

**INCHCAPE (READING) LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**  
**Registered in England and Wales No. 4560820**

Registered Office:  
Suite 3  
Rushmoor Court  
Croxley Business Park  
Hatters Lane  
Watford  
Herts  
WD18 8PY



## **INCHCAPE (READING) LIMITED**

### **Report of the directors**

The Directors submit their report together with the audited accounts for the year ended 31 December 2004, and for the prior period from 11 October 2002 (date of incorporation) to 31 December 2003.

#### **1. Principal activity and review of the year**

The principal activity of the Company during the year under review was that of motor vehicle retailers and repairers.

The directors do not foresee any significant changes in the Company or its activities during 2005.

#### **2. Results and Dividend**

The Company's loss for the financial year is £231,000 (2003: loss £111,000) as disclosed in the profit and loss account on page 6.

The Directors do not recommend the payment of a dividend (2003: £Nil)

#### **3. Directors and their interests**

The directors who held office throughout the year, except as noted, were:

M P Wheatley  
M D Raban (resigned 1 October 2005)  
Motors Secretaries Limited  
Motors Directors Limited

No Director of the Company had any interest in the shares of the Company (or any of its subsidiary undertakings), at either 1 January 2004 or 31 December 2004.

The table below shows the beneficial interests, other than share options, including family interests, on the dates indicated, in the ordinary shares of 150.0p each of Inchcape plc, the ultimate parent undertaking, of the persons who were Directors at 31 December 2004.

#### **Ordinary shares of 150.0p each**

	<b>31 December 2004</b>	<b>1 January 2004</b>
M P Wheatley	1,528	2,778

# INCHCAPE (READING) LIMITED

## Report of the directors

### 4. Directors' share options

Details of share options held by Directors, including under the Inchcape 1999 Share Option Plan and the Inchcape SAYE Share Option Scheme, are shown below:-

	Held at 31.12.04	Granted during the year	Exercised or lapsed during the year	Held at 1.1.04	Exercise Price (c )	Exercisable Between
M D Raban	-	-	5,208 (a)	5,208 (a)	384.0p	Mar 2004 - Mar 2011
	2,919 (a)	-	-	2,919 (a)	685.0p	Mar 2005 - Mar 2012
	2,230 (a)	-	-	2,230 (a)	762.0p	Mar 2006 - Mar 2013
	1,549 (b)	-	-	1,549 (b)	610.0p	Jun 2006 - Nov 2006
	3,180 (a)	3,180 (a)	-	-	1572.0P	May 2007 - May 2014
M P Wheatley	-	-	5,208 (a)	5,208 (a)	384.0p	Mar 2004 - Mar 2011
	2,919 (a)	-	-	2,919 (a)	685.0p	Mar 2005 - Mar 2012
	1,371 (b)	-	-	1,371 (b)	554.0p	Jun 2005 - Nov 2005
	2,099 (a)	-	-	2,099 (a)	762.0p	Mar 2006 - Mar 2013
	309 (b)	-	-	309 (b)	610.0p	Jun 2006 - Nov 2006
	2,862 (a)	2,862 (a)	-	-	1572.0p	May 2007 - May 2014

a) Under the Inchcape 1999 Share Option Plan

b) Under the Inchcape SAYE Share Option Scheme

c) Exercise prices are determined in accordance with the Rules of the relevant share option scheme.

