchange differences are included in arriving at the profit on ordinary activities for the year.

Stock

Stock is stated at the lower of cost and estimated net realisable value. Cost includes direct material and labour together with related overhead expenses. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Fixed Assets

Government grants have been deducted from the cost of the relevant fixed assets and depreciation provided on the net amount. Depreciation is provided on a straight-line basis in order to write-off each asset over the term of its estimated useful life. The annual rates applied to cost or valuation are set out below:

Short term leases	- Over the period of the lease
Plant and equipment	- 10-20 %
Fixtures and fittings and other equipment	- 10-20 %

Leasing commitments

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Leasing interest

The interest element of the rental income is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments receivable.

Revaluation reserve

The revaluation reserve represents the difference between the net book values of revalued assets and the equivalent amounts on a historical cost basis. This requires an annual transfer from the revaluation reserve to retained profits of an amount equal to the portion of the depreciation charge that relates to the revaluation surplus (see note 18).

Deferred taxation

Deferred taxation is provided under the liability method on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

2. REFINANCING

Varity Corporation, a company incorporated in Canada, which, together with its subsidiaries, is referred to as the World-wide Group, is the ultimate holding company of Varity Holdings Limited and its subsidiaries (the UK Group). The UK Group engages in a substantial volume of purchases from and sales to overseas members of the World-wide Group and is associated by means of cross default clauses with certain important debt agreements entered into by overseas members of the World-wide Group. At January 31, 1989 £17,963,000 (1988 £198,368,000) was owing to the Company by overseas members of the World-wide Group. The Company had at that date contingent liabilities in respect of discounted bills drawn on overseas members of the World-wide Group amounting to £25,411,000 (1988 £21,771,000).

3. REFINANCING - COVENANTS AND UNDERTAKINGS

On May 9, 1986, Varity Corporation and its major subsidiaries (including the finance subsidiary) entered into refinancing agreements with substantially all of the World-wide Group's lenders. These provided for covenants on a world-wide consolidated basis, in addition to covenants by the individual subsidiaries. The agreements also contain various cross default provisions which, if breached, may cause acceleration of substantially all indebtedness (including that of the finance subsidiary) and the reinstatement of certain debt obligations.

The major obligations under this agreement for the UK Group in respect of the balance sheet were:-

- (a) UK Group net worth as defined (including subordinated debt), will not at any time fall below £130 million on or after May 9, 1986.
- (b) The ratio of the UK Group's total liabilities to net worth will not at any time exceed 3:1.
- (c) The amount of trade and services debt owing by non-UK companies within the World-wide Group to the UK Group will not exceed £100 million and £3.1 million, respectively, and all such amounts must be within the UK Group's normal terms of intercompany trade as defined in the agreements.
- (d) The maintenance of borrowing base ratios, i.e. the relationship of major assets to the level of borrowings, must be in excess of 100%.

In addition, other clauses concerning operational matters, such as disposal of major fixed assets, additional borrowing and relationship with finance subsidiary, were included.

The Group failed to meet the borrowing base test during the period to January 31, 1987 and was unable to comply with the net worth test as at that date. Subsequently, however, both tests were successfully renegotiated, covering the period to March 31, 1989, as follows:

	<u>Net Worth Covenant</u> <u>£ Million</u>	<u>Borrowing Base Covenant</u> <u>%</u>
Up to and including May 2, 1987	110	72.5
May 3, 1987 to October 31, 1987	107	70
November 1, 1987 to January 30, 1988	107	75
On January 31, 1988	115	85
February 1, 1988 to March 31, 1988	110	75
April 1, 1988 to July 29, 1988	115	80
July 30, 1988 to January 30, 1989	120	80
On January 31, 1989	130	100
February 1, 1989 to March 31, 1989	130	90
April 1, 1989 onwards	130	

At January 31, 1989, the UK Group was in compliance in all material respects with all the covenants included in the Refinancing Agreements both as amended and in their original 1986 format.

The lenders have agreed with effect from May 9th, 1989 to major revisions to the 1986 Refinancing Agreement obligations as follows:

- a) A minimum UK Group net worth as defined of GBP 130 million.
- b) A minimum ratio of UK Group total liabilities to net worth of 2.5:1.
- c) Maintenance of borrowing base ratio's i.e. the relationship of the value of major assets (as redefined) to the level of borrowings in excess of 150 %.
- d) Maintenance of excess of current assets to current liabilities of £20,000,000.

4. TURNOVER

Turnover comprises amounts receivable (net of related value added tax) by the Company for goods sold and services provided. Turnover includes sales to overseas Massey-Ferguson companies of £69,682,000 (1988 £62,844,000). All products for resale are purchased from a fellow UK subsidiary.

