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**Kenning Motor Group Limited**  
(Registered Number. 249065)

**Annual Report and Accounts**

**For the year ended 31 December 2006**



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Watford  
Hertfordshire WD18 8PY

# **Kenning Motor Group Limited**

## **Directors' Report**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

### **Principal activities**

The company's principal activity during the year was that of an intermediate holding company

### **Review of business and future developments**

It is not envisaged that there will be any change in the company's activities in the foreseeable future

### **Principal risks and uncertainties**

The Directors of Inchcape plc manage the Inchcape Group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's Directors believe that disclosure of the groups risk would not be appropriate for an understanding of the development, performance or position of Kenning Motor Group Limited. The principal risks and uncertainties of Inchcape Group plc are disclosed in its Annual Report and Accounts

### **Financial instruments**

The Directors consider that the Company's key financial instruments are intercompany loans. Financial exposures exist to the extent that a change in the underlying base rate of interest will affect the level of income received or paid on the intercompany loans. The risk is not considered material and the Company does not employ the use of hedging instruments

### **Results and dividends**

The company's profit for the financial year is £1,869,000 (2005 £2,536,000)

There were no interim dividends paid during the year (2005 £nil). The directors do not recommend the payment of a final dividend (2005 £nil)

### **Directors and their interests**

The directors who held office during the year are given below

A C Jeary

M P Wheatley

No director had any interest in the shares of the company (or any of its subsidiary undertakings) at either 1 January 2006 or 31 December 2006

# **Kenning Motor Group Limited**

## **Directors' Report (continued)**

### **Transactions with directors**

No transaction, arrangement or agreement required to be disclosed under the terms of the Companies Act 1985 was outstanding at 31 December 2006, or occurred during the year for any director or connected person (2005 none)

### **Auditors**

So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware

The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Pursuant to Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint Auditors annually Accordingly PricewaterhouseCoopers LLP have indicated their willingness to remain in office

By order of the Board



**M P Wheatley**  
Secretary

25 October 2007

## **Kenning Motor Group Limited**

### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that

- suitable accounting policies have been used and applied consistently, in the preparation of the financial statements,
- reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2006,
- applicable accounting standards have been followed.

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Kenning Motor Group Limited

## Independent auditors' report to the members of Kenning Motor Group Limited

We have audited the financial statements of Kenning Motor Group 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.

### Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

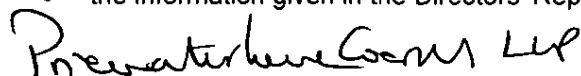
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom 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.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

29/10/2007

# Kenning Motor Group Limited

## Profit and Loss Account for the Year Ended 31 December 2006

	Note	2006 £'000	2005 £'000
Operating income - exceptional		240	-
<b>Operating profit</b>	<b>2</b>	<b>240</b>	<b>-</b>
<b>Profit on ordinary activities before interest and taxation</b>		<b>240</b>	<b>-</b>
Interest receivable and similar income	4	2,327	2,225
<b>Profit on ordinary activities before taxation</b>		<b>2,567</b>	<b>2,225</b>
Taxation before exceptional tax	5	(698)	(668)
Exceptional tax	5	-	979
<b>Total tax</b>		<b>(698)</b>	<b>311</b>
<b>Profit for the financial year</b>	<b>12</b>	<b>1,869</b>	<b>2,536</b>

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

All the activities of the company are continuing

# Kenning Motor Group Limited

## Balance Sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Investments	6	18,493	18,493
<b>Debtors</b>	7	44,633	42,974
		<b>44,633</b>	<b>42,974</b>
<b>Creditors – Amounts falling due within one year</b>	8	(40)	(948)
<b>Net current assets</b>		<b>44,593</b>	<b>42,026</b>
<b>Total assets less current liabilities</b>		<b>63,086</b>	<b>60,519</b>
<b>Creditors – amounts falling due after more than one year</b>	9	(698)	-
<b>Provisions for liabilities and charges</b>	10	-	-
<b>Net assets</b>		<b>62,388</b>	<b>60,519</b>
<b>Capital and reserves</b>			
Called up share capital	11	16,600	16,600
Share premium account	12	15,476	15,476
Capital redemption reserve	12	1,168	1,168
Profit and loss account	12	29,144	27,275
<b>Total shareholders' funds</b>	13	<b>62,388</b>	<b>60,519</b>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 25 October 2007 and were signed on its behalf by



A C Jeary  
Director

# Kenning Motor Group Limited

## Notes to the Accounts for the Year Ended 31 December 2006

### 1 Accounting policies

The financial statements have been prepared on a going concern basis, and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies of the company are described below.

The principal accounting policies of the company have been reviewed in accordance with Financial Reporting Standard 18 'Accounting Policies'.

No new accounting standards have been adopted during the year.

#### Accounting convention

The financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 1985.

#### Group accounts

In accordance with the exemption permitted by Section 228 of the Companies Act 1985, no group accounts have been prepared.

#### Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment in value.

#### Deferred taxation

Deferred Taxation is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in future except as otherwise required by FRS 19.

#### Interest

Interest is included in the profit and loss account on an accruals basis.