#### Notes on share options

- (i) All options were granted for nil consideration.
- (ii) The table shows Directors' options over ordinary shares of 150.0p of Inchcape plc at 1 January 2004 (or date of appointment if later) and 31 December 2004. The mid-market price of the shares at 31 December 2004 was 1955.0p. The price range during the year was 1287.0p to 1955.0p.
- (iii) Options under the Inchcape 1999 Share Option Plan are granted on a discretionary basis to full time certain other senior executives based within and outside the UK including the Executive Directors of Inchcape plc. Such options are normally exercisable between three and ten years of grant.
- (iv) Options may normally be exercised only if the performance target has been met. For all options granted in 1999 to 2003 inclusive under the Inchcape 1999 Share Option Plan, growth in Inchcape plc's, the ultimate parent undertaking, earnings per share over a three year period must exceed the increase on the UK Retail Prices Index over the same period by 3% per annum. Options granted after Inchcape plc's 2004 AGM, when the performance criteria was changed, vest according to a sliding scale: 25.0% of the award will vest if EPS growth of RPI +3.0% per annum is achieved over the initial three year period, with all of the award vesting if EPS growth is RPI +8.0% per annum. Awards will vest on a stepped line basis between these points and there is no opportunity to re-test.
- (v) The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least three months service. Participants make monthly savings for a three-year period. At the end of the savings period options become exercisable within a six-month period.
- (vi) No options were cancelled or waived during the year.

## **INCHCAPE (READING) LIMITED**

### **Report of the directors**

#### **5. Transactions with directors**

No transaction, arrangement or agreement required to be disclosed in terms of the Companies Act 1985 was outstanding at 31 December 2004, or occurred during the year for any director or connected person (2003: None).

#### **6. Directors' responsibility in respect of the preparation of accounts**

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2004. The Directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

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

#### **7. Employee involvement**

Arrangements exist to keep all employees informed on matters of concern to them and, following the publication of the results of Inchcape plc, information is disseminated widely. This includes performance statistics for both the Inchcape Group and individual business streams. Employee bulletins, the Group Intranet "the Pulse" and UK in-house magazine "Ignition" facilitate communication with employees throughout the world. Employees are regularly consulted upon matters concerning their employment.

Information is given on the performance of the pension fund. Company employees are eligible to participate in the Inchcape plc savings share option scheme, subject to the rules of that scheme. Employees are also offered Inchcape Colleague Advantages to promote their well-being.

#### **8. Employment and training policy**

The Company is an equal opportunities employer and it is committed, where practicable and safe to do so, to the employment of disabled staff. The Company is committed to the training and development of its staff. In the event of members of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged.

#### **9. 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.

The number of days' purchases outstanding as at 31 December 2004, calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amounts invoiced by suppliers during the year, was 17 days (2003 - 44 days).

#### **10. Auditors**

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 (READING) LIMITED**

### **Report of the directors**

#### **11. Elective resolutions**

In addition to the aforementioned election to dispense with the obligation to appoint auditors annually, further elective resolutions passed by the members, remain in force. These resolutions remove the requirement for the company to:-

- (i) Hold Annual General Meetings; and
- (ii) Lay Report and Accounts before a General Meeting

#### **By Order of the Board**

A handwritten signature in black ink, appearing to be 'A. B. O.', written over a grid of lines.

**For and on behalf of  
Inchcape UK Corporate Management Limited  
Company Secretary**

Date: 31 October 2005

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INCHCAPE (READING) LIMITED**

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards, issued by the Auditing Practices Board. 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 in to 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

Pricewaterhouse Coopers LLP  
Chartered Accountants and Registered Auditors  
London

Date: 31 October 2005

# INCHCAPE (READING) LIMITED

## Profit and loss account

For the year ended 31 December 2004

	Note	2004 £'000	11/10/02 to 31/12/03 £'000
Turnover	1	24,699	5449
Cost of sales		(22,208)	(4,550)
<b>GROSS PROFIT</b>		<u>2,491</u>	<u>899</u>
Distribution costs		(1,649)	(641)
Administrative expenses		(1,091)	(400)
<b>Net operating expenses</b>		<u>(2,740)</u>	<u>(1,041)</u>
<b>Operating loss</b>	2	(249)	(142)
Interest payable	6	(68)	(17)
<b>(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(317)</u>	<u>(159)</u>
Tax credit on loss on ordinary activities	7	86	48
<b>(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(231)</u>	<u>(111)</u>
Dividends	8	-	-
<b>RETAINED LOSS FOR THE YEAR/PERIOD</b>		(231)	(111)
Profit and loss account brought forward		<u>(111)</u>	-
Profit and loss account carried forward		<u>(342)</u>	<u>(111)</u>

There are no recognised gains or losses in either the current or previous financial years other than the loss for the financial year and therefore no statement of total recognised gains and losses is required.

