

**Inchcape Finance plc**  
(Registered Number: 2153225)

**Annual Report and Accounts**

**For the year ended 31 December 2007**

22a St James's Square  
London  
SW1Y 5LP

WEDNESDAY



\*A5RYM03T\*

A45

28/05/2008

40

COMPANIES HOUSE

# Inchcape Finance plc

## Directors' Report

The Directors present their report and the audited financial statement of the Company for the year ended 31 December 2007

### Business review and principal activities

The Company's principal activity during the year was that of a finance company for companies within the Inchcape Group. The Company borrows and lends money on behalf of the Group Companies which are involved in the retail and distribution of motor vehicles across the globe. The company also enters into derivative financial instruments that manage the foreign exchange and interest rate exposures of the Group.

The revenue arises mainly from interest income from loans to Group Companies or short term money market deposits and thus varies with changes in the base rate. Costs relate primarily to interest payments on deposits from Group Companies and loans facilities from third party banks and financial institutions. The company's trading results are also affected by the volume of business, which can vary over time depending on market conditions affecting the automotive industry in specific and retail sector in general.

For the year ended 31 December 2007, Inchcape Finance Plc reported a profit before taxation of £19.0m. This compares to a profit before taxation of £9.2m in 2006, an increase of £9.8m. A large part of this increase relates to the impact of increased lending to other Group Companies. This has also reflected positively on turnover which has increased to £106.6m (2006 - £62.9m).

It is not envisaged that there will be any change in the Company's activities in the foreseeable future. The Company's future prospects depend on the future prospects of the Inchcape Group as a whole. To monitor its performance the Group has a range of KPI's. These can be located in the operating and financial review (page 08) in the Group Consolidated Annual report and accounts for the year 2007.

### Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company's financial risk management through the use of derivative financial instruments falls into three categories. The company purchases foreign currency derivatives to provide economic hedging for its inter-company borrowings. The company enters into inter-company foreign currency forward contracts with Group companies to provide them with hedges for their sales and purchases denominated in non-functional currencies and then subsequently enters into matching external foreign currency forward contracts to manage the Group's exposure. The company also purchased cross currency interest rate derivatives during the year to hedge the Group's US dollar denominated fixed rate private placement.

The policies set by the Group's board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these. The accounting policies applied by the Company are described in further detail on page 8 of these financial statements.

### Price risk

The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

### Credit risk

The amount due from counterparties, arising from cash deposits, and the use of financial instruments creates credit risk. Limits are in place, which reduce credit risk by stipulating the aggregate amount and duration of exposure to any one counterparty, dependent upon the applicable credit rating. Credit ratings and the appropriate limits are reviewed regularly.

# **Inchcape Finance plc**

## **Directors Report (continued)**

### **Liquidity risk**

The company actively maintains a mixture of long-term and short-term debt finance arrangements that are designed to ensure the company has sufficient available funds for operations and planned expansions. In April 2007, the Group took advantage of the favourable market conditions and amended and restated its syndicated committed borrowing facility increasing it from £275m to £500m. In addition to this the Company has access to uncommitted borrowing lines made available by relationship banks. These facilities are used for liquidity management purposes. At the year end these facilities were drawn by £20m. Short term liquidity on derivatives is managed by ensuring arrangement are back to back.

### **Interest rate cash flow risk**

The Company's interest rate policy has the objective of minimising net interest expense, and protecting the Company from material adverse movements in interest rates. Throughout 2007 the company has borrowed at floating rates only. This approach reflects the continuing benign interest rate environment and the low level of gross debt. Where interest rate hedging activities are deemed appropriate in the future, the Board has approved the use of interest rate swaps, forward rate agreements and options.

