R Stratton (Knutsford) Limited

Directors' report and financial statements

Registered number 3493567

For the year ended 31 December 2006

Contents

Directors' report

The directors present their report, together with the financial statements, for the year ended 31 December 2006

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 company's profit before tax for the year was £300,000 *(2005 £615,000)* Further details with regard to the trading results for the year and the amount transferred to reserves are set out on page 6 The directors do not recommend the payment of a dividend *(2005 £Nil)*

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent retailers and employee retention

Further discussion of these risks and uncertainties, in the context of the Sytner group as a whole, is provided in the directors' report for Sytner Group Limited, which does not form part of this report

Key performance indicators

The company is part of the Sytner group The development, performance and position of the group, which includes this company is provided in the directors' report for Sytner Group Limited, which does not form part of this report

Directors

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

LEW Vaughan
JR Mallett
GE Nieuwenhuys
RH Kurnick (US citizen)
G Page-Morris
M Carpenter

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 2006, the company's creditor days compared to the value of suppliers' invoices received in the year was 10 days *(2005 10 days)*

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board

M Carpenter

M Carpenter
Director

2 Penman Way
Grove Park
Leicester
LE19 1ST

26 October 2007

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 year 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

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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

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

In addition we 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

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

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 2006 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

26 October 2007
[Date]

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Turnover	2	**27,569**	27,063
Cost of sales		**(24,615)**	(23,879)
Gross profit		**2,954**	3,184
Distribution costs		**(1,635)**	(1,625)
Administrative expenses		**(911)**	(834)
Operating profit		**408**	725
Interest payable and similar charges	3	**(108)**	(110)
Profit on ordinary activities before taxation	4	**300**	615
Tax on profit on ordinary activities	6	**(125)**	(217)
Profit on ordinary activities after taxation		**175**	398
Profit for the financial year		**175**	398

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 2006

	Note	2006		2005	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*7*		**5,314**		304
Current assets					
Stocks	*8*	**3,348**		2,075	
Debtors	*9*	**693**		3,242	
		4,041		5,317	
Creditors: amounts falling due within one year	*10*	**(4,723)**		(4,210)	
Net current (liabilities)/assets			**(682)**		1,107
Total assets less current (liabilities)/assets			**4,632**		1,411
Creditors: amounts falling due after more than one year	*11*		**(3,008)**		-
Provisions for liabilities and charges	*12*		**(42)**		(4)
Net assets			**1,582**		1,407
Capital and reserves					
Called up share capital	*13*		**-**		-
Profit and loss account	*14*		**1,582**		1,407
Shareholders' funds (all equity)	*15*		**1,582**		1,407

These financial statements were approved by the board of directors on 26 October 2007 and were signed on its behalf by

M Carpenter

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

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

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, Penske Auto Group, Inc prepares consolidated financial statements which are publicly available

Notes *(continued)*

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

	2006	2005
	£000	£000
Interest on bank loans and overdrafts	**81**	90
Interest on stocking loans	**27**	20
	108	110

4 Notes to the profit and loss account

	2006	2005
	£000	£000
Profit on ordinary activities before taxation is stated		
after charging		
Depreciation	**90**	98
Auditors' remuneration		
Audit	**8**	7
Operating lease rentals		
Land and buildings	**202**	169
Other	**-**	1

5 Staff costs

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

	Number of employees	
	2006	2005
Workshop	**28**	26
Sales and distribution	**13**	11
Administration	**9**	7
	50	44

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**1,181**	1,149
Social security costs	**119**	112
Pension costs	**21**	28
	1,321	1,289

Notes *(continued)*

5 Staff costs *(continued)*

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 Penske Auto Group, Inc , a company registered in Michigan, 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 Penske Auto Group, Inc

6 Tax on profit on ordinary activities

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

	2006 £000	2005 £000
UK corporation tax		
Current tax on income for the year	54	196
Adjustments in respect of previous years	33	28
Deferred tax (see note 12)		
Origination/reversal of timing differences	38	(7)
Tax on profit on ordinary activities	125	217

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2005 higher)* than the standard rate of corporation tax in the UK