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

# INCHCAPE (READING) LIMITED

## Balance sheet As at 31 December 2004

	Note	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Tangible assets	9	41	67
<b>Current Assets</b>			
Stocks	10	5,064	6,437
Debtors	11	1,790	1,510
		<u>6,854</u>	<u>7,947</u>
<b>Current Liabilities</b>			
<b>Creditors</b> - amounts falling due within one year	12	(6,219)	(7,107)
<b>Net current assets</b>		<u>635</u>	<u>840</u>
<b>Total assets less current liabilities</b>		676	907
<b>Net assets</b>		<u>676</u>	<u>907</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,018	1,018
Profit and loss account	15	(342)	(111)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	<u>676</u>	<u>907</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 31 October 2005.

Signed on behalf of the Board of Directors



**M P Wheatley**  
Director



# **INCHCAPE (READING) LIMITED**

## **Notes to the accounts for the year ended 31 December 2004**

### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are as described below:

#### **Turnover**

Turnover represents the invoiced value of goods and services provided excluding Value Added Tax. The turnover is attributable to the one principal activity and is wholly derived in the United Kingdom.

#### **Tangible fixed assets**

Depreciation is provided at the following annual rates, in order to write off each asset over its estimated useful life.

Plant and equipment	10% - 33% on cost
Motor vehicles	25% on cost

#### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks. Stocks on consignment and their related obligations are recognised in current assets and creditors respectively on adoption of the consignment stock when the risks and rewards of ownership pass to the Company.

#### **Consignment stock**

Where it is concluded that consignment stock is in substance an asset of the Company it is recognised on the balance sheet together with a corresponding liability to the manufacturer.

#### **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. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to sell the asset.

#### **Leased assets**

Annual rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### **Post-retirement benefits**

Liabilities under defined contribution pension schemes were charged when incurred. The company participated in the Inchcape Motors Pension Scheme on behalf of its employees. These contributions were based on triennial actuarial valuations. Pension charges in the profit and loss account were calculated at a substantially level percentage of current and expected future pensionable payroll, with variations from regular costs spread over the expected remaining service lives of employees.

Other post retirement benefits were accounted for on a similar basis to defined benefit pension schemes.

## **INCHCAPE (READING) LIMITED**

**Notes to the accounts for the year ended 31 December 2004**

### **1. ACCOUNTING POLICIES (CONTINUED)**

#### **FRS 8: Related party transactions**

*The directors regard Inchcape plc, a company registered in England and Wales, as the ultimate controlling party. Therefore the Company has applied the exemption in paragraph 3 of FRS 8 "Related Party Disclosure". This exemption permits the non-disclosure of transactions and balances with related parties that are included in the consolidated financial statements of Inchcape plc. The directors consider that there are no other relationships, transactions or balances which are required to be disclosed by FRS 8.*

## INCHCAPE (READING) LIMITED

### Notes to the accounts for the year ended 31 December 2004

#### 2. Operating loss

The operating loss is stated after charging:

	2004	11/10/02 to 31/12/03
	£'000	£'000
Employee costs (see Note 3)	1,781	706
Depreciation of tangible fixed assets	27	19
Auditors' remuneration	4	2
Operating lease rentals - land and buildings	205	86
- plant and machinery	7	2
	<u>1,781</u>	<u>706</u>

#### 3. Employees

Staff costs during the year/period amounted to:

	2004	11/10/02 to 31/12/03
	£'000	£'000
Salaries and wages	1,550	611
Social security costs	137	54
Pension costs	94	41
	<u>1,781</u>	<u>706</u>

The average number of persons employed by the Company throughout the year/period was made up as follows:

	2004	11/10/02 to 31/12/03
Retail	14	10
Aftersales	40	37
Administration & management	13	14
	<u>67</u>	<u>61</u>

#### 4. Directors' emoluments

No directors' remuneration was paid by the Company in the year (2003: £Nil)

#### 5. Pensions and other post retirement benefits

##### Pensions - UK schemes

The company participates in the Inchcape Motors Pension Scheme on behalf of its employees.