### **Results and dividends**

The Company's profit for the financial year is £ 13,300,000 (2006 £6,400,000)

No dividend was declared or paid during the year (2006 nil)

### **Directors and their interests**

The Directors who held office during the year are given below

A Brooks	(resigned 31 <sup>st</sup> March 2007)
D F Butcher	
C Chapman	(appointed 1 <sup>st</sup> June 2007)
K Fielding	(appointed 16 <sup>th</sup> August 2007 and resigned on 23 April 2008)
T George	(appointed 1 <sup>st</sup> February 2007)
C F Parker	
G Robertson	(appointed 16 <sup>th</sup> August 2007)
N P Smith	(resigned 10 <sup>th</sup> January 2007)
R C Williams	(resigned 30 <sup>th</sup> June 2007)
P S Wilson	(resigned 31 <sup>st</sup> October 2007)

No Director had any interest in the shares of the Company (or any of its subsidiary undertakings) at either 1 January 2007 or 31 December 2007

### **Transaction with Directors**

No transaction, arrangement or agreement required to be disclosed in accordance with the terms of the Companies Act 1985 was outstanding at 31 December 2007, or occurred during the year for any Director/and or connected person (2006 none)

### **Disclosure of information to auditors**

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

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

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

# **Inchcape Finance plc**

## **Directors Report (continued)**

### **Creditor Payment Policy**

The Company is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Company's suppliers are conducted. While the Company does not follow any single external code or standard, in line with Inchcape Group policy, payments to suppliers are made in accordance with the agreed terms, provided that the supplier is also complying with all relevant terms and conditions. As in 2006, the Company's creditors comprise mainly loans and interest payable to banks and Group companies.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

**Inchcape Corporate Services Limited**  
Secretary

2008



# Inchcape Finance plc

## Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that

- suitable accounting policies have been used and applied consistently,
- reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended, and
- applicable accounting standards have been followed,

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Inchcape Finance plc**

### **Independent Auditors' report to the members of Inchcape Finance plc**

We have audited the financial statements of Inchcape Finance plc for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

23 May 2008

*PricewaterhouseCoopers LLP*

# Inchcape Finance plc

## Profit And Loss Account for the Year Ended 31 December 2007

	<i>Notes</i>	<b>2007 £m</b>	<b>2006 £m</b>
Turnover	<i>1</i>	106.6	62.9
Cost of sales	<i>2</i>	(87.5)	(53.6)
		19.1	9.3
Operating expenses	<i>3</i>	(0.1)	(0.1)
<b>Profit on ordinary activities before taxation</b>	<i>5</i>	<b>19.0</b>	<b>9.2</b>
Taxation on profit on ordinary activities	<i>6</i>	(5.7)	(2.8)
<b>Profit on ordinary activities after taxation</b>		<b>13.3</b>	<b>6.4</b>
<b>Retained profit for the financial year</b>		<b>13.3</b>	<b>6.4</b>
<b>Movement in profit and loss reserve</b>			
Reserve at beginning of year		25.7	19.3
Retained profit for the year		13.3	6.4
<b>Reserve at end of year</b>		<b>39.0</b>	<b>25.7</b>

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

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

There were no discontinued operations in the current year

# Inchcape Finance plc

## Balance Sheet as at 31 December 2007

	Notes	2007 £m	2006 £m
<b>Current assets</b>			
Debtors – amounts due within one year	7	242.1	274.8
Debtors – amounts due after one year	8	1,397.6	792.9
		1,639.7	1,067.7
Derivative financial instruments	10	12.9	0.6
Cash at bank		0.4	3.6
		1,653.0	1,071.9
<b>Creditors – amounts falling due within one year</b>	9	(1,195.7)	(853.7)
<b>Net current assets</b>		457.3	218.2
<b>Creditors – amounts falling due after more than one year</b>	9	(390.8)	(165.0)
<b>Net assets</b>		66.5	53.2
<b>Capital and reserves</b>			
Called up share capital	11	27.5	27.5
Profit and loss account		39.0	25.7
<b>Equity shareholder's funds</b>	12	66.5	53.2

The financial statements on page 6 to 13 were approved by the Board of Directors on the 2008 and were signed on its behalf by \_\_\_\_\_ day of \_\_\_\_\_



Director



# **Inchcape Finance plc**

## **Accounting policies**

### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK Accounting Standards. The principal accounting policies of the company have been reviewed in accordance with Financial Reporting Standard 18 'Accounting Policies'.

FRS 29, Financial Instruments Disclosure, has been adopted during the year and has no impact on the financial statements.

### **Foreign currencies**

Transactions denominated in foreign currencies are translated at the rates ruling when the transactions occurred. Monetary assets and liabilities and other financial instruments denominated in foreign currencies are retranslated into sterling at the exchange rates ruling at the balance sheet date.

