2006
Annual Report & Accounts

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COMPANIES HOUSE

UNIPART GROUP

Contents

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M D Rimmer

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This publication comprises the full Annual Report and Accounts of Unipart Group of Companies Ltd for 2006 prepared in accordance with the Companies Act 1985 and United Kingdom Accounting Standards and includes the Chairman s statement, the Chief Executive s review the Financial review the Directors report, the Financial statements and the Independent Auditors report for the year ended 31 December 2006

Chairman's Statement

Lord Sheppard KCVO KT
Chairman

2006 has been a challenging year for Unipart but one in which the Group has responded positively The Group has demonstrated well its ability to adapt to change At the heart of this change culture is a deep commitment, knowledge and practical experience of implementing continuous improvement

Through its main trading divisions the Group operates in the logistics market either managing customers supply chains or selling parts directly The Group has continued the development of deep trusting long-term partnerships with both its customers and suppliers

Unipart Logistics has built on its foundations and demonstrated significant improvements to operational performance gaining new customers as it continues to grow its expertise outside its original Automotive base

Unipart Rail has delivered excellent customer service and availability and is investing for future growth and expansion into overseas markets

The Groups result has however been adversely impacted by a downturn in the performance of the Unipart Automotive division The Unipart Automotive division has endured a very difficult year in a very competitive market. Midway through the year, the previous Managing Director left the Group and a new Managing Director and Deputy Managing Director have been appointed who are driving the turnaround plan for the business

As a result, the Group has made an operating profit (before goodwill amortisation and exceptional items) of £5 9m for the year ended 31 December 2006 This compares with a profit of £27 7m for the year ended 31 December 2005 Despite the reduction in profit levels and the significant contributions the Group is making to reduce its pension deficit, operating cash management has again been strong with the Group remaining in a net cash position of £7 8m at 31 December 2006 compared to £11 1m at 31 December 2005

Following the well managed transition in 2005 to a defined contribution pension scheme for a significant proportion of our employees the Group remains determined through additional cash contributions and other innovative schemes to address the pension deficit that it is reporting These have assisted in significantly reducing the reported FRS 17 deficit at the end of the current financial year

Despite remaining in a net cash position the Group requires external funding to support its working capital requirements as it continues to grow Further cash contributions will be made to the pension fund to eliminate the deficit and therefore the Board are not proposing a dividend for the year

The Unipart Way continues to be at the heart of the Groups philosophy and in 2006 this has been further highlighted by the increasing competitive advantage it can give being recognised by external customers outside the core logistics area Significant consultancy projects have been delivered both internally and with a number of major companies utilising the expertise and pervasive knowledge of many of The Unipart Way practitioners around the Group These have been driven by the ability to demonstrate to new and existing clients the benefits of The Unipart Way principles actually in action across the various sites and at Head Office rather than just in theory

At a Group Board level there have been some important changes during the year Keith Jones retired from the Group Board after 23 years of loyal service to the Group We wish Keith all the best with his retirement Frank Burns now as Managing Director of Unipart Logistics has been appointed to the Group Board In addition Steve Johnson Chief Executive Officer of Focus DIY, has also been appointed to the Group Board as a non-executive director On 2 June 2006 Chris Etherington resigned from the Group Board and departed from the Unipart Automotive business

The Group and its businesses continue to be well supported by the efforts of its people We are extremely grateful for their achievements and hard work during 2006 in demonstrating the Unipart spirit and philosophy

Chief Executive's Review

J M Neill CBE
Chief Executive & Deputy Chairman

2006 was a year of strong contrasts The Group with the exception of Unipart Automotive performed very well The passion for excellence and the desire to lead was evident in Unipart Logistics Unipart Rail our Joint Ventures and our rapidly growing Unipart Expert Practices business

In many areas our Group is acknowledged as the benchmark for service and quality by both external consultants and our clients

The performance of Unipart Automotive was very poor and the new Managing Director and Deputy Managing Director faced difficult challenges to correct the previously poor operational decisions and actions coupled with the failure to maintain the product range and customer service standards which the Group would expect. Corrective measures have been implemented resulting in significant like-for-like sales growth restoring the morale of our employees and the confidence of our customers

The Group delivered an operating profit (before goodwill amortisation and exceptionals) for the year ended 31 December 2006 of £5 9m As a result of the adverse performance of Unipart Automotive this is well below the profit of £27 7m achieved in 2005 The Group ended the year with positive net cash of £7 8m compared with £11 1m at the end of 2005 This good result was due to the very effective cash management activities of the Group and enabled us to fund significant extra contributions to the pension fund and still remain in a positive cash position

The Group has changed dramatically from its early beginnings which made its future wholly dependent on the survival of Rover to a Group with a broad portfolio of products services and clients in the Automotive Technology Retail and Rail sectors The deliberate decision almost 10 years ago to build The Unipart Way into a comprehensive operational architecture as the fundamental building block for Unipart's long term competitive edge is now working so well that serious global companies have engaged the Group to implement similar operational architectures in their own business as part of the Group's new Unipart Way Inside solutions set.

The decision to create a brand identity for The Unipart Way in 1987 has been fundamental in the process of designing, building, codifying and deploying this ever growing body of knowledge, tools and techniques which comprises The Unipart Way

The Unipart Way has generated substantial interest from business leaders, academics and the media and we often have to highlight that it is difficult explaining The Unipart Way and therefore the only way to truly appreciate it is to come and see

Operating Review

The Unipart Group's aim is to be the Ultimate Logistics Partner In this Logistics market, the Group's divisions are either managing customers supply chains or selling parts directly through our national branch network.

Unipart Logistics

Unipart Logistics is the Group's core logistics business with operations in many different sectors including Automotive Technology Retail, Consumer, Aerospace and Defence In addition Unipart Logistics operates a fast-growing complementary consultancy business providing pragmatic solutions to supply chain issues and leads the introduction of The Unipart Way to both internal and external businesses At the same time, we have made positive inroads into the rapidly growing internet logistics market.

It has been an exciting year of development for Unipart Logistics with a number of new contract wins and extensions These have further demonstrated the business drive to enter into long term relationships with its customers

It has been a difficult trading year for the global Automotive sector and inevitably this had some impact on volumes in Unipart Aftermarket Logistics Through the use of The Unipart Way cost efficiency and productivity were both significantly improved and this meant that we finished the year in this business in a good position At the same time we have achieved industry leading performance in respect of customer service and quality whilst also rolling out major IT improvement projects In addition to the ongoing business with Jaguar the business continued its successful relationship with LTI and took on new work for Land Rover Aston Martin and Ford

The technology market has seen Unipart Technology Logistics build further on its strong reputation At the start of the year Unipart Logistics was awarded a new 10-year Vodafone contract extension A further major milestone was the opening of a brand new state-of-the-art integrated logistics centre for Vodafone in Nuneaton where alongside the traditional logistics activities we have opened a new handset repair centre This significant investment in our partnership with Vodafone provides us with expansion and diversification opportunities At the same time BSkyB have experienced an excellent year with the introduction of High Definition TV services and the rollout of broadband to its customers with the increased volumes of customer stocks being managed flawlessly During 2006, the business also announced a 5-year extension to its Hutchison 3 contract New names to join Unipart Technology Logistics impressive blue chip portfolio were Playcom Apple Computers and Fujitsu We look forward to developing deep long-term partnerships with these new clients over the coming years

During the year we welcomed the online fashion retailer ASOS to our client base in the Retail sector We introduced a new warehouse management system in time to support them through a busy Christmas and the partnership has got off to a very promising start In other areas our businesses with Boots, Homebase and Halfords have continued to perform well with excellent operational performance and seasonal peaks delivered without any adverse impact on our customers' businesses Following their merger with Alliance Unichem during the year Boots have reviewed their core competencies and have concluded that warehousing and distribution should be brought back in-house Therefore after a successful 4-year relationship between Unipart and Boots the completion of this contract in 2007 has been announced

In our consultancy business Unipart Expert Practices 2006 has been an outstanding year We continue to grow our supply chain consultancy with major blue chip organisations worldwide and our Lean consultancy undertook a major piece of work to improve efficiency and productivity at HM Revenue & Customs This involved over 100 diagnostic reviews and the deployment of some 150 Lean experts, mostly drawn from the substantial cadre of practitioners within the Group Other business wins with major global enterprises have followed and we look forward to working with these clients during 2007

In summary, 2006 has continued to see Unipart Logistics growing significantly while still improving its competitive edge in terms of productivity efficiency and customer service Its commitment to build close customer relationships supported by high levels of operational excellence continues to prove an attractive proposition to some of the world s largest companies Unipart Logistics' ability to deliver what is required to support its customers is made possible through a deep and pervasive deployment of The Unipart Way This philosophy and expertise is proving to be of significant interest to organisations that are looking to improve their productivity and efficiency while at the same time engaging and motivating its employees Unipart Logistics is looking forward to working with all its existing and potential customers to set the benchmark for industry leading levels of service through our never ending commitment to continuous improvement in all areas of the business

Unipart Rail

Unipart Rail has performed well this year

In December Railpart, the leading supplier of replacement components to the UK Traction and Rolling Stock aftermarket and NRS the UK s most comprehensive provider of railway infrastructure products and services were renamed Unipart Rail thus building on the strong Unipart brand name

Unipart Rail provides innovative logistics and distribution services across a significant proportion of the UK rail market and is starting to build a growing presence abroad

As well as providing our clients with solutions to a complex supply chain, Unipart Rail also offers a comprehensive reconditioning, repair and manufacturing operation ranging from manufacturing of new products using leading technologies, for example LEDs through to bogie overhaul which commenced in 2005 and has been further developed during 2006 Product development has also played an important part which has seen the successful integration of new products in the year including Smartsander and TCA aerials The portfolio of LED products was further extended with the acquisition of Varitext a producer of road and rail products which will complement our existing ranges

The services Unipart Rail provide in the rail supply chain have been further extended and now include a growing consultancy capability which has been well received by customers and suppliers as well as supporting Unipart Expert Practices

Recent years have seen significant change in the Rail Industry particularly in the Infrastructure area with Network Rail taking direct responsibility for maintenance of the rail infrastructure during 2005 Unipart Rail won the contract to provide a range of procurement services As a result of providing strong service and availability Unipart Rail has been able to increase its services provided to Network Rail Unipart Rail continue to supply a comprehensive logistics service to the Infrastructure Project market and were pleased to receive an award from one of its project customers Carillion

Within the Traction and Rolling Stock markets a number of contracts with Train Operating Companies have been renewed with business retention continuing to be high

Overseas market activity continues to increase with further investment taking place in the year to grow this capability

UNIPART GROUP

Chief Executive's Review *(continued)*

Unipart Automotive

The performance of Unipart Automotive was very poor and the new leadership team have had to work intensively to recover the effects of numerous operational decisions which reduced costs rather than waste and significantly damaged customer service and employee morale It is pleasing to note that the resources applied to bringing the product ranges and pricing up to date and the investments in stock to improve availability are delivering real like-for-like sales growth The branch managers have strongly welcomed the reversal of decisions which limited their role the removal of a number of constraints and a return to the more de-centralised system which worked well in the past Many of the branches are showing significant like-for-like sales growth and the morale and motivation levels have significantly improved