##### Inchcape Motors Pension Scheme

The latest actuarial valuation for this scheme was carried out at 5 April 2003 on a market-related basis.

The main assumptions are weighted average investment return of 6.8%, salary increase of 4.5% and pension increase of 2.5%. The market-related value of the assets covered 90.7% of the benefits that had accrued to members after allowing for expected future salary increases. The market value of the assets at the date of the valuation was £89.1m, and the deficit was £9.6m. The level of contributions has been increased to address this deficit.

## INCHCAPE (READING) LIMITED

### Notes to the accounts for the year ended 31 December 2004

#### 5. Pensions and other post retirement benefits (continued)

##### Pension costs

The net pension cost charged for 2004 was £94,000 (2003: £41,000) all of which relates to schemes of a defined benefit nature, and no amounts (2003: £Nil) relate to defined contribution schemes. No provision (2003: £Nil) is included in provisions for liabilities and charges, being the excess of the pension cost charge over the amount funded. There are no outstanding contributions to defined contribution schemes.

##### Disclosures under FRS17 for the year ended 31 December 2004

The company continues to report pension cost in accordance with SSAP 24. However, the company is following the extended transitional arrangements under which additional disclosure on retirement benefits is required in the notes to the financial statements under FRS17. These disclosures are set out below. The most recent actuarial valuation of the post retirement and pension schemes was updated by an independent qualified actuarial actuary to take account of the requirements of FRS17 in order to assess the liabilities of the schemes at 31 December 2004. Further FRS17 disclosures, to the extent that they are not given below are given in the Inchcape Group accounts.

As set out above the company is a participating employer of the Inchcape Motors Pension Scheme. It is not possible to separately identify its share of the underlying assets and liabilities of this scheme. In accordance with FRS17, for accounting purposes, this scheme has been treated as a defined benefit contribution scheme. Under FRS17 an amount of £94,000 (2003: £41,000) would have been charged to operating profit.

Further details relating to these schemes can be found in the financial statements of Inchcape plc.

#### 6. Interest payable

	2004	11/10/02 to 31/12/03
	£'000	£'000
Interest on bank loans and overdrafts	68	17
	<u>68</u>	<u>17</u>

#### 7. Taxation

##### a) Taxation credit for the period

The taxation credit based on the results for the period is made up as follows:

	2004	11/10/02 to 31/12/03
	£'000	£'000
UK Corporation Tax at 30% (2003: charge 30%)	87	42
Deferred tax: origination and reversal of timing differences	(1)	6
Tax credit for the period	<u>86</u>	<u>48</u>

# INCHCAPE (READING) LIMITED

## Notes to the accounts for the year ended 31 December 2004

### 7. Taxation (continued)

b) Factors affecting tax credit for the period:

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

	2004 £'000	11/10/02 to 31/12/03 £'000
Loss on ordinary activities before tax	(317)	(159)
Tax at 30% (2003: 30%)	95	48
<i>Factors affecting charge for the period</i>		
Capital allowances in excess of depreciation	(8)	(6)
Current tax credit for the period (as above)	87	42

c) Factors that may affect future tax charges

Based upon current capital investment plans the Company expects to be able to claim capital allowances in excess of depreciation in future years.

### 8. Dividends

No dividends were proposed or paid in 2004 or 2003.