Foreign exchange revaluation differences are dealt with as part of the result for the year.

### **Financial instruments**

Financial Instruments are used to manage the Company's exposure to fluctuations in interest rates and foreign currency exchange rates. These are accounted for in accordance with FRS 25 and FRS 26. Instruments accounted for as hedges are designated as a hedge at the inception of contracts. Interest differentials on derivative instruments and amounts receivable and payable on interest rate instruments are recognised as adjustments to interest expense over the period of the contracts. Gains and losses on derivatives are recognised at the balance sheet date. Currency swap agreements are retranslated at the rates ruling in the agreements, with resulting gains and losses being offset against foreign exchange gains or losses on the related borrowing. Gains and losses arising on financial instruments, which are cancelled due to the termination of underlying exposure, are taken to the profit and loss account immediately.

### **Turnover**

Since the Company transacts in financial instruments, turnover represents interest earned on these instruments, together with commissions and fees, and any exchange gains or losses that may occur.

### **Cost of sales**

Cost of sales represents the interest cost and premiums payable on financial instruments, and any exchange gains or losses that may occur.

### **Deferred Taxation**

Deferred taxation is provided for in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future except as otherwise required by FRS19.

# Inchcape Finance plc

## Notes to the Financial Statements for Year Ended 31 December 2007

### 1 Segmental analysis

	2007 £m	2006 £m
<b>Turnover within Inchcape Group by destination</b>		
Rest of Europe	3.3	3.1
United Kingdom	82.7	44.3
Americas	-	-
Rest of the World	-	-
	86.0	47.4
<b>External turnover by destination</b>		
Rest of Europe	-	-
United Kingdom	20.6	15.5
Americas	-	-
Rest of the World	-	-
	20.6	15.5
<b>Total turnover by destination</b>		
Rest of Europe	3.3	3.1
United Kingdom	103.3	59.8
Americas	-	-
Rest of the World	-	-
	106.6	62.9
<b>Profit before tax</b>		
Rest of Europe	(0.1)	0.6
United Kingdom	20.6	16.3
Americas	-	-
Rest of the World	(7.2)	(7.7)
	13.3	9.2
<b>Net assets</b>		
Rest of Europe	2.3	21.2
United Kingdom	254.1	126.1
Americas	-	2.8
Rest of the World	(189.9)	(96.9)
	66.5	53.2

All turnover by origin arises in the United Kingdom

# Inchcape Finance plc

## Notes to the Financial Statements for Year Ended 31 December 2007

### 2 Cost of sales

Cost of sales comprise the following

	2007	2006
	£m	£m
Interest payable		
- on transactions with Group companies	63 0	36 1
- on transactions with third parties	16 7	5 4
Foreign Exchange losses		
- on transactions with Group companies	7 8	-
- on transactions with third parties	-	12 1
	87 5	53 6

### 3 Operating expenses

Operating expenses amounted to £0 1m (2006 - £0 1m)

### 4 Directors and employees

The average number of persons, excluding directors, employed by the Company during the year was nil (2006 - nil)

No emoluments (2006 - £nil) were paid to the directors of the Company whose services are provided to a number of Group companies. The proportion of their emoluments attributable to the Company cannot be reasonably estimated, and these costs are borne entirely within the Inchcape Group

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the auditors' remuneration of £28,000 (2006 - £20,000)

### 6 Taxation on profit on ordinary activities

Analysis of charge in period

	2007	2006
	£m	£m
Current tax		
UK Corporation tax	5 7	2 8

The UK corporation tax charge for the year of £5 7m (2006 - £2 8m) represents group relief at 30 00% (2006 - 30 00%) surrendered by the holding company, for which payment will be made

### 7 Debtors – amounts falling due within one year

	2007	2006
	£m	£m
Amount due from parent company	21 0	-
Amounts due from fellow subsidiaries	219 5	274 1
Interest receivable – Group companies	0 8	0 2
Other debtors	0 8	0 5
	242 1	274 8