The business is recovering its passion to be a leader The principles of product management have now been reintroduced and are delivering real growth

The intensive focus on the basics of the business have produced significant improvements in customer service and all the key sectors in which the business operates are showing like-for-like growth

There is still a lot more to do to get the business back to its previous levels of performance and also to deliver much improved financial performance

The Unipart Automotive division operates predominantly within the United Kingdom and provides focused expertise and knowledge of logistics parts distribution and supply chain solutions to the independent motor trade national fast fit roadside assistance bodyshop, garage forecourt retail and commercial vehicle markets It remains the only business genuinely capable of providing a national proposition to all of these markets through our network of nearly 300 branches

The other Unipart Automotive operations are performing well After the appointment of a new Managing Director Unipart Leisure & Marine has delivered a significant improvement in performance

In addition Unipart Automotive also has operations in the USA, Middle East, Netherlands and Belgium These have continued to strengthen during 2006 The planning work for a significant warehouse extension at Van Wezel in Belgium has commenced as this business continues to expand both in terms of range and underlying volumes

Manufacturing joint ventures

Unipart Eberspacher Exhaust Systems Limited (UEES)

Our manufacturing joint venture with Eberspacher continued to grow its core business in 2006 with the successful introduction of significant model changes to Range Rover Range Rover Sport and Discovery III for which the business is the supplier of exhausts catalysts and manifolds These changes were due to amendments in European emission laws The Company also continued its successful supply of steel fuel tanks for Aston Martin Jaguar and Bentley and filler pipes for Ford PAG

In addition to the above core products UEES also acquired an engine component business securing the manufacture and supply to Ford, Bentley and Isuzu This business was transferred to UEES early in 2007 and further demonstrates UEES' abilities not only in fabrication and assembly but also in the key skills of project management and transferring production facilities with uninterrupted supply to the customer

During the year UEES launched the Teaching Factory concept and received a visit from HRH Prince Andrew The Duke of York in his role as the government s Special Representative for International Trade and Investment

UEES continue to look for new opportunities and markets and in 2006, were awarded the Aerospace quality accreditation AS/EN 9100 It was an exceptional achievement for an Automotive manufacturer who has no current Aerospace contracts to achieve this award It will enable UEES to continue to grow by securing additional business in a new market whilst continuing to maintain and grow its ongoing Automotive business

Kautex Unipart Limited (KUL)

Our manufacturing joint venture with Kautex Textron has also had a successful year There have been some major introductions of new products and processes in particular KUL produced the new Freelander fuel system which strengthens the Land Rover range In addition KUL have introduced new 40 litre petrol and diesel derivative tanks for BMW Mini which improves their offering to their customers All BMW Mini tanks are now sequenced at the end of our production line into the customer build pattern which reduces further waste KUL have also extended their site building to assist in housing BMW products The quality for the plant is world-class for all customers with only 18 faults per million recorded

KUL s quality and delivery performance has assisted them in developing relationships with their customers and has led to them being awarded new business which will add incremental turnover in the future

Pensions

During 2005 the Group made the difficult decision to cease future accruals to its two main defined benefit schemes In addition the Group agreed with the trustees a schedule of additional contributions to assist in eliminating the pension deficit. During this year, significant payments were made into the defined benefit schemes in line with the agreed schedule In addition the Board approved a proposal for the Group to offer a number of deferred pension scheme members cash incentives if they transferred out of the defined benefit schemes This has been well taken up and has helped to further reduce the pension deficit

Dividends

Despite remaining in a net cash position the Group requires external funding to support its working capital requirements as it continues to grow Further cash contributions will be made to the pension fund to eliminate the deficit and therefore the Board are not proposing a dividend for the year

Principal risks and uncertainties

The management of the business and the execution of the Group s strategy are subject to a number of risks Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them A summary of the key business risks affecting the Group is set out below

(a) Competition

Across the various areas of its logistics services the Group operates in a highly competitive market which applies pressure to the sales and margins that can be achieved This pressure has been particularly felt within Unipart Automotive Through the thorough application of The Unipart Way the Group seeks to differentiate itself from its competitors by offering superior levels of quality service and availability to its customers

(b) Customer contracts

Over a number of years the Group has developed a significant number of long term partnerships with its clients, with both sides investing in the relationship for mutual benefit As a result, the loss of any major clients would represent a risk to the Group however this risk is mitigated through continued diversification with new clients close client management at various levels and long term contractual relationships The Group manages varying degrees of its clients supply chains including holding significant levels of inventory at the Group s worldwide warehouses Through tight controls and continuous improvement processes the Group minimises the risk of loss of its own or clients inventory

(c) Pension deficit

The Group s risks in relation to its defined benefit schemes have been reduced following the successful transition to a defined contribution scheme for a significant proportion of the employees. Significant pension contributions have also been made to reduce the defined benefit deficits The risks in the defined benefit schemes remain the exposure to external factors such as discount rates market returns and mortality rates

Our people and our future

During 2006 we have continued to develop and train our people in the full suite of the tools and techniques of The Unipart Way With the Unipart Automotive division now recognising its benefits The Unipart Way is being embraced throughout the Group and it is becoming more and more evident that this represents a long-term competitive advantage across the Group Not only has this benefited our business internally in driving efficiencies and improving productivity the development of The Unipart Way has led to a number of significant consultancy contracts which have heavily involved the Group s practitioners

We continue to recognise the contribution of our employees in delivering outstanding personal customer service through our Mark In Action award scheme The Mark In Action award is only presented after a thorough nomination and review process by a select panel of external judges In 2006 well over 100 awards were granted bringing the total number of awards presented since the programme began in 1987 to 2 300 at 31 December 2006

There is a strong correlation between good financial performance and high scores in annual Unipart Way audits around the Group This in turn is closely linked with the personal leadership of The Unipart Way by our managers and directors and we regard this as so important that the first principle of The Unipart Way clearly states that 'we will expect all our leaders to live The Unipart Way philosophy and coach our employees in the tools and techniques The appointment to the Unipart Board of Frank Burns who is recognised as a leader and who lives by the first principle was both well received in the organisation and also sent a clear message to our future leaders of what we expect

2007 will be a year of investment for the Unipart Automotive division demonstrating the improvements that we have made to our customers and stakeholders The other main divisions of Unipart Logistics and Unipart Rail will continue their growth and drive to achieve excellent customer service and build long term partnerships

This year has once again made enormous demands on our people at every level in the Group I want to take this opportunity to thank all of our people for their hard work and dedication

Financial Review

A J Mourgue
Group Finance Director

Financial highlights

- Turnover, including our share of joint ventures decreased by 1 6% to £1 138 8m (2005 - £1 157 7m)
- Operating profit before goodwill amortisation and exceptional items of £5 9m (2005 - £27 7m)
- Profit before interest and taxation of £15 2m (2005 - £53 5m)
- Profit for the financial year of £9 2m compared to £42 8m in the previous year
- Total shareholders funds at the year end of £78 3m (2005 - £46 2m)
- Cash outflow before financing £2 9m (2005 - £51 1m inflow)
- Net cash at the end of the year of £7 8m (2005 - £11 1m)
- Net pension deficit reduced by £40 9m to £44 9m (2005 - £85 8m)

Turnover

Turnover including our share of joint ventures has decreased marginally by 1 6% to £1 138 8m (2005 - £1 157 7m) This has been achieved in the tough environment in which the Group operates particularly within the Automotive sector

Profit for the year

The Group reports a profit before interest and taxation of £15 2m (2005 - £53 5m) Within this Group operating profit before goodwill amortisation and exceptional items was £5 9m (2005 - £27 7m) goodwill amortisation was £2 6m (2005 - £2 0m) total exceptional items were £10 5m (2005 - £26 8m) and the share of operating profit in joint ventures was £1 4m (2005 - £1 0m)

The decrease in operating profit before goodwill amortisation and exceptional items essentially reflects the adverse performance of the Unipart Automotive business in the year offset by strong performances in Unipart Logistics and Unipart Rail

Exceptional items

There were total exceptional items of £10 5m in the year consisting of £9 2m reported within operating profit and £1 3m reported after operating profit

As described earlier the Board approved a proposal to offer certain deferred pension scheme members cash incentives to transfer out of the defined benefit scheme As a result a settlement credit of £12 0m has arisen during the year The net exceptional profit of £9 2m reported in arriving at the Group operating profit is stated after charging the cash incentive payments made and the costs incurred by the Group in relation to these activities

Exceptional items credited after operating profit of £1 3m represent additional profits earned during the year in respect of businesses sold in prior periods

Share of joint ventures operating profit

The Group s share of operating profit in joint ventures of £1 4m has increased during the year as a result of a year of stability of current products and the benefit of increasing product ranges as discussed in the Chief Executive s review

Interest and other financial income and charges

Net interest payable for the year was £2 3m compared to £4 2m in the previous year This reflects a period of lower borrowings during 2006 along with favourable interest rates

Net other finance income of £6 6m arose in the year compared to £0 9m in 2005 This reflects the net financing income of £6 9m (2005 - £1 2m) that arises from the expected return of the pension schemes assets over the interest on liabilities as prescribed by FRS 17 This has been partially offset by the unwinding of discounting on provisions of £0 3m (2005 - £0 3m)

Taxation

The overall tax charge for the year is £10 0m Of this, £7 7m is the deferred tax charge on the pension related profit and loss items which includes the settlement credit discussed in exceptional items The balance of the tax charge is principally overseas tax

Shareholders' funds

Total shareholders funds at the year end of £78 3m have improved by £32 1m since the last annual report

Cash generation and borrowings

The Group reports a cash outflow before financing of £2 9m (2005 - £51 1m inflow) and as a consequence reports net cash at the end of the year of £7 8m compared to £11 1m at the end of 2005

Pensions

The Group has seen its net pension deficit reduced by £40 9m to £44 9m (2005 - £85 8m) The reduction in the net pension deficit is as a result of strong investment performance coupled with slightly higher bond yields impacting the discount rate applied to liabilities and additional cash contributions of £8 9m to the defined benefit scheme as part of long-term funding agreements with the trustees Liabilities have also reduced as a result of those deferred pension scheme members who transferred out of the schemes

The latest actuarial valuation as at 31 January 2007 is currently in the course of completion As part of this process the future additional cash contributions will be agreed with the trustees taking into account the progress which has already been made in reducing the deficit

Treasury policies

The Group's financial risks are managed centrally by the Groups treasury department with policies that are approved by the Board

(a) Interest rate risk

Interest rate risk in respect of debt is reviewed on a regular basis In order to protect against the volatility of interest charges interest rate swaps and interest Caps and Collars' are used for appropriate proportions of the debt

(b) Foreign currency risk

The Groups foreign currency transaction risks mainly arise because receipts in currencies other than Sterling are greater than its payables in those currencies principally for the US Dollar Hedging of net currency exposures is implemented in order to 'protect forecast gross profits and cover snort term currency exposure The hedges are enacted through forward and spot currency contracts and options entered into by Group Treasury on the basis of trading projections and information provided by the business units

