R Stratton (Knutsford) Limited

Directors' report and financial statements

Registered number 3493567

For the year ended 31 December 2005

Contents

Directors' report

The directors present their report, together with the financial statements, for the year ended 31 December 2005.

Principal activity and business review

The company's principal activity during the year comprised the operation of a motor dealership involving the sale, maintenance and repair of motor vehicles and the supply of related parts and accessories.

Results and dividends

The profit for the year before taxation amounted to £615,000 *(2004: £506,000)*.

Further details with regard to the trading results for the year are set out on page 4.

No dividends are proposed *(2004: £Nil)*.

Directors and their interests

The directors who served during the year and subsequently are shown below:

LEW Vaughan	
MC Morris	(resigned 26 May 2005)
JR Mallett	
GE Nieuwenhuys	
RH Kurnick (US citizen)	
G Page-Morris	(appointed 30 April 2005)
M Carpenter	(appointed 26 May 2005)

The interests of the directors in the ultimate parent company, United Auto Group, Inc. are set out in the financial statements of an intermediate parent company, UAG UK Holdings Limited, with the exception of RH Kurnick, which are disclosed in the financial statements of United Auto Group, Inc.. The directors had no other interests in the shares of the company or any other group company requiring disclosure under the Companies Act 1985.

Creditor payment policy

The company's policy in respect of its suppliers is to agree terms of payment on or before entering into each transaction and to adhere to such terms, subject to satisfactory completion of the transaction concerned. Where prior agreement is neither practicable nor feasible, invoices will be dealt with in a timely manner as part of a systematic payment process. At 31 December 2005, the company's creditor days compared to the value of suppliers' invoices received in the year was 10 days *(2004: 17 days)*.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming annual general meeting.

By order of the board

M Carpenter
Director

Woodcote House
Harcourt Way
Meridian Business Park
Leicester
LE19 1WE

30 October 2006

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of R Stratton (Knutsford) Limited

We have audited the financial statements of R Stratton (Knutsford) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 October 2006

Profit and loss account
for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Turnover	2	**27,063**	23,018
Cost of sales		**(23,879)**	(20,156)
Gross profit		**3,184**	2,862
Distribution costs		**(1,625)**	(1,402)
Administrative expenses		**(834)**	(845)
Operating profit		**725**	615
Interest payable and similar charges	3	**(110)**	(109)
Profit on ordinary activities before taxation	4	**615**	506
Tax on profit on ordinary activities	6	**(217)**	(155)
Profit on ordinary activities after taxation		**398**	351
Profit for the financial year		**398**	351

In both years there were no recognised gains and losses other than the profit for the year.

All operations of the company continued throughout both the current year and previous year and no operations were acquired or discontinued.

In each financial year, there is no material difference between the profit before tax and the retained profit for the year and their respective historical cost equivalents.

Balance sheet
at 31 December 2005

	Note	**2005**		2004	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*7*		**304**		377
Current assets					
Stocks	*8*	**2,075**		1,999	
Debtors	*9*	**3,242**		1,797	
Cash at bank		-		1	
		5,317		3,797	
Creditors: amounts falling due within one year	*10*	**(4,210)**		(3,154)	
Net current assets			**1,107**		643
Total assets less current liabilities			**1,411**		1,020
Provisions for liabilities and charges	*11*		**(4)**		(11)
Net assets			**1,407**		1,009
Capital and reserves					
Called up share capital	*12*		**-**		-
Profit and loss account	*13*		**1,407**		1,009
Shareholders' funds – all equity	*14*		**1,407**		1,009

These financial statements were approved by the board of directors on 30 October 2006 and were signed on its behalf by:

M Carpenter
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements, except as noted below:

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. Furthermore, there has been no material impact from the adoption of FRS 21 and 25.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover, which arises wholly in the United Kingdom from the company's principal activity, being that of the operation of a motor dealership, is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold land and buildings	-	period of lease
Fixtures and equipment and motor vehicles	-	Between 3 and 10 years

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value and include interest bearing consignment vehicles. Cost incurred in bringing each product to its present location and condition is based on purchase price less trade discounts. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred tax balances.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except where otherwise required by FRS 19.

Pension costs

A number of employees are members of the Sytner Group Pension Plan, a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Cash flow statement

The company has taken advantage of the exemption from presenting a cash flow statement afforded by FRS 1 (revised 1996) because its ultimate parent undertaking, United Auto Group, Inc. prepares consolidated financial statements which are publicly available.

2 Turnover

The turnover is attributable to the sole activity of the company, being the sale of motor vehicles and associated service and parts, which is carried out entirely within the United Kingdom.

3 Interest payable and similar charges

	2005 £000	2004 £000
Interest on bank loans and overdrafts	90	92
Interest on stocking loans	20	17
	110	109

4 Profit on ordinary activities before taxation

	2005 £000	2004 £000
Profit on ordinary activities before taxation is stated		
after charging		
Depreciation	98	109
Auditors' remuneration:		
Audit	7	9
Operating lease rentals:		
Land and buildings	169	140
Other	1	1

Notes *(continued)*

5 Staff costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees	
	2005	2004
Workshop	**26**	30
Sales and distribution	**11**	12
Administration	**7**	7
	44	49

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**1,149**	1,101
Social security costs	**112**	110
Pension costs	**28**	15
	1,289	1,226

The directors who served during the year are all directors of an intermediate parent company, Sytner Group Limited and are remunerated by that company, with the exception of RH Kurnick who is remunerated by United Auto Group, Inc., a company registered in Delaware, USA. It is not practicable to allocate their remuneration to individual companies in the group. Their remuneration has, therefore, been disclosed in the financial statements of Sytner Group Limited, with the exception of RH Kurnick, which is disclosed in the financial statements of United Auto Group, Inc..

