Pennant Vehicle Leasing Limited

Directors' Report and Financial Statements

31 December 2006
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 2006

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 No dividend was paid or proposed during the year

Directors and Directors' Interests

The Directors who served during the year were

Keith M Miller
John S Richards

The interests of the directors in the shares of The Miller Group Limited, the parent company, are dealt with in the accounts of that company

The directors who held office at the date of approval of the Directors' report confirms, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

18 May 2007

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

KPMG LLP

Independent auditors' report to the members of Pennant Vehicle Leasing Limited

We have audited the financial statements of Pennant Vehicle Leasing 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

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 2006 and of its loss 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 LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Edinburgh

5 June 2007

Profit and Loss Account
for the year ended 31 December 2006

	Notes	**2006 £000**	2005 £000
Turnover	*2*	**838**	4,502
Cost of sales		**(920)**	(4,264)
Gross (loss) / profit		**(82)**	238
Administrative expenses		**(131)**	(639)
Operating loss	*3*	**(213)**	(401)
Net interest payable	*6*	**(42)**	(38)
Loss before taxation		**(255)**	(439)
Taxation	*7*	**24**	12
Loss for the financial year		**(231)**	(427)

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

Balance Sheet
at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	**190**	337
Current assets			
Debtors	9	**384**	535
Cash in hand and at bank		**-**	264
		384	799
Creditors: amounts falling due within one year	11	**(267)**	(471)
Net current assets		**117**	328
Total assets less current liabilities		**307**	665
Creditors: amounts falling due after more than one year	12	**(62)**	(174)
Provisions for liabilities and charges	10		(15)
Net assets		**245**	476
Capital and reserves			
Called up share capital	13	**100**	100
Profit and loss account	14	**145**	376
Equity shareholders' funds	15	**245**	476

These accounts were approved by the Board of Directors on 18 May 2007 and were signed on its behalf by

Keith M Miller

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 which have been consistently applied

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%

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

Notes *(continued)*

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

	2006	2005
	£000	£000
Hire of plant and vehicles	**838**	4,502

3. Operating loss

		2006	2005
		£000	£000
This is stated after charging/(crediting) the following			
Depreciation		**141**	173
Operating lease rentals	hire of plant and equipment	**423**	1,893
	other		43
Auditors' remuneration	audit fees	**3**	3
Gain on disposal of fixed assets		**(7)**	(32)

4. Remuneration of Directors

	2006	2005
	£000	£000
Directors' emoluments		99

5. Staff Numbers and Costs

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

	2006	2005
	Number	Number
Operators		5
Administration	**2**	6
	2	11

Notes *(continued)*

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	**80**	261
Social security costs	**10**	23
Other pension costs	**25**	50
	115	334

6 Net Interest Payable

	2006 £000	2005 £000
Group interest	**-**	(5)
Finance charges on leased assets	**(42)**	(33)
	(42)	(38)

7 Taxation

Analysis of tax charge in the period

	2006 £000	2005 £000
Deferred tax (see note 10)		
Origination/reversal of timing differences	**24**	12

Factors reflecting the tax charge for the current year

The current tax charge for the year is higher (2005 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £000	2005 £000
Current tax reconciliation		
(Loss) / profit on ordinary activities before tax	**(255)**	(439)
Current tax at 30%	**(76)**	(132)
Effects of		
Fixed asset timing differences	**24**	14
Expenses not deductible for tax purposes	**-**	13
Group relief for which no consideration is given	**52**	105

Notes *(continued)*

8. Tangible Assets

	Plant, Equipment And Vehicles £000
Cost	
At 31 December 2005	1,145
Disposals	(190)
At 31 December 2006	**955**
Depreciation	
At 31 December 2005	808
Charge for the year	141
Disposals	(184)
At 31 December 2006	**765**
Net book value	
At 31 December 2006	**190**
At 31 December 2005	337

Included in the net book value of Plant, Equipment and Vehicles is £175,000 (*2005 £305,000*) in respect of assets held under Hire Purchase contracts Depreciation for the year on these assets was £130,000 (*2005 £134,000*)

9 Debtors

	2006 £000	2005 £000
Trade debtors	**155**	294
Amounts recoverable on contracts		2
Amount owed by group undertakings	**59**	200
Prepayments and accrued income	**161**	39
Deferred tax (Note 10)	**9**	
	384	535

10 Deferred tax

	£000
At beginning of year	(15)
Credited to the profit and loss account for the year	24
At end of year	**9**

Notes *(continued)*

11. Creditors amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	20	159
Other taxes	5	50
Obligations under hire purchase contracts / finance leases	121	131
Accruals and deferred income	12	131
Bank overdraft	109	
	267	471

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

	2006 £000	2005 £000
Obligations under hire purchase contracts / finance leases	62	174

The maturity of obligations under hire purchase contracts / finance leases is as follows	2006 £000	2005 £000
Within one year	121	131
Two to five years	62	174
	183	305

13 Share Capital

	2006 £000	2005 £000
Equity		
Authorised, allotted, called up and fully paid		
400,000 Ordinary shares of 25p each	100	100

14. Profit and loss account

	2006 £000
At beginning of year	376
Loss for year	(231)
At end of year	**145**

Notes *(continued)*

15. Reconciliation of Movements in Equity Shareholders' Funds

	2006 £000	2005 £000
Loss for the financial year	**(231)**	(427)
Dividend paid		(583)
Net reduction in shareholders' funds	**(231)**	(1,010)
Opening shareholders' funds	**476**	1,486
Closing shareholders' funds	**245**	476

16. Commitments

Annual commitments under non cancellable operating leases are as follows

	2006 £000	2005 £000
Operating leases which expire		
Within one year	**8**	337
In the second to fifth years inclusive	**84**	336
	92	673

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 £10m (2005 £17 8m)

The latest full actuarial valuation of the scheme was carried out on 1 July 2005 and updated for FRS 17 purposes at 31 December 2006 and 31 December 2005 by a qualified independent actuary The group contribution for the year was £9 7m (2005 £6 6m) The current employer contribution rate for the scheme is 16 1% of pensionable salary plus £183,333 per calendar month during 2006 In addition, a lump sum payment of £6m was made in December 2006

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

Notes *(continued)*

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