(c) Liquidity risk

The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group

(d) Counterparty risk

The investment management of liquid funds aims to maximise the return on net funds subject to the security of the principal and the liquidity of the Group The Group has identified counterparts of suitable credit worthiness

The Group enters into foreign exchange and interest rate contracts as part of its normal course of trading The resulting derivatives are not included at fair value in the Group balance sheet at 31 December 2006 The extent and fair value of these derivatives is of such a level that it does not materially affect the reported results and as a result has not been disclosed

Key performance indicators

The Board uses a number of financial and non-financial key performance indicators to monitor the progress of the Group

The performance during the year, together with historical trend data is set out below

(a) Availability

The availability of product for delivery to customers is a key performance indicator across the various business operations In aggregate this statistic is not meaningful due to differing service level client requirements Individually this is commercially sensitive information which would be prejudicial to disclose

(b) Daily sales - £4,520,000 (2005 - £4,590,000)

Daily sales have fallen slightly during the year reflecting the difficult trading performance of Unipart Automotive partially offset by a strong year of Unipart Logistics and Unipart Rail sales

(c) Return on sales – 0 5% (2005 – 2 5%)

Return on sales has been adversely impacted by the poor performance of Unipart Automotive in the year which has resulted in a reduced Group operating profit before goodwill amortisation and exceptionals

(d) Debtor days – 38 days (2005 – 41 days)

The reduction in debtor days reflects the continued success of the The Unipart Way in improving the processes in debt collection

Summary Group profit and loss account

Year ended 31 December	2006 £m	2005 £m
Turnover	1,138 8	1 157 7
Less share of joint ventures turnover	(55 8)	(52 1)
Group turnover	1,083 0	1,105 6
Operating profit before goodwill amortisation and exceptional items	5 9	27 7
Goodwill amortisation	(2 6)	(2 0)
Total exceptional items	10 5	26 8
Share of operating profit in joint ventures	1 4	1 0
Profit before interest and taxation	15 2	53 5
Interest (including FRS 17)	4 3	(3 3)
Taxation	(10 0)	(7 2)
Minority interests	(0 3)	(0 2)
Profit for the financial year	9 2	42 8

Summary Group balance sheet

As at 31 December	2006 £m	2005 £m
Fixed assets	67 2	68 6
Other net current assets	103 3	110 7
Net cash	7 8	11 1
Corporation tax deferred tax other taxes and social security costs	(4 2)	(2 6)
Other creditors and provisions for liabilities and charges	(50 9)	(55 8)
Net pension deficit	(44 9)	(85 8)
Total net assets	78 3	46 2

Summary Group cash flow statement

Year ended 31 December	2006 £m	2005 £m
Operating profit before interest, tax depreciation and amortisation	22 1	60 2
Working capital	3 2	9 6
Dividends received from joint ventures	0 5	-
Interest/tax paid	(3 3)	(3 6)
Exceptional costs/other	(19 3)	(12 9)
Fixed asset receipts	1 7	1 9
Capital expenditure	(7 5)	(5 2)
Free cashflow	(2 6)	50 0
Acquisitions and disposals	(0 3)	1 1
Net cashflow before use of liquid resources and financing	(2 9)	51 1

(e) Creditor days – 48 days (2005 – 46 days)

The slight increase in creditor days reflects tne investment being made in inventory

(f) Inventory turn – 5 6 times (2005 – 5 8 times)

The reduction in inventory turn is primarily driven by the stock investment during the year to improve the product range and availability in Unipart Automotive

UNIPART GROUP

Board of Directors

Lord Sheppard KCVO KT
Non-executive Chairman

Lord Sheppard was appointed non-executive Chairman of Unipart in 1996 following 21 years as a director of Grand Metropolitan which included positions as Group Chief Executive (1986-93) and Chairman (1987-96) Knighted in 1990 and in 1996, Allen Sheppard had previously spent 18 years in the motor industry in finance sales marketing and line management with Ford Rootes and British Leyland

He is also Chairman of Namibian Resources plc One-Click HR plc and McBride plc as well as Chancellor of Middlesex University which in 2000 made him an honorary fellow Lord Sheppard has been a key figure in the running of the Prince s Trust and Business in the Community and is President of London First, which strives to improve and promote London

J M Neill CBE
Chief Executive & Deputy Chairman

John Neill was appointed Chief Executive of the Group in 1987 having led the management buyout from British Leyland John joined Unipart in 1974 becoming Managing Director in 1977 Together with the Board members and members of the Group Executive Committee he is responsible for the day-to-day management and overall performance of the Group

He holds a number of key positions within the motor industry including Vice President of the Society of Motor Manufacturers and Traders (SMMT), as well as being a Board member of the SMMT Industry Forum His other offices include being a non-executive director of Charter plc and of Royal Mail Holdings plc He is also a former member of the Court of the Bank of England and has been awarded honorary Doctorates in Business Administration from several universities including Oxford Brookes De Montfort and Middlesex

A J Mourgue
Group Finance Director

Tony Mourgue was appointed Group Finance Director in 1986 having joined Unipart in 1983 Prior to that, Tony worked with Black & Decker in the UK with responsibilities in Europe the Middle East and Africa having qualified as a Chartered Accountant with Ernst & Young in London and Paris

As well as managing the internal financial control of the Group he has been responsible for executing the numerous acquisitions and disposals the Group has undertaken and has been closely involved with relationships with investors including the original buyout a share buy back and share transactions between institutional shareholders. He is also responsible for banking relationships and having led the process to reduce group debt has put into place long-term banking facilities for the Group

J D Clayton
Managing Director - Unipart Rail

John Clayton is responsible for the Groups Rail business which was rebranded in 2006 as Unipart Rail Since joining Unipart in 1983, he has held senior financial and operational roles in the Group as well as in each of the main businesses When Unipart took an equity stake in Railpart on that companys privatisation in March 1997 he was appointed Managing Director since when he has also taken responsibility for the other Rail acquisitions of NRS, Dorman and Varitext which now collectively constitute Unipart Rail

In his earlier career, he qualified as a Chartered Accountant with Ernst & Young before joining Black & Decker from where he moved to Unipart

S R Johnson
Non-executive director

Having graduated from Cambridge University in the 1980s with an engineering degree Steve Johnson has worked in a variety of roles and organisations including periods working in consultancy retail and logistics

In his early career he held consultancy jobs with Bain & Company and with Kalchas Later he joined the senior management team at Asda and after a period as Marketing Director and then Corporate Development Director took over responsibility for one of Asda s main business units

Following the acquisition of Asda by Wal-Mart, he joined GUS where he developed the sales and marketing function for its new outsourcing arm In 2002, he became Chief Executive Officer of Focus DIY one of three national players in the UK DIY market

F W Burns
Managing Director - Unipart Logistics

Frank Burns was appointed Managing Director of Unipart Logistics during 2006 with responsibility for all aspects of the business including the development of Unipart as a major player in the UK consultancy market and leading the business to become the Ultimate Logistics Partner He was appointed to the Unipart Group Board during 2006

He started his career at Unipart in 1988 in the manufacturing businesses where he held a number of positions including Managing Director of Unipart Manufacturing Group In 1999 he moved to Unipart Logistics where he was responsible for operations and also the implementation of The Unipart Way across the Group

He previously held senior positions at both GKN and Tenneco Automotive

A M Vinton
Non-executive director & Deputy Chairman

Fred Vinton was appointed a director in 1998 and non-executive Deputy Chairman in 2004 He is the Chairman of the international fund management company EP Private Equity and Chairman of Lambert Howarth Group plc He is also a director of a private family fund management company as well as several fund management companies investing in Latin America and Europe He previously served as Chief Operating Officer at N M Rothschild & Sons and as Chief Executive responsible for the financial assets of the Bemberg Family Group

Born in Argentina he graduated from Harvard in Economics and spent 25 years with J P Morgan in the US South America and latterly, London where he was Senior Vice President responsible for banking operations and UK business from 1980-86

R C Tomkinson
Non-executive director

Robert Tomkinson joined Unipart in 1998 At the time of his appointment he had just retired as Group Finance Director of Europe s leading electronics and electrical distribution group Electrocomponents plc

Previously he held a similar position with Automotive Products and his early career was spent in energy and merchant banking He is a non-executive director of Barloworld Ltd of South Africa In the UK, he has been a Chairman or a non-executive director of a number of companies and of the University of Buckingham

UNIPART GROUP

Directors' Report

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

Principal activities and business review

Unipart develops, implements and operates supply chain solutions in the Logistics market in partnership with its customers in a wide range of Automotive Technology Rail Retail and Consumer industries. Unipart s expertise and solutions cover the entire supply chain ranging from warehousing and distribution to consultancy and training as well as IT and management systems and reverse logistics support These activities and an indication of likely future developments are described in the Chairman s statement on page 1, the Chief Executive s review on pages 2 to 5 and the Financial review on pages 6 to 7 which collectively form the Business review Principal subsidiaries and joint ventures are listed in note 26

Change of Company name

The Company changed its name from UGC Limited to Unipart Group of Companies Limited on 15 June 2006

Profit and dividends

The Group profit for the financial year after taxation was £9 5m (2005 - £43 0m) The Company has not paid nor is it proposing to pay any dividends in respect of the financial year ended 31 December 2006 (2005 - £nil)

Directors and directors' interests

The current directors served throughout the year except for Mr C Etherington who resigned on 2 June 2006 Mr SR Johnson who was appointed on 26 July 2006 Mr FW Burns who was appointed on 22 November 2006 and Mr K Jones who retired on 14 December 2006 The biographical details of the current directors are listed on pages 8 to 9 The beneficial interests of the directors and their families in the share capital of the Company at the year end are shown below

	'A' Ordinary Shares of ½p each		'D' Ordinary Shares of ½p each		E' Ordinary Shares of ½p each	
	31 December 2006 Number	1 January 2006* Number	31 December 2006 Number	1 January 2006* Number	31 December 2006 Number	1 January 2006* Number
Beneficial Holdings						
Lord Sheppard	100 000	100 000	-	-	-	-
JM Neill	1 627 222	1 627 222	5 638 860	5,638 860	-	-
AJ Mourgue	34,824	34 824	1 362 500	1 362 500	-	-
JD Clayton	91 500	91 500	-	-	191 083	191 083
FW Burns	77 780	77 780	-	-	-	-
AM Vinton	200 000	200 000	-	-	-	-
RC Tomkinson	20 000	20 000	-	-	-	-

*At date of appointment of 22 November 2006 for Mr FW Burns

Non-Beneficial Holdings						
JM Neill	898 020	898 020	-	-	-	-

Ordinary 'A' shares under option in the company	1 January 2006* Number	Granted in year Number	Lapsed in year Number	31 December 2006 Number
JM Neill	1 918 367	-	-	1 918 367
AJ Mourgue	1 122 449	-	-	1 122 449
JD Clayton	200 000	113 750	(43 750)	270 000
FW Burns	330 000	-	-	330 000