### 9. Tangible fixed assets

	Plant, machinery, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>			
At 1 January 2004	624	35	659
Additions	1	-	1
Disposals	(1)	-	(1)
<b>At 31 December 2004</b>	<b>624</b>	<b>35</b>	<b>659</b>
<i>Depreciation</i>			
At 1 January 2004	573	19	592
Charged in the year	23	4	27
Disposals	(1)	-	(1)
<b>At 31 December 2004</b>	<b>595</b>	<b>23</b>	<b>618</b>
<i>Net book value</i>			
<b>At 31 December 2004</b>	<b>29</b>	<b>12</b>	<b>41</b>
At 31 December 2003	51	16	67

# INCHCAPE (READING) LIMITED

## Notes to the accounts for the year ended 31 December 2004

### 10. Stocks

	2004 £'000	2003 £'000
Work in progress	1	3
Finished goods - purchased stock	1,723	2,045
Finished goods - consignment stock	3,340	4,389
	<u>5,064</u>	<u>6,437</u>

Finished goods consist partly of consignment stock that is held on a sale or return basis from the manufacturer. The liability for these vehicles, which bears a financing charge at variable rates, is included in trade creditors (see note 12). Payment becomes due when title passes to the Company which is generally the earlier of six months from delivery to the Company or when they are sold by the Company.

### 11. Debtors

	2004 £'000	2003 £'000
Trade debtors	518	455
Amounts owed by group undertakings	1,008	931
Corporation tax	87	42
Deferred taxation (note 13)	5	6
Prepayments and accrued income	172	76
	<u>1,790</u>	<u>1,510</u>

### 12. Creditors : amounts falling due within one year

	2004 £'000	2003 £'000
Bank loans and overdrafts	1,576	877
Deposits received	11	33
Trade creditors	4,413	5,798
Other taxation and social security costs	56	60
Other creditors	7	10
Accruals and deferred income	156	329
	<u>6,219</u>	<u>7,107</u>

### 13. Deferred taxation

	2004 £'000	2003 £'000
Opening balance	6	-
Accelerated capital allowances	(1)	6
Deferred taxation asset	<u>5</u>	<u>6</u>

### 14. Called up share capital

	2004 £'000	2003 £'000
Authorised, allotted, called up and fully paid		
1,008,026 Ordinary shares of £1 each	1,008	1,008
10,182 Ordinary A shares of £1 each	10	10
	<u>1,018</u>	<u>1,018</u>

In all respects, the 'A' Ordinary shares rank pari passu with the Ordinary shares in issue.

## INCHCAPE (READING) LIMITED

### Notes to the accounts for the year ended 31 December 2004

#### 15. Reserves

	Profit & Loss £'000
At 1st January 2004	(111)
Retained loss for the year	(231)
At 31st December 2004	<u>(342)</u>

#### 16. Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Retained loss for the year/period	(231)	(111)
Opening shareholders' funds	907	1,018
Closing shareholders' funds	<u>676</u>	<u>907</u>

#### 17. Commitments under operating leases

Annual commitments under operating leases, analysed over the period when the lease expires are as follows:

	Land and buildings 2004 £'000	2003 £'000
Between two and five years	<u>212</u>	<u>200</u>

#### 18. Contingent Liabilities

The Company is party to composite cross guarantees between banks, its ultimate parent company and fellow subsidiaries. The Company's contingent liability under these guarantees at the year end was £38,617 (2003: £Nil).

#### 19. Cash flow statement

The Company's ultimate parent undertaking is Inchcape plc, a company registered in England and Wales. Accordingly, the Company has taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1 (Revised), Cash Flow Statements and not published its own cash flow statement.

#### 20. Parent Undertaking and Controlling Party

The company's immediate parent is Inchcape Retail Limited a company registered in England and Wales.

The Directors regard the ultimate parent undertaking to be Inchcape plc, a company registered in England and Wales.

Both the smallest and the largest group of which the Company is a member and for which Group Accounts are drawn up is that of Inchcape plc. Copies of the Report and Accounts for that company are available from:

The Company Secretary  
Inchcape plc  
22A St James's Square  
London  
SW1Y 5LP