

**R Stratton (Knutsford) Limited**

**Directors' report and financial  
statements**

**Registered number 3493567**

**For the year ended 31 December 2007**

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## Directors' report

The directors present their report, together with the financial statements, for the year ended 31 December 2007

### 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 £813,000 (2006 £300,000) 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 (2006 £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 2007, the company's creditor days compared to the value of suppliers' invoices received in the year was 6 days (2006 10 days)

## **Directors' report** *(continued)*

### **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 is to be proposed at the forthcoming Annual General Meeting

### **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**  
*Director*

2 Penman Way  
Grove Park  
Leicester  
LE19 1ST

24 October 2008

## **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 and applicable law (UK Generally Accepted Accounting Practice).

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

## **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 2007 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 2007 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*

24 October 2008

**Profit and loss account**  
*for the year ended 31 December 2007*

|  | <i>Note</i> | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|--|-------------|----------------------|----------------------|
| <b>Turnover</b>                                      | <i>1</i>    | <b>37,394</b>        | <b>27,569</b>        |
| Cost of sales  |             | <b>(33,625)</b>      | <b>(24,615)</b>      |
| <b>Gross profit</b>                                  |             | <b>3,769</b>         | <b>2,954</b>         |
| Distribution costs                                   |             | <b>(1,867)</b>       | <b>(1,635)</b>       |
| Administrative expenses                              |             | <b>(1,223)</b>       | <b>(911)</b>         |
| <b>Operating profit</b>                              |             | <b>679</b>           | <b>408</b>           |
| Profit on sale of fixed assets                       |             | <b>380</b>           | <b>-</b>             |
| <b>Profit before finance charges</b>                 |             | <b>1,059</b>         | <b>408</b>           |
| Interest payable and similar charges                 | <i>2</i>    | <b>(246)</b>         | <b>(108)</b>         |
| <b>Profit on ordinary activities before taxation</b> | <i>3</i>    | <b>813</b>           | <b>300</b>           |
| Tax on profit on ordinary activities                 | <i>5</i>    | <b>399</b>           | <b>(125)</b>         |
| <b>Profit on ordinary activities after taxation</b>  |             | <b>1,212</b>         | <b>175</b>           |
| <b>Profit for the financial year</b>                 |             | <b>1,212</b>         | <b>175</b>           |

In each year, there were no recognised gains and losses other than the profit for the year

All operations of the company continued throughout both years and no operations were acquired or discontinued

In each year there are no material differences between the retained profit and the historical cost equivalent



**Balance sheet**  
*at 31 December 2007*

|  | <i>Note</i> | <b>2007</b>    | <b>2006</b>    |
|--|-------------|----------------|----------------|
|  |             | <b>£000</b>    | <b>£000</b>    |
| <b>Fixed assets</b>  |             |                |                |
| Tangible assets  | 6           | 936            | 5,314          |
| <b>Current assets</b>  |             |                |                |
| Stocks   | 7           | 2,397          | 3,348          |
| Debtors  | 8           | 2,834          | 693            |
|  |             | <u>5,231</u>   | <u>4,041</u>   |
| <b>Creditors' amounts falling due within one year</b>          | 9           | <u>(3,373)</u> | <u>(4,723)</u> |
| <b>Net current assets/(liabilities)</b>                        |             | <u>1,858</u>   | <u>(682)</u>   |
| <b>Total assets less current liabilities</b>                   |             | <u>2,794</u>   | <u>4,632</u>   |
| <b>Creditors' amounts falling due after more than one year</b> | 10          | -              | (3,008)        |
| <b>Provisions for liabilities and charges</b>                  | 11          | -              | (42)           |
| <b>Net assets</b>  |             | <u>2,794</u>   | <u>1,582</u>   |
| <b>Capital and reserves</b>                                    |             |                |                |
| Called up share capital  | 12          | -              | -              |
| Profit and loss account  | 13          | 2,794          | 1,582          |
| <b>Total equity shareholders' funds</b>                        | 14          | <u>2,794</u>   | <u>1,582</u>   |

These financial statements were approved by the board of directors on 24 October 2008 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

#### *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 buildings                 | - | over lease term        |
| Fixtures and equipment and motor vehicles | - | between 3 and 10 years |
| Courtesy Vehicles                         | - | 4 years                |
| Freehold land and buildings               | - | 50 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 taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

#### *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 Automotive Group, Inc prepares consolidated financial statements which are publicly available