* At date of appointment of 22 November 2006 for Mr FW Burns

No options were exercised during the financial year

Those directors who are employees or former employees of the Group are deemed by Section 324 of the Companies Act 1985 to be interested in the shares held by the Group Share Trust for the benefit of Group employees The interest of the Group Share Trust in the shares of Unipart Group of Companies Limited was as follows

	31 December 2006 Number	1 January 2006 Number
A Ordinary shares of ½p each	15,191 243	15 191 387

None of the directors had any beneficial interest at any time during the year in the share capital of the Company s subsidiaries or in any of the loan stock of the Company or its subsidiaries There was no contract with the Company or its subsidiaries subsisting during or at the end of the year in which any director of the Company had a material interest with the exception of an indemnity which was made available to the directors against liabilities incurred by them in defending proceedings against them in relation to the affairs of the Company The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effect of changes in price risk credit risk, liquidity risk and cash flow risk. The Group enters into interest rate and foreign exchange contracts to reduce the level of risk that it faces. These policies are approved by the Board and are managed centrally by the Group s treasury department. Further details of the financial risks are disclosed in the Financial review on page 7

Donations

During the year, the Group supported charities with donations of £12,200 (2005 - £11 300) of which £4 400 (2005 - £3,700) was for health and well-being purposes £6 200 (2005 - £4 000) in respect of child welfare and youth development and £1 600 (2005 - £3,600) to other charitable purposes in support of employees in their fund-raising activities The Group made no political donations during the year (2005 - £nil)

Supplier payment policy

Provided there are no disputes concerning the supply of goods or services it is the Companys and Groups normal practice to pay its suppliers within an acceptable period of time The average number of days purchases in trade creditors at 31 December 2006 was 48 days (2005 - 46 days)

Overseas branches

Details are set out in note 26 to the financial statements

Employees

The Group continues to involve employees in the decision-making process and communicates with all employees on various areas including the economic and financial factors affecting the Group via regular briefings on-site training employee forums and through our in-house DVD programme, 'Grapevine Employee involvement in the Groups performance is encouraged through employee bonus and share schemes and this involvement extends to the board of trustees of the main pension scheme on which there are employee representatives

The Groups aim for all existing employees and applicants for employment is to fit the qualifications aptitude and ability of each individual to the appropriate job and to provide equal opportunity regardless of sex religion or ethnic origin The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative

Group Share Trust

In order to enable employees to buy shares and have an interest in the Group a Group Share Trust was set up at the time of the original buyout in January 1987 It has independent trustees and during dealing periods it can offer to buy and sell shares Periodically it may also participate in schemes that enable employees to acquire shares and share options It is not considered appropriate to consolidate the Group Share Trust in the Groups financial statements due to the terms of the trust deeds governing the Group Share Trust, which prevent the Group from having de facto control over the trust.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company and Group will be proposed at the annual general meeting

Statement of directors responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss and the total recognised gains and losses of the Group for that year 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 accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities They are also responsible for taking such steps as would be expected to avail themselves of any relevant audit information and to establish that the auditors of the Company and the Group are aware of that information

The directors confirm that these financial statements comply with the aforementioned requirements and that, as far as they are aware there is no relevant audit information of which the auditors are unaware

By order of the Board

M D Rimmer, Company Secretary
Oxford
3 May 2007

UNIPART GROUP

Independent Auditors' Report

to the members of Unipart Group of Companies Limited

We have audited the Group and parent Company financial statements (the financial statements) of Unipart Group of Companies Limited for the year ended 31 December 2006 which comprise the Group profit and loss account, the Group and Company balance sheets the Group cash flow statement, the Group statement of total recognised gains and losses the note of Group historical cost profits and losses 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 Annual Report and 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 Directors report is consistent with the financial statements The information given in the Directors report includes that specific information presented in the Chairman s statement, Chief Executive s review and Financial review that is cross referred from the Business review section of the Directors report

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Directors report the Chairman s statement the Chief Executive s review and the Financial review We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

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 Group s and 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 Group s and the parent Company s affairs as at 31 December 2006 and of the Group s profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985

In our opinion the information given in the Directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
3 May 2007

Group Profit and Loss Account

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Turnover			
Total turnover		1,138 8	1 157 7
Less share of joint ventures turnover		(55 8)	(52 1)
Group turnover	1	1,083 0	1 105 6
Operating profit from continuing operations			
Group operating profit before goodwill amortisation and exceptional items		5 9	27 7
Goodwill and other intangibles amortisation	9	(2 6)	(2 0)
Exceptional items	3(a)	9 2	27 3
Group operating profit	2	12 5	53 0
Share of operating profit in joint ventures		1 4	1 0
Total operating profit		13 9	54 0
Profit/(loss) on disposal of businesses	3(b)	1 3	(0 5)
Profit on ordinary activities before interest and taxation		15 2	53 5
Net interest payable	4		
- Group		(2 2)	(4 1)
- Share of joint ventures		(0 1)	(0 1)
Total net interest payable		(2 3)	(4 2)
Net other finance income	5	6 6	0 9
Profit on ordinary activities before taxation		19 5	50 2
Taxation on profit on ordinary activities	6	(10 0)	(7 2)
Profit on ordinary activities after taxation		9 5	43 0
Equity minority interests	20	(0 3)	(0 2)
Profit for the financial year	20	9 2	42 8

Operations in both years were continuing

Group statement of total recognised gains and losses

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Profit for the financial year			
Group		8 3	42 2
Share of joint ventures		0 9	0 6
	20	9 2	42 8
Actuarial gain recognised on Group pension schemes	23	32 3	28 8
Deferred tax relating to actuarial gain on Group pension schemes	13 20	(9 9)	(8 6)
Current tax relating to actuarial gain on Group pension schemes	20	0 2	-
Actuarial loss recognised on joint ventures pension schemes		-	(0 4)
Deferred tax relating to actuarial loss on joint ventures pension scheme		-	0 1
Revaluation of freehold land and buildings in year	10	1 4	-
Foreign exchange adjustments	20	(1 1)	0 5
Total gains and losses recognised relating to the year		32 1	63 2

Note of Group historical cost profits and losses

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Profit on ordinary activities before taxation		19 5	50 2
Realisation of property revaluation gains of previous years	20	0 4	0 3
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	20	0 1	0 1
Historical cost profit on ordinary activities before taxation		20 0	50 6
Historical cost profit for the year retained after taxation and equity minority interests		9 7	43 2

UNIPART GROUP

Balance Sheets

As at 31 December 2006

	Notes	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Fixed assets					
Intangible assets	9	9 2	10 6	-	-
Tangible assets	10	48 4	48 9	-	-
Investments in subsidiaries	11(c)	-	-	66 5	66 5
Investments in joint ventures					
Share of gross assets		26 8	24 0		
Share of gross liabilities		(21 7)	(19 3)		
	11(a) (c)	5 1	4 7	5 8	5 8
Loans	11(a) (c)	4 3	4 3	4 3	4 3
Other investments	11(b)	0 2	0 1	-	-
		67 2	68 6	76 6	76 6
Current assets					
Stocks	12	144 7	138 9	-	-
Debtors - amounts falling due within one year	13(a)	156 1	165 0	65 5	214 6
Debtors - amounts falling due after more than one year	13(b)	18 8	20 8	-	0 6
Cash at bank and in hand		20 9	25 3	0 2	0 2
		340 5	350 0	65 7	215 4
Creditors - amounts falling due within one year	14	(262 6)	(252 3)	(81 6)	(230 1)
Net current assets/(liabilities)		77 9	97 7	(15 9)	(14 7)
Total assets less current liabilities		145 1	166 3	60 7	61 9
Creditors - amounts falling due after more than one year	15	(4 0)	(14 0)	-	-
Provisions for liabilities and charges	17	(17 9)	(20 3)	-	-
Total net assets (excluding net pension deficit)		123 2	132 0	60 7	61 9
Net pension deficit	23	(44 9)	(85 8)	-	-
Total net assets (including net pension deficit)		78 3	46 2	60 7	61 9
Capital and reserves					
Called up share capital	18	0 4	0 4	0 4	0 4
Share premium account	20	4 4	4 4	4 4	4 4
Capital redemption reserve	20	11 5	11 5	11 5	11 5
Revaluation reserve	20	18 3	17 4	-	-
Profit and loss reserve	20	43 2	12 0	44 4	45 6
Equity shareholders' funds	21	77 8	45 7	60 7	61 9
Equity minority interests	20	0 5	0 5	-	-
Total shareholders funds		78 3	46 2	60 7	61 9

Approved by the Board on 3 May 2007 and signed on its behalf by

J M Neill
Group Chief Executive

A J Mourgue
Group Finance Director

Group Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 £m	2006 £m	2005 £m	2005 £m
Net cash inflow from operating activities	22(a)		6 0		57 0
Dividends received from joint ventures			0 5		-
Returns on investments and servicing of finance					
Interest received		0 6		0 6	
Interest paid		(2 6)		(4 2)	
Dividends paid to minority shareholders		(0 3)		(0 2)	
Net cash outflow from returns on investments and servicing of finance			(2 3)		(3 8)
Taxation			(1 0)		0 2
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(0 3)		(0 2)	
Purchase of tangible fixed assets		(7 2)		(5 1)	
Sale of tangible fixed assets		1 7		1 9	
Net cash outflow from capital expenditure and financial investment			(5 8)		(3 4)
Acquisitions and disposals					
Acquisition of business		(0 5)		-	
Disposal of business and associates		0 2		1 1	
Net cash (outflow)/inflow for acquisitions and disposals			(0 3)		1 1
Cash (outflow)/inflow before financing			(2 9)		51 1
Financing					
Increase/(decrease) in debt due within a year		8 6		(7 0)	
Decrease in debt due after more than one year		(10 9)		(43 1)	
Net cash outflow from financing			(2 3)		(50 1)
(Decrease)/increase in cash	22(b)		(5 2)		1 0

Reconciliation of net cash flow to movement in net cash	Notes	2006 £m	2005 £m
(Decrease)/increase in cash	22(b)	(5 2)	1 0
Net cash outflow from decrease in debt financing	22(b)	2 3	50 1
Change in net cash resulting from cash flows		(2 9)	51 1
Non-cash movements			
Currency translation differences	22(b)	0 2	(0 1)
Amortisation of capitalised bank fees	22(b)	(0 6)	(0 6)
Movement in net cash		(3 3)	50 4
Net cash/(debt) at 1 January	22(b)	11 1	(39 3)
Net cash at 31 December	22(b)	7 8	11 1

Accounting Policies

A summary of the more important accounting policies adopted by the Company and the Group is given in the following paragraphs The policies are consistent with the previous year except for the mandatory adoption of FRS 20 Share-based payment No restatement of comparative figures has been required as the adoption of this standard has had an immaterial impact on the Group's results

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards The financial statements are prepared on the historical cost basis of accounting modified to include the valuation of freehold land and buildings

Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all of its subsidiary undertakings and incorporate its share of the results of all joint ventures via equity accounting principles The results and fair value of the assets and liabilities of undertakings acquired are consolidated from the date the Group gains control Where in the view of the directors the Group does not have de facto control over the related entities these entities are excluded from the consolidation in the Group s financial statements No profit and loss account is presented for the Company as permitted by Section 230 (3) of the Companies Act 1985

