Pennant Vehicle Leasing Limited

Directors' Report and Financial Statements

31 December 2005
Registered number SC48123

Directors' Report and Financial Statements

Contents

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2005.

Principal Activity

The company was solely focused on vehicle leasing operations during the year.

Results and Dividend

The results for the year are set out in the Profit and Loss Account on page 4. The final dividend of £583,000 in respect of the year ended 31 December 2004 was paid for during the year.

Directors and Directors' Interests

The Directors who served during the year were:

Keith M Miller
Alan T Miller (resigned 28 February 2006)

The interests of K M Miller in the shares of The Miller Group Limited, the parent company, are dealt with in the accounts of that company. A T Miller had an interest in 1,103 ordinary shares of the parent company.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

P Smyth
Company Secretary

28 June 2006

Statement of Directors' Responsibilities

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.

Independent Auditors' Report to the Members of Pennant Vehicle Leasing Limited

We have audited the financial statements on pages 4 to 12.

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

We have audited the financial statements of Pennant Vehicle Leasing 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

30 June 2006

Profit and Loss Account
for the year ended 31 December 2005

	Notes	**2005** **£000**	2004 £000
Turnover	*2*	**4,502**	4,743
Cost of sales		**(4,264)**	(4,152)
Gross profit		**238**	591
Administrative expenses		**(639)**	(517)
Operating (loss) / profit	*3*	**(401)**	74
Net interest payable	*6*	**(38)**	(13)
(Loss) / profit before taxation		**(439)**	61
Taxation	*7*	**12**	(55)
(Loss) / profit for the financial year		**(427)**	6

Other than the loss for the year, there were no other recognised gains or losses.

Balance Sheet
at 31 December 2005

	Notes	2005 £000	Restated 2004 £000
Fixed assets			
Tangible assets	*8*	**337**	503
Current assets			
Debtors	*9*	**535**	1,005
Cash in hand and at bank		**264**	584
		799	1,589
Creditors: amounts falling due within one year	*11*	**(471)**	(249)
Net current assets		**328**	1,340
Total assets less current liabilities		**665**	1,843
Creditors: amounts falling due after more than one year	*12*	**(174)**	(330)
Provisions for liabilities and charges	*10*	**(15)**	(27)
Net assets		**476**	1,486
Capital and reserves			
Called up share capital	*13*	**100**	100
Profit and loss account		**376**	1,386
	14		
Equity shareholders' funds	*15*	**476**	1,486

These accounts were approved by the Board of Directors on 28 June 2006 and were signed on its behalf by:

Keith M Miller
Director

Notes

(forming part of the financial statements)

1. Accounting Policies

Basis of Accounting

The accounts are prepared under the historical cost basis and in accordance with applicable Accounting Standards. 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. The effect of the implementation of FRS 21 'Events after the balance sheet date' has been to increase shareholders' funds at 31 December 2005 by £nil (2004: £583,000) The presentation requirements of FRS 25 have resulted in dividends no longer being presented on the face of the profit and loss account.

The corresponding amounts in these financial statements are restated in accordance with the new policies.

The company is exempt from the requirement of Financial Reporting Standard 1 (revised), to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 18.

Turnover

Turnover comprises invoiced sales from vehicle leasing operations, the value of work done during the year.

Depreciation

Depreciation of plant, equipment and vehicles is provided on the straight-line method over the estimated useful lives of the assets concerned. The main annual rates in use are as follows:

Cars, vans and miscellaneous	25%
Lorries and office equipment	20%
Furniture and fittings	10%

Leasehold improvements are amortised on a straight-line basis over the shorter of the outstanding lease period and the estimated useful lives of the assets concerned.

Notes *(continued)*

1. Accounting Policies *(continued)*

Leasing

Assets acquired under finance leases are included in tangible fixed assets at the outright purchase price equivalent. Depreciation is provided at rates designed to write off this amount using the straight-line method over the shorter of the estimated useful lives or the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balances outstanding.

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the lease period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. 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 as otherwise required by FRS 19.

Pensions

Certain employees are members of The Miller Group Limited pension scheme. Details of this scheme are disclosed in its accounts.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2. Turnover

Turnover, all of which is generated in the United Kingdom, comprises:

	2005	2004
	£000	£000
Hire of plant and vehicles	**4,502**	4,743

3. Operating (loss) / profit

		2005	2004
		£000	£000
This is stated after charging/(crediting) the following:			
Depreciation		**173**	191
Operating lease rentals	- hire of plant and equipment	**1,893**	2,085
	- other	**43**	65
Auditors' remuneration	- audit fees	**3**	5
	- other fees	**-**	3
Gain on disposal of fixed assets		**(32)**	(37)

Notes *(continued)*

4. Remuneration of Directors

	2005 £000	2004 £000
Directors' emoluments	**99**	76

Retirement benefits are accruing one director (2004: one) under defined benefit pension schemes.