## Notes (continued)

### 2 Interest payable and similar charges

|                                       | 2007<br>£000 | 2006<br>£000 |
|---------------------------------------|--------------|--------------|
| Interest on bank loans and overdrafts | 194          | 81           |
| Interest on stocking loans            | 52           | 27           |
|                                       | <u>246</u>   | <u>108</u>   |

### 3 Notes to the profit and loss account

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated</i> |              |              |
| <i>after charging</i>  |              |              |
| Depreciation   | 322          | 90           |
| Operating lease rentals  |              |              |
| Land and buildings   | 197          | 202          |
|  | <u>2007</u>  | <u>2006</u>  |
|  | £000         | £000         |
| Auditors' remuneration   |              |              |
| Audit of these financial statements                            | 8            | 8            |
|  | <u>8</u>     | <u>8</u>     |

### 4 Staff costs

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

|                        | Number of employees<br>2007 | 2006      |
|------------------------|-----------------------------|-----------|
| Workshop               | 29                          | 28        |
| Sales and distribution | 15                          | 13        |
| Administration         | 10                          | 9         |
|                        | <u>54</u>                   | <u>50</u> |

The aggregate payroll costs of these persons were as follows

|                       | £000         | £000         |
|-----------------------|--------------|--------------|
| Wages and salaries    | 1,324        | 1,181        |
| Social security costs | 137          | 119          |
| Pension costs         | 20           | 21           |
|                       | <u>1,481</u> | <u>1,321</u> |

## 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 Automotive 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 Automotive Group, Inc.

### 6 Taxation

The tax (credit)/charge is based on the profit for each year and comprises

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| <i>UK corporation tax</i>                  |              |              |
| Current tax on income for the year         | 15           | 54           |
| Adjustments in respect of previous years   | (130)        | 33           |
| <i>Deferred tax (see note 11)</i>          |              |              |
| Origination/reversal of timing differences | (672)        | 38           |
| Adjustment in respect of previous years    | 388          | -            |
|  | <hr/>        | <hr/>        |
| Tax on profit on ordinary activities       | (399)        | 125          |
|  | <hr/>        | <hr/>        |

#### *Factors affecting the tax (credit)/ charge for the current year*

The current tax credit for the year is higher (2006 charge lower) than the standard rate of corporation tax in the UK

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| <i>Current tax reconciliation</i>   |              |              |
| Profit on ordinary activities before tax  | 813          | 300          |
|   | <hr/>        | <hr/>        |
| Current tax at 30% (2006 30%)   | 244          | 90           |
| <i>Effects of</i>   |              |              |
| Movements in deferred tax allowance   | -            | (38)         |
| Accounting depreciation for which no tax relief is due                            | -            | 2            |
| Expenses not deductible for tax purposes  | (10)         | -            |
| Capital allowances in excess of depreciation                                      | (292)        | -            |
| Difference between accounts profit and taxable profits on capital asset disposals | 73           | -            |
| Adjustments in respect of previous years  | (130)        | 33           |
|   | <hr/>        | <hr/>        |
| Total current tax (credit)/charge (see above)                                     | (115)        | 87           |
|   | <hr/>        | <hr/>        |

#### *Factors that may affect future current and total tax charges*

The corporation tax rate applicable to the company has changed from 30% to 28% from 1 April 2008

## Notes (continued)

### 7 Tangible fixed assets

|                       | Freehold<br>land and<br>buildings | Short<br>leasehold<br>land and<br>buildings | Fixtures<br>and<br>equipment | Motor<br>vehicles | Courtesy<br>vehicles | Total   |
|-----------------------|-----------------------------------|---|------------------------------|-------------------|----------------------|---------|
|                       | £000                              | £000  | £000                         | £000              | £000                 | £000    |
| <b>Cost</b>           |                                   |   |                              |                   |                      |         |
| At beginning of year  | -                                 | 4,470                                       | 1,011                        | 14                | 302                  | 5,797   |
| Additions             | 4,000                             | -   | 145                          | 21                | 297                  | 4,463   |
| Disposals             | (4,000)                           | (4,470)                                     | -                            | (14)              | (302)                | (8,786) |
| At end of year        | -                                 | -   | 1,156                        | 21                | 297                  | 1,474   |
| <b>Depreciation</b>   |                                   |   |                              |                   |                      |         |
| At beginning of year  | -                                 | 20  | 420                          | 14                | 29                   | 483     |
| Charge for year       | -                                 | 204   | 105                          | 2                 | 11                   | 322     |
| Disposals             | -                                 | (224)                                       | -                            | (14)              | (29)                 | (267)   |
| At end of year        | -                                 | -   | 525                          | 2                 | 11                   | 538     |
| <b>Net book value</b> |                                   |   |                              |                   |                      |         |
| At 31 December 2007   | -                                 | -   | 631                          | 19                | 286                  | 936     |
| At 31 December 2006   | -                                 | 4,450                                       | 591                          | -                 | 273                  | 5,314   |