Turnover

Income is recognised on the invoiced value of goods and services supplied during the year including amounts received and receivable on management fee contracts Turnover is reported net of conditional discounts VAT and other sales taxes

Pension costs

The Group accounts for pension and other post retirement benefits schemes in accordance with FRS 17 Retirement benefits For defined contribution schemes contributions are charged to the Group profit and loss account as payable in respect of the accounting year

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included within staff costs and charged or credited to the statutory profit and loss account headings to which they relate Past service costs are recognised immediately in the Group profit and loss account if the benefits have vested If the benefits have not vested immediately the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Group statement of total recognised gains and losses

Where defined benefit schemes are funded the assets of the scheme are held separately from those of the Group in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date

The resulting defined benefit asset or liability net of the related deferred taxation is presented separately after other net assets on the face of the balance sheet

Where it is not possible to split the scheme assets and liabilities between individual subsidiary companies the relevant subsidiary companies account for pensions on a contributions basis

Goodwill

Goodwill being the excess of the fair value of purchase consideration of businesses acquired over the Group s share of the fair value of assets and liabilities acquired is written off to the Group profit and loss account on a straight line basis over periods which represent the useful economic lives of those assets up to a maximum of twenty years All goodwill arising prior to the adoption of FRS 10 Goodwill and intangible assets remains written off to reserves and will be charged to the Group profit and loss account on subsequent disposal or termination of the business to which it relates

Intangible assets

Expenditure incurred to acquire licences to manufacture certain products are capitalised and amortised on a straight-line basis over the shorter of the estimated economic life of the manufacturing activity, the life of the licence or twenty years

Tangible fixed assets

All tangible fixed assets with the exception of freehold land and buildings are carried at cost less depreciation and provision for impairment The cost of purchased assets is the value of consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use

Freehold land and buildings are carried at valuation (open market value for existing use) As the Group's portfolio of freehold land and buildings consists of a number of broadly similar properties whose characteristics are such that their values are likely to be affected by the same market factors a full valuation will be performed on a rolling basis to cover all the properties over a five-year cycle together with an interim valuation on the remaining four-fifths of the portfolio where it is likely that there has been a material change in value

With the exception of freehold land which is not depreciated, depreciation on the cost or valuation of tangible fixed assets is charged evenly to write off the assets to their residual value over their estimated useful lives as follows

Freehold and long leasehold buildings	35 to 50 years
Short leasehold buildings	the term of each lease
Plant and equipment	1 to 10 years

The Group s policy is to capitalise as tangible fixed assets computer software expenditure only in respect of major systems changes

Impairment of fixed assets and goodwill

Impairment provisions are calculated by comparing the net book value of fixed assets or goodwill with the higher of the net realisable value and the value in use of those assets The value in use is calculated using forecast risk-adjusted discounted post-tax cash flows over the economic life of the related fixed asset or goodwill

Investments

The Group's investment in joint ventures is its interest in their net assets and goodwill plus loans Other investments are stated at cost less provision for impairment

Stocks

Stocks are stated at the lower of cost and net realisable value Cost of finished products and work in progress includes where appropriate direct labour and materials and a proportion of factory overheads Net realisable value is calculated after taking into account provisions for obsolescence, as the actual selling price, net of trade discounts less costs to completion and all related marketing, selling and distribution costs

Warranties

Provision is made for the best estimate of the costs of making good under warranty products sold before the balance sheet date and discounted where material

Onerous contracts

When a contract becomes onerous provision is made for the best estimate of the unavoidable losses that are expected to be incurred under the remainder of the contract term

Property provisions

Provision is made for the best estimate of unavoidable future lease payments on a discounted basis where material, when the lease becomes onerous, net of amounts that can be reasonably expected to be recovered from subtenants to which the respective property is expected to be sublet.

Provision is made for the best estimate of dilapidation costs on a discounted basis at the date the obligation arises The unwinding of the discount is included within interest expense The provision is net of amounts recoverable in respect of dilapidation costs for properties that have been sublet to unrelated third parties

Deferred taxation

Deferred taxation is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for taxation purposes A deferred tax liability is recognised if transactions or events result in the Group having an obligation to pay more tax in future periods A deferred tax asset is only recognised where transactions or events that have occurred before the balance sheet date give the Group the right to pay less tax in future and it is considered reasonable to forecast that there will be future profits against which the deferred tax assets can be recovered Deferred tax balances are not discounted

Share-based payments

The fair value of share plans where material is recognised as an expense in the Group profit and loss account over their expected vesting periods The fair value of share plans is determined at the date of the grant, taking into account any market based vesting conditions attached to the award Non-market based vesting conditions are taken into account in estimating the number of awards that are likely to vest, these estimates are reviewed regularly and the expense charge adjusted accordingly

Operating leases

Operating lease rentals are charged against operating profit as incurred

Finance costs

Costs incurred in respect of obtaining new debt instruments are capitalised and reported against the respective debt within liabilities and amortised to the Group profit and loss account over the term of the facility

Foreign currency

The profit and loss accounts of overseas activities are translated into Sterling at average rates of exchange Balance sheets are translated at the rate of exchange prevailing at the balance sheet date Exchange differences arising on the retranslation at closing rates of the opening balance sheets of overseas activities together with the year end adjustment to closing rates of profit and loss accounts translated at average rates are taken to reserves

Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are taken through the Group profit and loss account. Differences arising on the translation of foreign currency borrowings are taken directly to reserves where there is a corresponding exchange difference on the translation of the related net investment.

Significant estimation techniques

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure in the reporting period Actual results could differ from those estimates Estimates are principally used when accounting for pension costs the valuation of freehold land and buildings the useful economic lives of fixed and intangible assets, provisions and, in certain instances in revenue recognition

Financial instruments

The Group uses various derivative financial instruments to reduce exposure of foreign exchange risks Authorised instruments include forward currency contracts and currency options The Group also uses interest rate swaps and options to manage its interest rate exposure

Forward currency contracts used to hedge transaction exposures are not revalued Transactions to hedge translation exposures are revalued and the net unrealised difference taken to trading profit. All realised gains and losses are taken to operating profit.

Currency option premia are recognised at their historical cost in the Group balance sheet as other receivables At maturity the option premia together with any realised foreign exchange differences on exercise are taken to operating profit.

Interest rate option premia paid are recognised at their historical cost in the Group balance sheet as other receivables Option premia are taken to net interest payable spread over the interest period covered by the relevant options

Amounts payable or receivable in respect of interest rate swap agreements used to manage interest rate exposure are recognised as adjustments to periodic interest expense over the duration of the contracts

UNIPART GROUP

Notes to the Financial Statements

1 Segmental reporting

The Group operates principally in one business segment that of distribution and logistics management Other businesses are not considered sufficiently material to warrant separate disclosure as different business segments

The Group operates principally in the United Kingdom where all significant operations are controlled and thus where turnover is considered to originate and from which profit arises An analysis of turnover by location of external customer is as follows

	2006 £m	2005 £m
United Kingdom	807 1	823 0
Other Europe	115 4	109 0
North America	116 6	130 0
Rest of the world	43 9	43 6
Group turnover	1,083 0	1 105 6
Share of joint ventures turnover (UK)	55 8	52 1
Total turnover including share of joint ventures	1,138 8	1 157 7

The Group exports and holds assets overseas supporting its sales operations to numerous parts of the world The geographical analysis of net assets by location is as follows

	2006 £m	2005 £m
United Kingdom	55 8	70 8
Other Europe	22 7	16 7
North America	25 4	23 4
Rest of the world	11 5	10 0
	115 4	120 9
Central net liabilities	(37 1)	(74 7)
Consolidated net assets	78 3	46 2

Central net liabilities represent the net pension deficit together with net cash both of which cannot practicably be divided between the geographical locations

2 Group operating profit

	2006 £m	2005 £m
Group turnover	1,083 0	1 105 6
Cost of sales	(804 4)	(807 1)
Gross profit	278 6	298 5
Distribution costs	(156 9)	(168 3)
Administrative expenses	(118 4)	(104 5)
Exceptional items (note 3(a))	9 2	27 3
Total administrative expenses	(109 2)	(77 2)
Group operating profit	12 5	53 0

Group operating profit is stated after charging/(crediting)

	2006 £m	2005 £m
Depreciation of owned tangible fixed assets (including impairment charge of £2 0m (2005 - £0 3m release))	7 3	5 8
Amortisation of goodwill and other intangibles (including impairment charge of £0 5m (2005 - £nil))	2 6	2 0
(Profit)/loss on the disposal of land and buildings	(0 2)	0 1
Profit on the disposal of other tangible fixed assets	(0 1)	(0 7)
Operating leases - land and buildings (net of sublet income)	22 5	22 1
- plant and machinery	11 5	9 5

Details of the exceptional items recognised in arriving at operating profit can be found in note 3(a) to the financial statements

2 Group operating profit (continued)

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group s auditors at costs detailed below

	2006 £m	2005 £m
Audit services		
Audit of parent Company and Group financial statements	0 1	0 1
Other services to the Group		
Audit of the Company s subsidiary financial statements pursuant to legislation	0 4	0 4
Taxation services	0 5	0 5
Other services	0 2	0 2

3 Exceptional items

	2006 £m	2005 £m
a) Exceptional items - recognised in arriving at operating profit		
Pension costs - settlement/curtailment (i)	9 2	15 7
Litigation settlement (ii)	-	17 2
Re-organisation costs (iii)	-	(5 6)
	9 2	27 3
b) Exceptional items - recognised after arriving at operating profit		
Profit/(loss) in respect of businesses sold in prior years (iv)	1 3	(0 5)

(i) As discussed in the Financial review a credit of £12 0m arose during the year as a result of the deferred members who transferred out of the two main defined benefit schemes The exceptional profit of £9 2m is stated after charging the costs of the incentives to deferred members incurred by the Group in relation to these activities A deferred tax charge of £3 6m arises on the gross credit which has been charged to the Group profit and loss account. In the prior year a net exceptional profit of £15 7m arose as a result of the decision to cease future accrual of benefits for active members of the two main defined benefit schemes A deferred tax charge of £4 9m arose on this credit which was charged to the prior year Group profit and loss account.