5. Staff Numbers and Costs

The average number of persons employed by the company, including Directors, during the year was as follows:

	2005 Number	2004 Number
Operators	**5**	6
Administration	**6**	8
	11	14

The aggregate payroll costs of these persons were as follows:

	2005 £000	2004 £000
Wages and salaries	**261**	303
Social security costs	**23**	28
Other pension costs	**50**	41
	334	372

6. Net Interest Payable

	2005 £000	2004 £000
Group interest	**(5)**	21
Finance charges on leased assets	**(33)**	(34)
	(38)	(13)

Notes *(continued)*

7. Taxation

Analysis of tax charge in the period

	2005	2004
	£000	£000
Deferred tax (see note 10)		
Origination/reversal of timing differences	**12**	(55)

Factors reflecting the tax charge for the current year

The current tax charge for the year is higher (2004: lower) than the standard rate of corporation tax in the UK (30%, 2004 30%). The differences are explained below.

	2005	2004
	£000	£000
Current tax reconciliation		
(Loss) / profit on ordinary activities before tax	**(439)**	61
Current tax at 30%	**(132)**	18
Effects of:		
Fixed asset timing differences	**14**	2
Expenses not deductible for tax purposes	**13**	28
Group relief for which no consideration is given	**105**	(48)
	-	-

8. Tangible Assets

	Leasehold improvements £000	Plant, Equipment And Vehicles £000	Total £000
Cost			
At 31 December 2004	64	1,528	1,592
Additions	-	9	9
Disposals	(64)	(392)	(456)
At 31 December 2005	**-**	**1,145**	**1,145**
Depreciation			
At 31 December 2004	58	1,031	1,089
Charge for the year	6	167	173
Disposals	(64)	(390)	(454)
At 31 December 2005	**-**	**808**	**808**
Net book value			
At 31 December 2005	**-**	**337**	**337**
At 31 December 2004	6	497	503

Notes *(continued)*

8. Tangible Assets (Continued)

Included in the net book value of Plant, Equipment and Vehicles is £305,000 (*2004:* £439,000) in respect of assets held under Hire Purchase contracts. Depreciation for the year on these assets was £134,000 (*2004: £130,000*).

9. Debtors

	2005	2004
	£000	£000
Trade debtors	**294**	648
Amounts recoverable on contracts	**2**	2
Amount owed by group undertakings	**200**	168
Prepayments and accrued income	**39**	187
	535	1,005

10. Deferred tax

	£000
At beginning of year	27
Credited to the profit and loss account for the year	(12)
At end of year	**15**

11. Creditors: amounts falling due within one year

	2005	2004
	£000	£000
		Restated
Trade creditors	**159**	43
Other taxes	**50**	64
Obligations under hire purchase contracts / finance leases	**131**	135
Accruals and deferred income	**131**	7
	471	249

Notes *(continued)*

12. Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Obligations under hire purchase contracts / finance leases	**174**	330

The maturity of obligations under hire purchase contracts / finance leases is as follows	2005 £000	2004 £000
Within one year	**131**	135
Two to five years	**174**	330
	305	465

13. Share Capital

	2005 £000	2004 £000
Equity		
Authorised, allotted, called up and fully paid		
400,000 Ordinary shares of 25p each	**100**	100

14. Profit and loss account

	£000
At beginning of year	1,386
Loss for year	(427)
Dividend paid	(583)
At end of year	**376**

15. Reconciliation of Movements in Equity Shareholders' Funds

	2005 £000	2004 £000 Restated
(Loss) / profit for the financial year	**(427)**	6
Dividend paid	**(583)**	-
Net (reduction) / increase in shareholders' funds	**(1,010)**	6
Opening shareholders' funds (previously £903k before prior year adjustment of £583k)	**1,486**	1,480
Closing shareholders' funds	**476**	1,486

Notes *(continued)*

16. Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and Buildings	**Other**	Land and Buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	-	**337**	-	622
In the second to fifth years inclusive	-	**336**	-	534
Over five years	-	-	-	-
	-	**673**	-	1,156

17. Pensions

The company is a member of a group pension scheme, which provides benefits on a final pensionable pay. Because the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis as permitted by FRS 17 "Retirement Benefits", the schemes have been accounted for, in these financial statements as if it was a defined contribution scheme. There is a deficit on the group scheme of £17.8m (2004: £19.9m)

The latest full actuarial valuation of the scheme was carried out on 1 July 2004 and updated for FRS 17 purposes at 31 December 2005 and 31 December 2004 by a qualified independent actuary. The group contribution for the year was £6.6m (2004: £5.7m). The current employer contribution rate for the scheme is 16.1% of pensionable salary plus £183,333 per calendar month during 2005. In addition, a lump sum payment of £3m was made in December 2005.

The company participates in The Miller Group Limited Group Personal Pension Plan. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profit represents the contributions payable to the scheme in respect of the accounting period.

18. Ultimate Parent Company

The company's ultimate parent company is The Miller Group Limited, which is registered in Scotland and incorporated in Great Britain. The accounts of The Miller Group Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.