### 8 Stocks

|                     | 2007<br>£000 | 2006<br>£000 |
|---------------------|--------------|--------------|
| Vehicles for resale | 1,068        | 1,478        |
| Consignment stock   | 1,229        | 1,765        |
| Parts               | 100          | 105          |
|                     | <b>2,397</b> | <b>3,348</b> |

### 9 Debtors

|                                    | 2007<br>£000 | 2006<br>£000 |
|------------------------------------|--------------|--------------|
| Trade debtors                      | 417          | 424          |
| Amounts owed by group undertakings | 1,424        | -            |
| Other debtors                      | 8            | 189          |
| Prepayments and accrued income     | 743          | 80           |
| Deferred Tax (note 12)             | 242          | -            |
|                                    | <b>2,834</b> | <b>693</b>   |

Amounts owed by group undertakings are interest free and do not have a fixed repayment date

## Notes (continued)

### 10 Creditors: amounts falling due within one year

|                                 | 2007<br>£000 | 2006<br>£000 |
|---------------------------------|--------------|--------------|
| Bank overdraft                  | 36           | 662          |
| Stocking loans                  | 1,027        | 873          |
| Consignment stock liabilities   | 1,229        | 1,765        |
| Trade creditors                 | 773          | 997          |
| Corporation tax                 | 7            | 87           |
| Other taxes and social security | 40           | 61           |
| Other creditors and accruals    | 198          | 204          |
| Accruals and deferred income    | 63           | 74           |
|                                 | <u>3,373</u> | <u>4,723</u> |

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

The bank overdraft is secured by fixed and floating charges over the assets of the Group and bears interest at 1% over UK Base Rate

### 11 Creditors: amounts falling due after more than one year

|                                    | 2007<br>£000 | 2006<br>£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

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| At beginning of year                    | 42           | 4            |
| (Credited)/charged in the year (note 5) | (284)        | 38           |
| At end of year                          | <u>(242)</u> | <u>42</u>    |

Deferred taxation is fully provided at 30% (2006 30%) in respect of liabilities arising from accelerated capital allowances and short term timing differences

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| (Decelerated)/accelerated capital allowances | <u>(242)</u> | <u>42</u>    |

The balance in the current year is disclosed in debtors (note 9)

## Notes (continued)

### 13 Called up share capital

|                                  | 2007<br>£000 | 2006<br>£000 |
|----------------------------------|--------------|--------------|
| <i>Authorised</i>                |              |              |
| 1,000 ordinary shares of £1 each | 1            | 1            |
| <i>Allotted and fully paid</i>   |              |              |
| 2 ordinary shares of £1 each     | -            | -            |

### 14 Profit and loss account

|                       | 2007<br>£000 | 2006<br>£000 |
|-----------------------|--------------|--------------|
| At beginning of year  | 1,582        | 1,407        |
| Profit for the year   | 1,212        | 175          |
| <b>At end of year</b> | <b>2,794</b> | <b>1,582</b> |

### 15 Reconciliation of movements in shareholders' funds

|                               | 2007<br>£000 | 2006<br>£000 |
|-------------------------------|--------------|--------------|
| Opening shareholders' funds   | 1,582        | 1,407        |
| Profit for the financial year | 1,212        | 175          |
| <b>Balance at end of year</b> | <b>2,794</b> | <b>1,582</b> |

### 16 Financial commitments

#### *Operating leases*

At 31 December 2007, the company had annual commitments under operating leases as follows

|                            | Land and buildings<br>2007<br>£000 | 2006<br>£000 |
|----------------------------|------------------------------------|--------------|
| Expiry date                |                                    |              |
| Within one year            | -                                  | -            |
| Between two and five years | -                                  | -            |
| After five years           | 520                                | 185          |
|                            | <b>520</b>                         | <b>185</b>   |

#### *Capital commitments*

The company had capital commitments at the year end of £35,000 (2006 £Nil)

#### *Contingent liabilities*

The company has a cross guarantee with fellow group companies to guarantee bank borrowings

**Notes** *(continued)*

**17 Ultimate parent company and controlling party**

The company is a subsidiary undertaking of Penske Automotive Group, Inc, incorporated in Michigan, USA. Penske Automotive 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.