	2006 £000	2005 £000
Current tax reconciliation		
Profit on ordinary activities before tax	300	615
Current tax at 30% *(2005 30%)*	90	185
Effects of		
Movements in deferred tax allowance	(38)	7
Accounting depreciation for which no tax relief is due	2	4
Adjustments in respect of previous years	33	28
Total current tax charge (see above)	87	224

Factors that may affect future current and total tax charges

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008 The deferred tax liability has been calculated at 30% in accordance with FRS 19 Any timing differences which reverse before 1 April 2008 will be (charged)/relieved at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax liability will reverse, it is not possible to calculate the full financial impact of this change

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	127	457	14	228	826
Additions	4,470	585	-	302	5,357
Disposals	(127)	(31)	-	(228)	(386)
At end of year	4,470	1,011	14	302	5,797
Depreciation					
At beginning of year	77	403	14	28	522
Charge for year	20	41	-	29	90
Disposals	(77)	(24)	-	(28)	(129)
At end of year	20	420	14	29	483
Net book value					
At 31 December 2006	**4,450**	**591**	**-**	**273**	**5,314**
At 31 December 2005	50	54	-	200	304

8 Stocks

	2006	2005
	£000	£000
Vehicles for resale	**1,478**	832
Consignment stock	**1,765**	1,106
Parts	**105**	137
	3,348	2,075

Included within creditors amounts falling due within one year are amounts payable of £1,765,000 *(2005 £1,106,000)* relating to consignment stock There is no material difference between the balance sheet value of stocks and their replacement cost

9 Debtors

	2006	2005
	£000	£000
Trade debtors	**424**	441
Amounts owed by group undertakings	**-**	2,605
Other debtors	**189**	121
Prepayments and accrued income	**80**	75
	693	3,242

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank and other loans	**662**	1,110
Stocking loans	**873**	622
Consignment stock liabilities	**1,765**	1,106
Trade creditors	**997**	799
Corporation tax	**87**	196
Other taxes and social security	**61**	5
Other creditors and accruals	**204**	261
Accruals and deferred income	**74**	111
	4,723	4,210

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 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed to Group Undertakings	**3,008**	-

Amounts owed to group undertakings are interest free and do not have a fixed repayment date The directors do not envisage being required to settle these amounts within 12 months and therefore have classified these amounts as falling due after more than one year

12 Provisions for liabilities and charges

Deferred taxation

	2006 £000	2005 £000
At beginning of year	**4**	11
Charged/(credited) in the year (note 6)	**38**	(7)
At end of year	**42**	4

Deferred taxation is fully provided at 30% *(2005 30%)* in respect of liabilities arising from accelerated capital allowances and short term timing differences

	2006 £000	2005 £000
Accelerated capital allowances	**42**	4

Notes *(contınued)*

13 Called up share capıtal

	2006	2005
	£	£
Authorısed		
1,000 ordınary shares of £1 each	**1,000**	1,000
Allotted and fully paıd		
2 ordınary shares of £1 each	**2**	2

14 Profit and loss account

	£000
At begınnıng of year	1,407
Profit for the year	175
At end of year	**1,582**

15 Reconcılıatıon of movements ın shareholders' funds

	2006	2005
	£000	£000
Openıng shareholders' funds	**1,407**	1,009
Profit for the financıal year	**175**	398
Balance at end of year	**1,582**	1,407

16 Fınancıal commıtments

Operatıng leases

At 31 December 2006, the company had annual commıtments under operatıng leases as follows

	Land and buıldıngs	
	2006	2005
	£000	£000
Expıry date		
Wıthın one year	-	-
Between two and five years	-	15
After five years	**185**	185
	185	200

Capıtal commıtments

The company had no capıtal commıtments at eıther the current year end or precedıng year end

Notes *(continued)*

17 Ultimate parent company and controlling party

The company is a subsidiary undertaking of Penske Auto Group, Inc , incorporated in Michigan, USA Penske Auto Group, Inc is also the largest group in which the results of the company are consolidated The consolidated financial statements are available from 2555 Telegraph Road, Bloomfield Hills, Detroit, MI 48302-0954, 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

18 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