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CCSG

I hope you will recall this minute - this minute is rather bland. I hope you will recall this minute - this minute is rather bland. I hope you will recall this minute - this minute is rather bland.

*Prime Minister 2
Peter Waring has no wish to comment on these dreadful figures.*

PRIME MINISTER

*DR
12/9.*

ROVER GROUP FINANCIAL RESULTS

In my minute of 3 September I undertook to report on the financial position of The Rover Group when the half-year results were available.

2 These results will probably be published about 24 September and I attach preliminary details. They make dismal reading. The half-year loss before interest and tax reflects the continued poor performance of Austin Rover where results are £60m worse than budget. I understand that for the full year the Rover Group now predicts a full year loss before tax of £220m: almost £100m worse than planned.

£275m or more including extraordinary items.

3 While Austin Rover did not do as badly as I had feared, it only managed a 15.7 per cent UK market share in the key month of August. When I met Graham Day on 2 September, as I reported at the time, he made clear that he shared my concern about the performance of Austin Rover. He is well aware of the need for radical options to be examined and he envisages discussions with Government beginning in October.

4 The breach of the unpublicised £680m end-year borrowing limit set by the Government now appears inevitable and there is a considerable risk that The Rover Group may breach the borrowing limit set by its Articles of Association as soon as

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the 1986 accounts are ready in April 1987. RG and their advisers are giving urgent consideration to this problem together with officials here and we are in close touch with the Treasury. I shall of course keep you informed.

5 I am copying this to Nigel Lawson.

PC

PAUL CHANNON

12 September 1986

DEPARTMENT OF TRADE AND INDUSTRY

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ROVER GROUP

APPROXIMATE HALF YEAR RESULTS FOR 1986

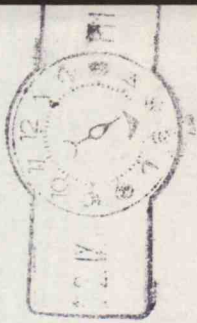
	1986 Half-year £m	1986 Full year forecast £m	1985 Half-year actual £m	1985 Full year actual £m
PBIT	(70)		(11.3)	(39.5)
Interest	(50)		(31.3)	(70.8)
	<u>(120)</u>	(220)	<u>(42.6)</u>	<u>(110.3)</u>
Tax and extraordinary items	<u>(85)(a)</u>	(b)	<u>(2.2)</u>	<u>(27.7)</u>
Profit after tax and extraordinary items	(205)		(44.8)	(138.0)

- Notes: (a) Write-down associated with sale of Leyland Bus.
(b) If ISTEEL is sold for about £30m in second half of year extraordinary items will fall to £(55)m.

The announcement will, as normal, say nothing about the full year results beyond something along the lines of "trading conditions will continue to be difficult."

September 1986

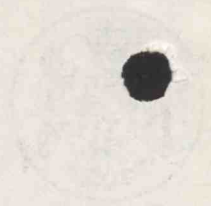
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APPROXIMATE DATE YEAR KNOWN FOR DATE

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 September 1986

ROVER GROUP FINANCIAL RESULTS

The Prime Minister has seen your Secretary of State's minute of 12 September about the Rover Group's half-year results. She has pointed out that the figures always turn out worse than expected. She looks forward to the discussions of radical options promised for next month and she would expect the options indeed to be radical.

(David Norgrove)

Miss Catherine Bradley,
Department of Trade and Industry

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