### 2. Operating profit

	2006 £'000	2005 £'000
<b>Operating profit is stated after crediting</b>		
Released VAT accrual	240	-

### 3. Directors' emoluments, employee information and auditors' remuneration

As in 2005, the company has no employees except the directors and hence has no salary, social security or pension costs. The directors do not receive any remuneration from the company as their services to the company are deemed to be non-qualifying for the purposes of the Companies Act 1985 (as amended).

As in 2005, auditors' remuneration has been borne by a fellow subsidiary undertaking on behalf of the company.



# Kenning Motor Group Limited

## Notes to the Accounts for the Year Ended 31 December 2006

### 4. Interest receivable

	2006 £'000	2005 £'000
Interest receivable on amounts owed by group undertakings	2,327	2,225

### 5. Taxation

#### a) Analysis of tax (charge)/credit in the year

	2006 £'000	2005 £'000
UK corporation tax on profit for the year	(698)	(770)
Total current tax	(698)	(770)
Prior year exceptional tax adjustment (note 5d)	-	979
Deferred tax origination and reversal of timing differences	-	102
Total tax	(698)	311

#### b) Factors affecting the tax charge for the year

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

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	2,567	2,225
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2005 30%)	770	668
Effects of		
Short term timing differences	-	102
Non-taxable income	(72)	-
Current tax charge for the year	698	770

#### c) Factors that may affect future tax charges

The company has £655,000 (2005 £655,000) of capital losses carried forward at 31 December 2006 that may be offset against capital gains that arise in future periods

# Kenning Motor Group Limited

## Notes to the Accounts for the Year Ended 31 December 2006

### 6. Fixed asset investments

	Investment in subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	18,493
<b>Net book value</b>	
At 31 December 2005 and 31 December 2006	18,493

In the opinion of the directors of the company the aggregate market value of the shares in and the amounts owing from the company's subsidiaries is not less than the amount as shown in the balance sheet

Shares in subsidiaries are stated at cost less provision for impairment in value. A list of subsidiaries, their country of incorporation, proportion of the nominal value of shares held and principal activity is given below

	Country of incorporation of registration	Proportion of nominal value of shares held	Principal activity
<b>Subsidiary undertakings</b>			
Inchcape Vehicle Contracts Limited	UK	100%	Dormant
Inchcape Estates Limited	UK	100%	Property Holding company
Atlantic Leisure Group Limited	UK	100%	

### 7. Debtors - Amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts owed by group companies	44,633	42,974

### 8. Creditors - Amounts falling due within one year

	2006 £'000	2005 £'000
Taxation	-	668
Other creditors and accruals	40	280
	40	948

# Kenning Motor Group Limited

## Notes to the Accounts for the Year Ended 31 December 2006

### 9. Creditors - Amounts falling due after more than one year

	2006 £'000	2005 £'000
Amount due to group companies	698	-

### 10. Provisions for liabilities and charges

	2006 £'000	2005 £'000
<b>Deferred taxation</b>		
At 1 January 2006	-	102
Credited to profit and loss account	-	(102)
<b>At 31 December 2006</b>	-	-

### 11. Share capital

	2006 £'000	2005 £'000
<b>Authorised</b>		
70,000,000 ordinary shares of 25 0p each	17,500	17,500
<b>Allotted, called up and fully paid</b>		
66,400,000 ordinary shares of 25 0p each	16,600	16,600

### 12 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2006	15,476	1,168	27,275
Profit for the financial year	-	-	1,869
<b>31 December 2006</b>	<b>15,476</b>	<b>1,168</b>	<b>29,144</b>

### 13 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	1,869	2,536
Net increase in shareholders' funds	1,869	2,536
Opening shareholders' funds	60,519	57,983
<b>Closing shareholders' funds</b>	<b>62,388</b>	<b>60,519</b>

# **Kenning Motor Group Limited**

## **Notes to the Accounts for the Year Ended 31 December 2006**

### **14. Cash flow statement**

A cash flow statement is not required as Inchcape plc, the company's ultimate holding company, has complied with Financial Reporting Standard 1 (revised) by including a consolidated cash flow statement in its Report and Accounts for the year ended 31 December 2006

### **15. Contingent liabilities**

The company is party to composite cross guarantees between banks, its ultimate parent company and fellow subsidiaries. The company's contingent liability under these guarantees at 31 December 2006 was £nil (2005: £nil)

### **16. Related party transactions**

The company's ultimate parent undertaking is Inchcape plc and it has applied the exemption in paragraph 3(c) of Financial Reporting Standard 8 ("FRS 8") "Related Party Disclosures". This exemption permits the non-disclosure of transactions and balances with related parties that are included in the consolidated financial statements of Inchcape plc. The directors consider that there are no other relationships, transactions or balances that are required to be disclosed by FRS 8.

### **17. Immediate and ultimate parent undertakings**

The immediate parent undertaking is Inchcape Motors International Limited, a company incorporated in England and Wales.

The company's ultimate parent undertaking is Inchcape plc, a public company incorporated in England and Wales. Copies of Inchcape plc's consolidated financial statements may be obtained from the Group Company Secretary at 22a St James's Square, London SW1Y 5LP. The parent undertaking, which heads the smallest and largest groups for which consolidated financial statements are prepared is Inchcape plc.

### **18. Post balance sheet events**

On 21 March 2007, the Chancellor of the Exchequer announced in his Budget Statement that the rate of UK corporation tax is to be reduced from 30% to 28% with effect from April 2008. As this change was announced after the balance sheet date, it is a non-adjusting event.