	Year to January 31, 1989 £000		%	Year to January 31, 1988 £000		%
Geographical analysis by market:						
United Kingdom	115,746	31		84,552	25	
Europe	103,219	27		78,646	24	
Africa	51,187	14		61,176	18	
North America	45,602	12		51,117	15	
Asia	46,360	12		49,477	15	
South America	8,252	2		5,404	2	
Australasia	<u>5,927</u>	<u>2</u>		<u>4,555</u>	<u>1</u>	
	376,293	100		334,927	100	
	=====	===		=====	===	

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year to January 31, 1989 £000		Year to January 31, 1988 £000	
Interest and other income receivable from third parties	10		18	
Lease rentals receivable from a group company	<u>350</u>		<u>401</u>	
	360		419	
	=====		=====	

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to January 31, 1989 £000	Year to January 31, 1988 £000
Interest and similar charges payable to third parties in respect of bank loans, overdrafts and other loans	2,965	2,466
- wholly repayable within five years	1,271	1,567
- repayable in more than five years		
Interest and similar charges payable to World-wide Group companies in respect of loans	-	-
- wholly repayable within five years	437	488
- repayable in more than five years		
Finance charges paid to a fellow subsidiary	<u>4,850</u>	<u>5,068</u>
	9,523	9,589
	=====	=====

7. EXCEPTIONAL ITEMS

	Year to January 31, 1989 £000	Year to January 31, 1988 £000
Manufacturing facilities rationalization and redundancy costs, including related pension costs	94	-
	==	==

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year to January 31, 1989 £000	Year to January 31, 1988 £000
Profit on ordinary activities before taxation is after charging/ (crediting) the following:		
Transaction exchange (gain)/loss	82	(1,100)
Depreciation	56	17
Operating lease rentals	-	11

The Company has no employees. No auditors' fees, directors' fees, or other emoluments were incurred during the year ending January 31, 1989, or the year ending January 31, 1988.

9. TANGIBLE FIXED ASSETS

	Short Leases £000	Plant and Equipment £000	Fixtures Fittings and other Equipment £000	Total £000
Cost or valuation				
At January 31, 1988	198	46	17	261
Additions/transfers	-	95	596	691
Revaluation	82	-	-	82
Disposals	-	-	(8)	(8)
At January 31, 1989	<u>280</u>	<u>141</u>	<u>605</u>	<u>1,026</u>
At cost	-	1	605	746
At valuation January 30, 1989	280 =====	- =====	- =====	280 =====
Depreciation				
At January 31, 1988	116	44	15	175
Charge for the year	14	13	29	56
Transfers	-	38	464	502
Disposals	-	-	(8)	(8)
At January 31, 1989	<u>130</u>	<u>95</u>	<u>500</u>	<u>725</u>
Net book value at January 31, 1989	150 =====	46 =====	105 =====	301 =====
Net book value at January 31, 1988	82 =====	2 =====	2 =====	86 =====

Short leases were valued at January 30, 1989 by Jackson Stops & Staff, Chartered Surveyors, on an existir use basis, assuming vacant possession of those properties occupied by a UK Group but otherwise subject to existing tenancies.

The historical cost of tangible fixed assets at valuation and depreciation calculated thereon, are as follows:-

Short Leases	£000
At January 31, 1989	
Cost	127
Depreciation	<u>127</u>
Net book value	-
	=====
At January 31, 1988	
Cost	127
Depreciation	<u>127</u>
Net book value	-
	=====

10. INVESTMENTS

The investments are stated at cost less provisions.

	Shares in group companies £000	Other investments (unlisted) £000	Total £000
At January 31, 1988	1	384	385
Exchange	-	3	3
Additions	-	<u>25</u>	<u>25</u>
At January 31, 1989	<u>1</u> ===	<u>412</u> ===	<u>413</u> ===

Shares in group companies

The Company is the beneficial owner of the allotted share capitals of Massey-Ferguson Group Limited and Massey-Ferguson (Export) Limited (both registered in England). These subsidiaries have not traded during the year to January 31, 1989. Group accounts are not submitted as the Company is a wholly-owned subsidiary of Massey-Ferguson Manufacturing Limited, which is itself a wholly-owned subsidiary of Varity Holdings Limited.

Other investments (unlisted)

Comprise a 1.3 per cent equity investment in I.M.A.P.E. S.A., an investment holding company incorporated in Brazil, and a 25 % holding in Massey-Ferguson Leasing Limited, a company registered in England.