(ii) During the prior year the Group agreed the full and final settlement of legal proceedings which were not considered to be in the normal course of business The exceptional profit of £17 2m represented the cash received under the settlement after deducting associated costs no tax arose on this exceptional profit

(iii) During the prior year the Group incurred costs of £5 6m in respect of the restructuring of operations The majority of the costs were allowable for taxation purposes

(iv) A profit of £1 3m (2005 - loss of £0 5m) has arisen during the year as a result of deferred consideration and provision reassessment in respect of businesses sold in prior periods The net profit will either be relieved against UK capital gains of the year or be carried forward for future relief As it is the Group's policy not to recognise a deferred tax asset in respect of capital losses there is no tax impact recorded in the financial statements and there was no tax arising on the loss in the prior year

4 Net interest payable

	2006 £m	2005 £m
Interest payable		
Bank loans and overdrafts	(2 4)	(4 3)
Share of joint ventures interest	(0 1)	(0 1)
Amortisation of issue costs on bank facilities	(0 6)	(0 6)
	(3 1)	(5 0)
Interest receivable	0 8	0 8
Net interest payable	(2 3)	(4 2)

5 Net other finance income

	2006 £m	2005 £m
Net finance credit on pension schemes (note 23)		
Expected return on pension scheme assets	37 8	33 9
Interest on pension scheme liabilities	(30 9)	(32 7)
	6 9	1 2
Unwinding of discounting of provisions	(0 3)	(0 3)
Net other finance income	6 6	0 9

Notes to the Financial Statements (continued)

6 Taxation on profit on ordinary activities

a) Analysis of tax charge for the year	2006 £m	2005 £m
Current tax		
UK tax		
UK Corporation tax on profits for the year	(0 4)	0 6
Double tax relief	-	(0 8)
Share of joint ventures tax	0 4	0 2
Adjustments in respect of prior periods	(0 8)	(1 1)
Foreign tax		
Corporation taxes	1 6	1 1
Total current tax	0 8	-
Deferred tax		
Origination and reversal of timing differences	6 4	9 9
Adjustments in respect of prior periods	2 8	(2 7)
Representing		
United Kingdom	9 3	7 0
Foreign tax	(0 1)	0 1
Share of joint ventures	-	0 1
Total deferred tax	9 2	7 2
Taxation on profit on ordinary activities	10 0	7 2

b) Factors affecting the current tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 30% The differences are explained below

	2006 £m	2005 £m
Profit on ordinary activities before tax	19 5	50 2
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 - 30%)	5 9	15 1
Effects of		
Expenses not deductible for tax purposes	2 1	(3 1)
Difference between depreciation and capital allowances	1 4	(4 8)
Other timing differences	(0 1)	0 4
Utilisation of tax losses	-	(0 2)
Pension related items	(7 7)	(5 3)
Overseas tax suffered in respect of foreign dividends received in the year	-	(0 8)
Adjustments in respect of overseas tax rates	-	(0 2)
Adjustments to tax charge in respect of previous periods	(0 8)	(1 1)
Total current tax charge for the year	0 8	-

c) Factors that may affect future tax charges

The Group has generated significant UK capital losses from disposals in previous years Such losses will only be available to offset UK capital profits arising in future periods such as gains arising on the future sale of freehold properties and it is expected to be some time before these losses are relieved Accordingly the Group has not recognised a deferred tax asset in respect of these losses As a consequence the Group does not expect to incur any significant tax charges in respect of capital gains within the foreseeable future

7 Employees

	Group 2006 £m	Group 2005 £m	**Company 2006 £m**	Company 2005 £m
Employee costs				
Wages and salaries	**179 3**	176 8	**1 6**	1 3
Social security costs	**16 9**	15 5	**0 2**	0 1
Pension costs (note 23)	**(3 7)**	(4 7)	**0 2**	0 4
	192 5	187 6	**2 0**	1 8

Included within the Group pension costs is an exceptional settlement credit of £12 0m (2005 - £16 2m curtailment credit) as disclosed in note 3(a)(i)

	Group Number	Group Number
Average monthly number of employees		
Direct production	**640**	590
Indirect production and warehousing	**2,682**	2 617
Sales marketing and administration	**5,390**	5,579
	8 712	8 786

The average monthly number of employees in the Company during the year was five (2005 - six)

8 Directors' emoluments

The aggregate emoluments of the directors during the year totalled £2 371 000 (2005 - £2,336 000) which includes payments to directors of £312 000 (2005 - £nil) in lieu of the Group making contributions to the defined contribution pension scheme No directors (2005 - four) accrued retirement benefits under a defined benefit scheme and six directors (2005 - one) accrued benefits under a money purchase scheme The Group contributions paid into money purchase schemes during the year totalled £362 000 (2005 - £42 622) The highest paid director received emoluments during the year as follows

	2006 £	2005 £
Salary bonus and benefits in kind	**788,000**	757 000
Payment in lieu of Group pension contributions (see below)	**134,000**	-
Emoluments of highest paid director	**922 000**	757 000

At the end of 2005 the highest paid director gave up his rights to further accrual under a defined benefit scheme and the Group agreed to make broadly equivalent contributions under defined contribution arrangements which commenced on 1 January 2006 However following the change in the legislation and tax regime for pensions on 6 April 2006 it could have been disadvantageous for certain directors including the highest paid director if the Group had continued to make contributions to their defined contribution scheme account As a result the Group agreed with the directors to pay them a sum instead of making these contributions These payments are being made at a level where the Group is in a no better or worse position than if the contributions had been made In the period from 1 January 2006 to 5 April 2006 the Group made contributions to the defined contribution scheme in respect of the highest paid director of £49 000 (2005 - £nil)

The Chairman received fees under a contract for services of £51 400 in the year (2005 - £50 000) plus expenses Fees of £89 000 (2005 - £72 000) were paid in the year in respect of the other three (2005 - two) non-executive directors

During the year no options over shares in Unipart Group of Companies Limited were exercised by the directors

UNIPART GROUP

Notes to the Financial Statements (continued)

9 Intangible assets

	Goodwill £m	Licences £m	Total £m
Cost			
At 1 January 2006	181 3	0 8	182 1
Additions	1 2	-	1 2
At 31 December 2006	**182 5**	**0 8**	**183 3**
Amortisation			
At 1 January 2006	171 2	0 3	171 5
Charge for the year	2 5	0 1	2 6
At 31 December 2006	**173 7**	**0 4**	**174 1**
Net book amount			
At 31 December 2006	**8 8**	**0 4**	**9 2**
At 31 December 2005	10 1	0 5	10 6

Included within the charge for the year is an amount of £0 5m (2005 - £nil) relating to an impairment made in respect of certain operations in the Group

On 22 December 2006 the Group acquired the trade and assets of Varitext Limited a producer of road traffic sign products This acquisition has had an immaterial impact on the results of the Group

10 Tangible fixed assets

	Land & buildings				
	Freehold £m	Long leasehold £m	Short leasehold £m	Plant and equipment £m	Total £m
Cost or valuation					
At 1 January 2006	33 5	4 2	9 7	68 4	115 8
Additions	0 1	-	0 2	6 9	7 2
Surplus on revaluation	1 0	-	-	-	1 0
Disposals	(0 7)	-	(0 2)	(1 9)	(2 8)
Transfers	-	(0 3)	0 3	-	-
Exchange adjustment	(0 1)	-	-	(0 8)	(0 9)
At 31 December 2006	**33 8**	**3 9**	**10 0**	**72 6**	**120 3**
Accumulated depreciation					
At 1 January 2006	5 5	1 5	6 3	53 6	66 9
Charge for year	0 4	0 1	0 6	6 2	7 3
Revaluation	(0 4)	-	-	-	(0 4)
Disposals	-	-	(0 2)	(1 2)	(1 4)
Transfers	-	(0 1)	0 1	-	-
Exchange adjustment	-	-	-	(0 5)	(0 5)
At 31 December 2006	**5 5**	**1 5**	**6 8**	**58 1**	**71 9**
Net book amount					
At 31 December 2006	**28 3**	**2 4**	**3 2**	**14 5**	**48 4**
At 31 December 2005	28 0	2 7	3 4	14 8	48 9

Included within the balance of accumulated depreciation at 1 January 2006 is an amount of £2 3m relating to impairments of prior periods The impairment charges include £0 8m which have been made to reduce the assets of certain operations within the Group to their calculated value in use and £1 5m relating to freehold properties The depreciation charge for the year is stated after a net impairment charge of £2 0m (2005 - £0 3m release) made in respect of assets used in certain loss making operations where a revised value in use has meant an impairment should be charged In addition included within the accumulated depreciation on disposals is an amount of £0 3m relating to previous impairments As a result an amount of £4 0m relating to impairments is included within the balance of accumulated depreciation at 31 December 2006

10 Tangible fixed assets (continued)

If the Group s freehold land and buildings had not been revalued their net book value would have been

	2006 £m	2005 £m
Cost	17 4	17 7
Accumulated depreciation	(7 4)	(7 1)
Closing net book amount	10 0	10 6

All of the freehold land and buildings were valued as at 31 December 2005 One fifth of the freehold land and buildings were revalued as at 31 December 2006 as part of a five-year rolling cycle giving a total aggregate value of £28 3m (2005 - £28 0m) All valuations performed were on the basis of existing use value

Certain of the freehold properties including those overseas properties, were valued by external valuers Edwards Symmons & Partners Harris Lamb Graves Son & Pilcher Thomas Merrifield DTZ Zadelhoff and De Noyette Norbert all being qualified valuers and members of the Royal Institution of Chartered Surveyors (RICS) or equivalent professional bodies in the case of the overseas valuers The remaining properties which consist of broadly similar properties were valued by qualified Chartered Surveyors being members of RICS, who are employees of the Unipart Group Property Department The aggregate value of the valuation performed by the internal surveyors was £8 3m (2005 - £8 2m) resulting in a revaluation reserve of £2 7m (2005 - £2 7m)

All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards, the internal valuations were subject to review by Edward Symmons & Partners the review procedures involving the valuation of a sample of the entity s properties by the external valuers and comparison with the internal valuations to ensure their overall accuracy

No deferred tax is recognised on the revaluation of fixed assets

11 Investments

(a) Investments in joint ventures - Group

	Share of net assets £m	Loans £m	Total £m
At 1 January 2006	4 7	4 3	9 0
Profit for the financial year	0 9	-	0 9
Dividends received	(0 5)	-	(0 5)
At 31 December 2006	**5 1**	**4 3**	**9 4**

The Group s interests in its principal joint ventures are 50% of the ordinary shares of each of Kautex Unipart Ltd and Unipart Eberspacher Exhaust Systems Ltd The loan is from Unipart Group of Companies Ltd to Kautex Unipart Ltd and interest is charged at 5% per annum The Group provides certain administrative services to its joint ventures the transactions are disclosed in note 25

(b) Other investments - Group

	£m
Cost	
At 1 January 2006	0 4
Additions	0 2
At 31 December 2006	**0 6**
Provisions	
At 1 January 2006	0 3
Impairment in the year	0 1
At 31 December 2006	**0 4**
Net book amount	
At 31 December 2006	**0 2**
At 31 December 2005	0 1

Other investments are listed investments representing equity investments in Real Affinity plc an AIM listed company which the Group has received as part of the consideration received for the sale of its interest in an associate The additions in the year of £0 2 million form part of the deferred consideration which was received by the Group under the sale agreement An amount has been provided to write down the investment to its market value as quoted on AIM at 31 December 2006

11 Investments (continued)

(c) Investments in subsidiaries and joint ventures - Company

	Subsidiaries	Joint ventures		Total
	Shares	Shares	Loans	
	£m	£m	£m	£m
Cost				
At 1 January and 31 December 2006	**67 7**	**5 8**	**4 3**	**77 8**
Provisions				
At 1 January and 31 December 2006	**1 2**	**-**	**-**	**1 2**
Net book amount				
At 1 January and 31 December 2006	**66 5**	**5 8**	**4 3**	**76 6**