# Inchcape Finance plc

## Notes to the Financial Statements for Year Ended 31 December 2007

### 8 Debtors – amounts falling due after one year

	2007 £m	2006 £m
Amounts due from parent company	1,344.2	631.7
Amounts due from fellow subsidiaries	41.4	160.2
Interest receivable – Group companies	12.0	1.0
	<hr/> 1,397.6	<hr/> 792.9

### 9 Creditors – amounts falling due within one year

	2007 £m	2006 £m
Amounts due to fellow subsidiaries	1,107.6	793.6
Bank borrowings	78.9	55.6
Interest payable – Group companies	7.2	4.0
Interest payable – third parties	2.0	0.5
Taxation	-	-
	<hr/> 1,195.7	<hr/> 853.7

### Creditors – amounts falling due after one year

	2007 £m	2006 £m
Amounts due to fellow subsidiaries	273.9	-
Bank borrowings	115.0	165.0
Interest payable – Group companies	1.9	-
	<hr/> 390.8	<hr/> 165.0

### Facilities

The Company put in place a 5 year £500m committed revolving credit facility, with a syndicate of banks on 13 April 2007 which matures in 2012, with the option of a further extension to 2013

On 23<sup>rd</sup> April 2007, a 3 year bilateral term loan facility was put in place for £35m

In addition the Company has available a number of uncommitted money market lines provided by relationship banks, which provide additional flexibility in managing the Company's liquidity

### Borrowings

At the year end £80.0m was drawn on the committed revolving credit facility (2006 - £165.0m) and £35.0m (2006 £nil) on the bilateral loan facility £20.0m, was drawn on uncommitted money market lines (2006 - £6.4m)

The company's borrowings are unsecured

# Inchcape Finance plc

## Notes to the Financial Statements for Year Ended 31 December 2007

### 10 Fair value disclosures

	Asset	Liability	2007 £m P&L impact	Asset	Liability	2006 £m P&L impact
Financial instruments						
- hedging balance sheet position	6 0	(1 1)	8 6	1 0	(0 5)	(11 6)
- hedging forward contracts	26 6	(26 6)	-	45 6	(45 5)	0 1
- cross currency interest rate swap	8 0	-	8 0	-	-	-
<b>Totals</b>	<b>40 6</b>	<b>(27 7)</b>	<b>16 6</b>	<b>46 6</b>	<b>(46 0)</b>	<b>(11 5)</b>

Financial instruments managing balance sheet positions are foreign currency derivatives that mature within 18 months and outstanding instruments have a nominal principal amount of £292.7m as at 31 December 2007

Financial instruments managing forward contracts are back to back foreign currency derivatives that mature within 18 months and outstanding instruments have a nominal principal amount of £1,199.6m as at 31 December 2007

The cross currency interest rate derivatives mature between 2010 and 2012, with cashflows for interest costs on an annual basis, and have a gross value of £277m as at 31 December 2007

### 11 Called up share capital

	2007 £m	2006 £m
<b>Authorised</b>		
27,500,000 ordinary shares of 100 Op each	27 5	27 5
<b>Allotted and fully paid</b>		
27,500,000 ordinary shares of 100 Op each	27 5	27 5

### 12 Reconciliation of movements in shareholder's funds

	2007 £m	2006 £m
Opening shareholder's funds	53 2	46 8
Profit for the financial year	13 3	6 4
<b>Closing shareholder's funds</b>	<b>66 5</b>	<b>53 2</b>

### 13 Commitments

The Company has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactions and overseas earnings

### 14 Contingent liabilities

The Company is party to composite cross guarantee arrangements in the United Kingdom between its ultimate parent company, fellow subsidiaries and banks. The Company's expected liability under these guarantees at the year-end was £nil (2006 - £nil)

## **Inchcape Finance plc**

### **15 Related party transactions**

The Company is a wholly owned subsidiary of the Inchcape plc Group and has applied the exemption in paragraph 3 (c) of FRS 8 "Related Party Disclosures". This exemption permits the non-disclosure of transactions and balances with related parties that are included in the consolidated financial statements of Inchcape plc.

### **16 Cash flow statement**

A cash flow statement is not required as Inchcape plc, the Company's ultimate parent undertaking company has complied with Financial Reporting Standard 1 (revised) by including a consolidated cash flow statement in its Report and Accounts for the year ended 31 December 2007.

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

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