11. STOCK

	January 31, 1989 £000	January 31, 1988 £000
Raw Materials and consumables	83	-
Finished goods and parts	<u>7,605</u>	<u>1,621</u>
	<u>7,688</u> =====	<u>1,621</u> =====

12. DEBTORS

	January 31, 1989 £000	January 31, 1988 £000
Trade debtors	14,626	15,865
Amounts owed by Varity Corporation	46	-
Amounts owed by fellow subsidiaries	223,877	199,606
Other debtors	102	166
Amounts owed by related companies	229	-
Prepayments and accrued income	<u>262</u>	<u>206</u>
	<u>239,142</u> =====	<u>215,843</u> =====

13. LEASE RECEIVABLES FROM A GROUP COMPANY

	January 31, 1989 £000	January 31, 1988 £000
Lease receivables brought forward	9,810	11,057
Additions in year	165	558
Repayments	<u>(1,947)</u>	<u>(1,805)</u>
Lease receivables carried forward	8,028 =====	9,810 =====

Included within lease receivables are amounts of £5,988,000 (1988 £7,863,000) due after more than one year. The cost of assets under finance leases amount to £14,170,000 (1988 £14,005,000).

Aggregate lease receivables for the year amounted to £2,297,000 (1988 £2,206,000).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	January 31, 1989 £000	January 31, 1988 £000
Payments on account	-	1,484
Trade creditors	19,028	11,908
Overdrafts (secured - see note 16)	2,426	364
Amounts owed to fellow subsidiaries	19,841	3,005
Accruals and deferred income	<u>14,012</u>	<u>9,696</u>
	55,307 =====	26,457 =====

Amounts owed to fellow subsidiaries

Included in the amount owed to fellow subsidiaries is £222,000 (1988 £783,000) accrued interest on a subordinated Sterling loan from Varity Nederland N.V. Interest is accrued in respect of this loan at 1 per cent over the Canadian prime rates of the Canadian Imperial Bank of Commerce and The Royal Bank of Canada on the last business day of the month preceding the month in which the interest is payable. The loan is repayable on demand after all third party secured loans have been repaid.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	January 31, 1989 £000	January 31, 1988 £000
Amounts owed to fellow subsidiaries	213,331 =====	212,727 =====

Included in the balance owed to fellow subsidiaries is a loan of £35,150,000 from Massey-Ferguson Manufacturing Limited (1988 £35,150,000). Interest applicable to the loan is identical to that charged by the banks on the syndicated loans to Massey-Ferguson Manufacturing Limited and Perkins Engines Group Limited, which is LIBOR plus 7/8 per cent.

16. CHARGE ON ASSETS

A fixed and floating charge over the assets of the UK Group, excluding the Finance Company, has been given to the UK lending banks, to the Export Credits Guarantee Department and to the Varsity Holdings Limited Debenture Stock holders.

17. SHARE CAPITAL

	January 31, 1989 £000	January 31, 1988 £000
Ordinary shares:		
Authorised:		
10,000 shares of £1 per share	10	10
	==	==
Allotted, called up and fully paid	10	10
	==	==

18. REVALUATION RESERVE

	January 31, 1989 £000	January 31, 1988 £000
At January 31, 1988	41	50
Revaluation during the year	82	-
Transfer to profit and loss in respect of depreciation on revaluation surplus (see note below)	(8)	(9)
At January 31, 1989	115 ===	41 ===

The Company's accounting policy for depreciation is that a transfer is made from revaluation reserve to retained profits each year equivalent to the depreciation charge which relates to the revaluation surplus. All depreciation is charged in arriving at profit for the year.

19. COMMITMENTS

Capital commitments, for which no provision has been made in these accounts, were as follows:

	January 31,	January 31,
	1989	1988
	£000	£000
Committed	-	28
Authorised, but not committed	<u>2</u>	<u>575</u>
	2	603
	=====	=====

20. CONTINGENT LIABILITIES

At January 31, 1989 there were contingent liabilities in respect of bills discounted amounting to £25,411,000 (1988 £21,771,000) after deduction of amounts estimated to be recoverable on the exercise of rights of recourse to the Export Credits Guarantee Department. The bills result from transactions with fellow subsidiaries of Varity Corporation.

The Company has counter-indemnified Lloyds Bank Plc in respect of performance bonds amounting to £780,000 (1988 £780,000). The bonds have been insured with the Export Credits Guarantee Department against unfair calling.

21. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no UK tax charge for the year (1988 £ Nil) due to the utilisation of tax losses brought forward, and group relief surrendered by a group company.

Deferred taxation provided in the accounts amounts to £ Nil. (1988 £ Nil).

The amounts not provided are as follows:-

	January 31,	Restated January 31,
	1989	1988
	£000	£000
Capital allowances in advance of depreciation	1,198	1,878
Other timing differences	(918)	(276)
Taxation of valuation surplus	<u>29</u>	<u>-</u>
	309	1,602
	=====	=====

The Company has tax losses carried forward which amount to approximately £2,397,000 (1988 £3,158,000) (gross).

AUDITORS' REPORT

TO THE MEMBERS OF MASSEY-FERGUSON (UNITED KINGDOM) LIMITED

We have audited the financial statements on pages 6 to 18 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at January 31, 1989 and of its results and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

October 10, 1989

ERNST & YOUNG
Chartered Accountants
London