During the prior year an impairment of £1 2m was charged to reduce the carrying value of a subsidiary company to its net asset value Details of the principal undertakings in the Group and the investments of the Company are shown in note 26

12 Stocks

	2006	2005
	£m	£m
Raw materials and consumables	**5 3**	4 8
Work in progress	**2 2**	1 7
Finished goods and goods for resale	**137 2**	132 4
	144 7	138 9

13 Debtors

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
(a) Amounts falling due within one year				
Trade debtors and bills receivable	**110 4**	122 0	**-**	-
Amounts owed by Group undertakings	**-**	-	**58 6**	206 9
Amounts owed by joint ventures	**0 9**	0 8	**-**	-
Other debtors	**22 1**	18 0	**6 7**	6 7
Corporation tax	**-**	-	**0 2**	1 0
Prepayments and accrued income	**22 7**	24 2	**-**	-
	156 1	165 0	**65 5**	214 6
(b) Amounts falling due after more than one year				
Other debtors	**0 2**	0 9	**-**	-
Deferred taxation (see opposite)	**13 6**	15 1	**-**	0 6
Prepayments and accrued income	**5 0**	4 8	**-**	-
	18 8	20 8	**-**	0 6

13 Debtors (continued)

Deferred taxation	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Accelerated capital allowances	8 9	12 0	-	-
Trading losses and timing differences	4 7	3 1	-	0 6
Deferred tax asset included within debtors	13 6	15 1	-	0 6
Related deferred tax asset included within the net pension deficit	19 2	36 8	-	-
	32 8	51 9	-	0 6

The Group and the Company does not recognise an asset in respect of UK capital losses generated from disposals in previous years as such losses will only be available to offset UK capital profits arising in future periods and it is expected to be some time before these losses can be relieved In addition, the Group has not recognised an asset of £0 7m (2005 - £0 5m) in respect of trading losses of subsidiaries where it is unlikely that these losses will be utilised in the foreseeable future

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
At 1 January	51 9	67 6	0 6	0 3
Amounts charged to the Group profit and loss account (note 6)	(9 2)	(7 1)	(0 6)	0 3
Amounts charged to the Group statement of total recognised gains and losses	(9 9)	(8 6)	-	-
At 31 December	32 8	51 9	-	0 6
Representing				
Deferred tax asset included within debtors	13 6	15 1	-	0 6
Related deferred tax asset included within the net pension deficit	19 2	36 8	-	-
	32 8	51 9	-	0 6

The UK Government has announced that the full rate of UK corporation tax will reduce from 30% to 28% from April 2008 As at 31 December 2006 the Group has deferred tax assets (note 13) of £32 8m and corporation tax liabilities of £0 2m (note 14) The impact of the above announcement would have been to reduce the deferred tax asset by £2 2m The actual adjustment required will depend on the results of the Group in 2007 and 2008 and the quantum of the deferred tax asset at April 2008

14 Creditors amounts falling due within one year

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Bank loans and overdrafts (note 16)	10 0	0 6	-	-
Trade creditors	133 1	128 3	-	-
Amounts owing to other Group undertakings	-	-	81 5	229 5
Corporation tax	0 2	1 2	-	-
Other taxes and social security costs	17 6	16 5	-	-
Other creditors	32 3	35 3	-	-
Accruals and deferred income	69 4	70 4	0 1	0 6
	262 6	252 3	81 6	230 1

15 Creditors amounts falling due after more than one year

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Bank loans (note 16)	3 1	13 6	-	-
Other creditors	0 8	0 2	-	-
Accruals and deferred income	0 1	0 2	-	-
	4 0	14 0	-	-

Notes to the Financial Statements (continued)

16 Borrowings

	Group 2006 £m	Group 2005 £m
Amounts due within one year		
Bank loans and overdrafts		
Term loan	9 3	0 5
Bank overdrafts	0 7	0 1
	10 0	0 6
Amounts due after more than one year		
Bank loans		
Term loan repayable during 2007	-	9 8
Working capital facility committed until 31 December 2008	3 1	3 8
	3 1	13 6

The bank loans and overdrafts bear interest based on LIBOR and are secured by fixed and floating charges over certain of the Group s assets The term loans are stated net of unamortised issue costs of £0 2m (2005 - £0 4m) The working capital facility is stated net of unamortised issue costs of £0 7m (2005 - £1 1m) These costs are allocated to the profit and loss account over the terms of the respective facilities at a constant rate

The Group has various borrowings facilities available the principal facility being a working capital facility of up to £120 0m which is committed until 31 December 2008 In addition a revolving facility of up to £22 5m is committed until 31 December 2007 with discussions well advanced to renew this facility on its expiry

17 Provisions for liabilities and charges

	Litigation and indemnities £m	Warranties £m	Property £m	Group Total £m
At 1 January 2006	1 0	0 6	18 7	20 3
Charged in the year	0 1	-	3 3	3 4
Utilised in the year	(1 0)	(0 2)	(2 6)	(3 8)
Released in the year	-	-	(2 0)	(2 0)
At 31 December 2006	**0 1**	**0 4**	**17 4**	**17 9**

Litigation and indemnities

The Group is negotiating a series of legal and contractual claims A provision that had been retained for an expected liability was settled in the year and as a result the majority of this provision has been utilised

Warranty

The Group supplies product to customers on which it offers a warranty for a period of up to three years The cost of warranties on sales made prior to the year end has been estimated based on past experience of warranty settlements It is anticipated that the existing provision will be utilised within the next two to three years

Property

The property provision is in respect of contractual obligations primarily in relation to onerous leases on vacant properties and in relation to dilapidations Included within the £3 3m charged in the year is an amount of £0 3m (2005 - £0 3m) relating to the unwinding of the discount the charge in respect of which is included in net other finance income (note 5) These provisions are expected to be utilised at the end of the respective leases which vary between 1 and 25 years

18 Share capital

The share capital comprises 'A D and E Ordinary shares of ½p each and each share irrespective of class has the same dividend entitlement and has one vote at a general meeting On a return of capital on liquidation or otherwise the assets of the Company available for distribution amongst shareholders shall be applied in paying pro-rata to the holders of the 'A' Ordinary shares the sum of ½p per share and to the holders of the 'D Ordinary Shares and the E Ordinary shares the sum of 1p per share and thereafter pro-rata to the nominal value of shares held by them

		'A Ordinary shares	D Ordinary shares	E Ordinary shares	**Total Ordinary shares**
Authorised share capital (number of shares)					
At 1 January and 31 December 2006	million	190 3	7 0	2 7	**200 0**
Allotted, called up and fully paid share capital (number of shares)					
At 1 January and 31 December 2006	million	71 9	7 0	2 7	**81 6**
Allotted, called up and fully paid share capital					
At 1 January and 31 December 2006	£m	0 4	-	-	**0 4**

The shareholders with over 5% of the issued share capital at 31 December 2006 are UGC Share Trustees Limited Electra Private Equity Partners Scotland LLP UGC Pension Shareholdings Limited (' UGCPSL) Mr J M Neill 3i plc and Standard Life No individual shareholder owns greater than 20% of the issued share capital and as a result the directors do not consider there to be an ultimate controlling party

The UGCPSL shareholding is held on behalf of the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme The schemes retain the economic interest in the shares (so they will benefit directly from any increase in their value and will receive any dividends paid by the Company on those shares) however they do not actually hold the shares in their own names and they are not able to exercise any of the voting rights on them prior to any liquidity opportunity (as defined in an agreement between UGCPSL and the schemes)

UGCPSL is subject to contractual controls including as to how and when it exercises the voting rights attached to the shares it holds under which it must act as required by the Board of Unipart Group of Companies Limited and only with the approval of the Company s 'D shareholders and the majority of the Company s institutional investors As these arrangements prevent the Group from having de facto control over UGCPSL it is not considered appropriate to consolidate UGCPSL in the Group s financial statements

19 Share option schemes

The Group Share Trust has granted options to employees over a number of shares which have already been issued and are owned by the Group Share Trust It is not considered appropriate to consolidate the Group Share Trust in the Group s financial statements due to the terms of the Trust deeds governing the Group Share Trust which prevent the Group from having de facto control over the Trust The number of shares held by the Trust is disclosed within the Directors report on page 10

The vesting requirements associated with the share options are a combination of criteria based on financial and personal performances The share options issued since November 2002 have all been issued at an exercise price of 45p and have a vesting period of 3 years and a total option length of 10 years All options exercised are to be settled with ordinary shares of the Company

No share-based payment charge has been recognised in relation to the options issued since November 2002 on the basis that any charge would be immaterial At the date the options were granted the exercise price was greater than the share valuation

UNIPART GROUP

20 Reserves

Group	Profit and loss reserve £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Minority interests £m
At 1 January 2006	12 0	4 4	11 5	17 4	0 5
Profit for the financial year	9 2	-	-	-	0 3
Revaluations of freehold land and buildings in year	-	-	-	1 4	-
Transfer from revaluation reserve to profit and loss reserve	0 5	-	-	(0 5)	-
Actuarial gain recognised on pension schemes	32 3	-	-	-	-
Deferred tax relating to actuarial gain on pension schemes	(9 9)	-	-	-	-
Current tax relating to actuarial gain on pension schemes	0 2	-	-	-	-
Foreign exchange adjustments	(1 1)	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	(0 3)
At 31 December 2006	**43 2**	**4 4**	**11 5**	**18 3**	**0 5**
Net pension deficit	44 9				
Profit and loss reserve excluding net pension deficit	**88 1**				

The cumulative amount of goodwill written off directly to reserves prior to the implementation of FRS 10 'Goodwill and intangible assets' is £17 6m (2005 - £17 6m) in respect of the acquisition of continuing businesses

Company	Profit and loss reserve £m	Share premium account £m	Capital redemption reserve £m
At 1 January 2006	45 6	4 4	11 5
Loss for the year	(1 2)	-	-
At 31 December 2006	**44 4**	**4 4**	**11 5**

The Company has not presented its own profit and loss account as permitted by Section 230 (3) of the Companies Act 1985 The Company s loss for the year was £1 2m (2005 - £15 1 million profit)

21 Reconciliation of movements in equity shareholders' funds

	Group 2006 £m	Group 2005 £m	**Company 2006 £m**	Company 2005 £m
Profit/(loss) for the financial year	**9 2**	42 8	**(1 2)**	15 1
Other recognised gains and losses relating to the year (net)	**22 9**	20 4	-	-
Movements in equity shareholders funds	**32 1**	63 2	**(1 2)**	15 1
At 1 January	**45 7**	(17 5)	**61 9**	46 8
At 31 December	**77 8**	45 7	**60 7**	61 9