Notes *(continued)*

6 Tax on profit on ordinary activities

The tax charge is based on the profit for each year and comprises:

	2005	2004
	£000	£000
UK corporation tax		
Current tax on income for the year	**196**	163
Adjustments in respect of previous years	**28**	7
Deferred tax (see note 11)		
Origination/reversal of timing differences	**(7)**	(7)
Adjustment in respect of previous years	**-**	(8)
Tax on profit on ordinary activities	**217**	155

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2004: higher)* than the standard rate of corporation tax in the UK.

	2005	2004
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**615**	506
Current tax at 30% *(2004: 30%)*	**185**	152
Effects of:		
Expenses not deductible for tax purposes	**-**	4
Movements in deferred tax allowance	**7**	7
Accounting depreciation for which no tax relief is due	**4**	-
Adjustments in respect of previous years	**28**	7
Total current tax charge (see above)	**224**	170

Notes *(continued)*

7 Tangible fixed assets

	Short leasehold land and buildings	**Fixtures and equipment**	**Motor vehicles**	**Courtesy vehicles**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At beginning of year	132	440	14	241	827
Additions	-	19	-	228	247
Disposals	(5)	(3)	-	(241)	(249)
Intercompany transfer	-	1	-	-	1
At end of year	127	457	14	228	826
Depreciation					
At beginning of year	67	350	12	21	450
Charge for year	13	55	2	28	98
Disposals	(3)	(2)	-	(21)	(26)
At end of year	77	403	14	28	522
Net book value					
At 31 December 2005	**50**	**54**	**-**	**200**	**304**
At 31 December 2004	65	90	2	220	377

8 Stocks

	2005	2004
	£000	£000
Vehicles for resale	**832**	959
Consignment stock	**1,106**	848
Parts	**137**	192
	2,075	1,999

Included within creditors amounts falling due within one year are amounts payable of £1,106,000 *(2004: £848,000)* relating to consignment stock. There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes *(continued)*

9 Debtors

	2005	2004
	£000	*£000*
Trade debtors	**441**	617
Amounts owed by group undertakings	**2,605**	965
Other debtors	**121**	123
Prepayments and accrued income	**75**	92
	3,242	1,797

10 Creditors: amounts falling due within one year

	2005	2004
	£000	*£000*
Bank and other loans	**1,110**	348
Stocking loans	**622**	596
Consignment stock liabilities	**1,106**	849
Trade creditors	**799**	961
Corporation tax	**196**	163
Other taxes and social security	**5**	-
Other creditors and accruals	**261**	179
Accruals and deferred income	**111**	58
	4,210	3,154

The stocking finance loans and bank borrowings of the company are secured by way of fixed and floating charges on the assets and undertakings of the company.

11 Provisions for liabilities and charges

Deferred taxation

	2005	2004
	£000	£000
At beginning of year	**11**	26
(Credited)/charged in the year (note 6)	**(7)**	(15)
At end of year	**4**	11

Deferred taxation is fully provided at 30% *(2004: 30%)* in respect of liabilities arising from accelerated capital allowances and short term timing differences.

	2005	2004
	£000	£000
Accelerated capital allowances	**4**	11

Notes *(continued)*

12 Called up share capital

	2005 £	2004 £
Authorised:		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted and fully paid:		
2 ordinary shares of £1 each	**2**	2

13 Profit and loss account

	£000
At beginning of year	1,009
Profit for the year	398
At end of year	**1,407**

14 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Opening shareholders' funds	**1,009**	658
Profit for the financial year	**398**	351
Balance at end of year	**1,407**	1,009

15 Financial commitments

Operating leases

At 31 December 2004, the company had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2005 £000	2004 £000	2005 £000	2004 £000
Expiry date:				
Within one year	-	-	-	2
Between two and five years	**15**	-	-	-
After five years	**185**	150	-	-
	200	150	-	2

Capital commitments

The company had no capital commitments at either the current year end or preceding year end.

Notes *(continued)*

16 Ultimate parent company and controlling party

The company is a subsidiary undertaking of United Auto Group, Inc. incorporated in Delaware, USA. United Auto Group, Inc. is also the largest group in which the results of the company are consolidated. The consolidated financial statements are available from One Harmon Plaza, 9th Floor, Secaucus, NJ07094, USA.

The smallest group in which the results are consolidated is that headed by Sytner Group Limited incorporated in England and Wales. The consolidated financial statements are available to the public from the registrar of companies.

17 Related party transactions

The company entered into a number of transactions during the year with other companies within the above group. Under the provisions of FRS 8 no disclosure has been provided on the grounds that all companies within the group are 100% owned and the consolidated financial statements of the parent company are publicly available.