22 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash flow from operating activities	2006 £m	2005 £m
Operating profit	**12 5**	53 0
Non-cash movement in exceptional items	**(12 0)**	(12 5)
Depreciation of tangible fixed assets	**7 3**	5 8
Amortisation of goodwill and other intangibles	**2 6**	2 0
Difference between pension service charge and cash contributions	**(7 3)**	(0 4)
Profit on the disposal of fixed assets	**(0 3)**	(0 6)
Movement in stocks	**(5 9)**	20 7
Movement in debtors	**9 8**	1 2
Movement in creditors	**1 7**	(7 0)
Movement in provisions	**(2 4)**	(5 2)
Net cash inflow from operating activities	**6 0**	57 0

Operating profit includes a net cash outflow of £2 8m (2005 - £14 8m inflow) relating to exceptional items, which represents the cash incentive payments associated with the pension settlement credit in the year The cash inflow in the prior year relates to the net litigation settlement received along with the costs incurred in respect of the other exceptional items including restructuring costs and the costs of the cessation of the future accruals in the two main pension schemes

(b) Analysis of net debt	2005 £m	Cashflow £m	Non-cash movements £m	2006 £m
Cash	25 3	(4 6)	0 2	**20 9**
Overdrafts	(0 1)	(0 6)	-	**(0 7)**
	25 2	(5 2)	0 2	**20 2**
Debt due within a year	(0 5)	(8 6)	(0 2)	**(9 3)**
Debt due after one year	(13 6)	10 9	(0 4)	**(3 1)**
	(14 1)	2 3	(0 6)	**(12 4)**
Total	11 1	(2 9)	(0 4)	**7 8**

Non-cash movements relate to amortisation of issue costs and foreign exchange movements

Notes to the Financial Statements (continued)

23 Pension commitments

The Group operates several pension schemes in the United Kingdom the largest being the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme The assets of these pension schemes are held separately from those of the Group in trustee administered funds The schemes are principally funded defined benefit schemes However with effect from 31 December 2005 the defined benefit accrual ceased in the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme and members had the option of continuing to accrue benefits under new defined contribution sections of the schemes Contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method where applicable and as agreed with the trustees of the schemes Total contributions made in the year to defined contribution sections of the schemes were £3 0m (2005 - £0 2m)

The latest formal actuarial valuation of the Unipart Group Pension and the Unipart Group Retirement Benefits schemes was made at 5 April 2004 by Hewitt Bacon & Woodrow Limited Based on an informal valuation at 30 September 2006, the value of the schemes liabilities have been updated by Hewitt Bacon & Woodrow Limited to assess the liabilities of the schemes at 31 December 2006 for the purposes of FRS 17 Scheme assets are stated at their market value at 31 December 2006

The disclosures for all of the Groups defined benefit arrangements are aggregated below Overseas assets and liabilities are included but are not material to the totals No separate pension disclosures have been made in respect of the Company because it is not possible to separately identify its share of the underlying assets and liabilities of the Groups pension schemes

The key financial and other assumptions used to calculate the scheme liabilities are

	2006	2005	2004
Rate of general increase in salaries	**4 00%**	3 66%	3 90%
Rate of increase in pensions in payment	**2 77%**	2 60%	2 70%
Discount rate	**5 17%**	4 92%	5 40%
Inflation assumption	**2 90%**	2 66%	2 90%

As part of the 2007 triennial valuation of the main Group schemes a full review of mortality for scheme members will be conducted Pending that review the demographic assumptions used in assessing the FRS 17 liabilities remain consistent with those used in 2005 A life expectancy of 19 3 years has been assumed at age 65 for future male pensioners and 15 0 years at age 70 for current male pensioners (with consistent mortality tables for future and current female pensioners)

In line with prior years, it has been assumed that at retirement members commute some of their pension for cash being three-quarters of the maximum amount of the commutable pension based on the schemes current commutation factors

Minor changes in key assumptions may have a material impact on the quantum of the pension deficit

The assets in the schemes and the expected rates of return were

	Long-term rate of expected return	**2006 £m**	Long-term rate of expected return	2005 £m	Long-term rate of expected return	2004 £m
Equities	**8 5%**	**448 2**	8 1%	432 0	8 5%	355 6
Government bonds	**4 5%**	**1 4**	4 1%	7 6	4 5%	4 2
Corporate bonds	**5 0%**	**80 2**	4 6%	85 5	5 0%	78 9
Property	**7 5%**	**26 4**	7 1%	22 0	7 5%	17 5
Other	**4 9%**	**34 1**	4 6%	3 8	3 5%	6 2
Total market value of assets		**590 3**		550 9		462 4
Present value of funded pension plans liabilities		**(654 3)**		(673 4)		(630 1)
Deficit in funded plans		**(64 0)**		(122 5)		(167 7)
Liability for unfunded pension plans		**(0 1)**		(0 1)		(0 2)
Liability for post-retirement healthcare plans		**-**		-		(1 3)
Total deficit in plans		**(64 1)**		(122 6)		(169 2)
Related deferred tax asset		**19 2**		36 8		50 8
Net pension deficit		**(44 9)**		(85 8)		(118 4)

23 Pension commitments (continued)

The movements in the total deficit in plans during the year were	2006 £m	2005 £m
Deficit in scheme at 1 January	(122 6)	(169 2)
Current service cost	(5 2)	(12 1)
Past service cost	(0 1)	-
Settlements and curtailments (note 3(a)(i))	12 0	17 0
Contributions	12 6	11 7
Other finance income	6 9	1 2
Actuarial gain	32 3	28 8
Deficit in scheme at 31 December	**(64 1)**	(122 6)

The performance statements include the following amounts	2006 £m	2005 £m
Amounts credited to operating profit		
Current service cost	(5 2)	(12 1)
Past service cost	(0 1)	-
Settlements and curtailments	12 0	17 0
	6 7	4 9
Defined contribution schemes	(3 0)	(0 2)
Total operating credit	3 7	4 7
Analysis of amount credited to net other finance income		
Expected return on pension scheme assets	37 8	33 9
Interest on pension scheme liabilities	(30 9)	(32 7)
Net return	6 9	1 2
Amounts included within the Group statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	18 4	51 7
Experience gains and losses arising on the scheme liabilities	3 7	(7 5)
Changes in assumptions underlying the present value of the scheme liabilities	10 2	(15 4)
Actuarial gain recognised in the Group statement of total recognised gains and losses	32 3	28 8

History of experience gains and losses		**Year ended 31 December 2006**	Year ended 31 December 2005	Year ended 31 December 2004	Period ended 31 December 2003	Year ended 30 June 2003
Actual return less expected return on pension scheme assets	£m	18 4	51 7	12 5	20 9	(48 4)
Expressed as a percentage of scheme assets		3%	9%	3%	5%	(13%)
Experience gains and losses on scheme liabilities	£m	3 7	(7 5)	(15 0)	0 6	13 0
Expressed as a percentage of scheme liabilities		(1%)	(1%)	(2%)	0%	2%
Actuarial gain/(loss) recognised in the Group statement of total recognised gains and losses	£m	32 3	28 8	(17 7)	31 2	(114 3)
Expressed as a percentage of scheme liabilities		5%	4%	(3%)	6%	(21%)

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24 Commitments

(a) Capital commitments	Group 2006 £m	Group 2005 £m
Contracted as at the year end but not provided for in the financial statements	0 9	0 9

The Company had no capital commitments at 31 December 2006 (2005 - £nil)

(b) Contingent liabilities and financial commitments	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Guarantees for export trading and loan facilities	4 3	3 6	1 5	1 5

Under the Group s banking arrangements the Company together with certain of its subsidiary undertakings, has given security by way of fixed and floating charges over certain assets, to guarantee bank loans provided to the Group The amount guaranteed by the Company outstanding at 31 December 2006 was £3 9m (2005 - £5 0m)

(c) Operating lease commitments	Land and buildings 2006 £m	Land and buildings 2005 £m	Other 2006 £m	Other 2005 £m
Annual amounts payable on agreements expiring				
- within one year	1 6	1 9	6 6	7 1
- after one year but within five years	4 3	6 0	3 2	3 6
- after five years	19 4	18 1	-	-
	25 3	26 0	9 8	10 7

The Company had no operating lease commitments at 31 December 2006 (2005 - £nil)

25 Related party transactions

The Group has taken the exemption available under FRS 8 from disclosing related party transactions between entities within the Group The Group provides certain administrative services on behalf of its joint ventures which involves making payments on their behalf During the year the total payments made on behalf of Kautex Unipart Limited amounted to £4 6m (2005 - £4 6m) and amounts owed to the Group at 31 December 2006 were £0 1m (2005 - £nil) as reported in note 13(a) In addition an amount of £4 3m was owed to the Group at 31 December 2006 under a formal loan agreement bearing interest of 5% per annum as reported in note 11(a) (2005 - £4 3m) During the year the total payments made on behalf of Unipart Eberspacher Exhaust Systems Limited amounted to £1 1m (2005 - £1 2m) and amounts owed to the Group at 31 December 2006 were £0 8m (2005 - £0 8m) as reported in note 13(a)

26 Principal Group undertakings

Subsidiary undertakings	Country of incorporation and operation

Subsidiary undertakings

At the year end the Group s principal subsidiary undertakings were as set out below with those directly held by the Company being indicated by (i) Unless otherwise stated the holdings are 100% of the voting rights and shares

Distribution and logistics management

Europe Middle East and Africa	
Serck Services (Bahrain) EC	Bahrain
Van Wezel Autoparts NV	Belgium
E W (Holdings) Limited	England
Unipart Automotive Limited	England
Unipart Rail Limited (formerly Railpart (UK) Limited)	England
Unipart Exports Limited	England
Unipart Group Limited (i)	England
Unipart Logistics Limited (i)	England
Unipart North America Limited	England
Unipart Rail Logistics Limited	England
Unipart DCM Service GmbH	Germany
Intertruck Benelux BV	Netherlands
TECE Unipart BV	Netherlands
Unipart Services BV	Netherlands
Serck Services (Oman) LLC (49%) (ii)	Oman
Unipart Services Spain S L	Spain
Serck Services (Gulf) Limited (49%) (ii)	UAE
Serck Services Company LLC (49%) (ii)	UAE
Americas and Asia Pacific	
Unipart Services Canada Inc	Canada
Unipart Kabushiki Kaisha	Japan
Unipart Services America Inc	USA
Serck Services Inc	USA
Group vehicle and property holding companies	
Unipart Fleet Services Limited	England
UGC Properties Limited (i)	England
Intermediate holding companies	
Unipart Rail Holdings Limited (i)	England
Unipart Automotive Holdings Limited (i)	England
Unipart International Holdings Limited (formerly UGC Europe Limited)	England
UGC Holdings BV	Netherlands

Joint ventures

The Group s principal interests in joint ventures are set out below both of which are held directly by the Company with holdings of 50% of the voting rights and shares Both companies principal activity is the manufacture of automotive components

Kautex Unipart Limited	England
Unipart Eberspacher Exhaust Systems Limited	England

(ii) These companies have been treated as subsidiaries under section 258(4) of the Companies Act 1985 The investments are held for the long term and the Group s management takes an active role in the operational and strategic management of these companies These operations are effectively controlled by the Group with a dominant influence being exercised over their activities

As well as those undertakings listed above within the European Union the Group also has branches in Belgium France Italy Republic of Ireland and Spain

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