

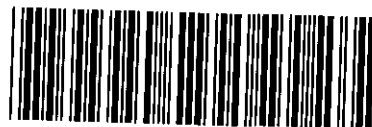
**PENDRAGON ORIENT LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2006**

Registered Number : 1994002

TUESDAY



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**PENDRAGON ORIENT LIMITED**

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**DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2006**

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2006.

**RESULTS AND DIVIDENDS**

The results for the year are shown in the profit and loss account on page 4.  
The directors do not recommend the payment of a dividend (2005 : £nil).

**BUSINESS REVIEW**

The company is a wholly-owned subsidiary of Pendragon PLC.

The company's principal activity is that of motor retailers. There have not been any significant changes in the company's principal activities in the year under review. The Directors are not, at the date of this report, aware of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 4, turnover increased from £19,177,000 in the prior year to £79,279,000 in the current year and the loss for the financial year was of £852,000 compared to the prior year of £669,000. Turnover has increased significantly due to the fact that businesses acquired in October 2005 contributed a full year in 2006, accordingly operating costs likewise increased which has resulted in no improvement in performance overall.

The balance sheet on page 5 of the financial statements shows that the net assets of the company have decreased by the loss of £852,000 to £2,202,000.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

One of the main risks facing the business is the year on year decline in new car registrations in the United Kingdom. This risk is partly mitigated by the sale of used cars and aftersales services, as well as new cars in the company's car dealerships. Other risks to the business include fluctuations in general economic conditions, such as interest rate increases, environmental concerns and legislation and the loss of key personnel. These risks are significant to the group and are also detailed in the group financial statements.

The company is a subsidiary of Pendragon PLC who have a dedicated treasury management team to ensure the business is financed in the most effective manner possible. The company also aim to keep key personnel by offering competitive employment terms supplemented by benefits and security, arising from being a member of a large group.

Details of the number of employees and related costs can be found in note 5 to the financial statements.  
The company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

The directors are satisfied that the company is well positioned to take advantage of future opportunities.

**DIRECTORS**

The directors who held office during the year were as follows:

T G Finn  
D R Forsyth  
M S Casha  
H C Sykes  
Pendragon Management Services Limited

**EMPLOYMENT OF DISABLED PERSONS**

The company recognises its responsibilities in employing and training disabled persons. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

**EMPLOYEE INVOLVEMENT**

Regular contact and exchanges of information are maintained to keep employees informed of the progress of the business.

**PAYMENTS TO SUPPLIERS**

The company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms (provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions). The company does not follow any code or standard on payment practice.

The number of days' purchases outstanding for payment by the company at 31 December 2006 was 19 days (2005 : 82 days).

**POLITICAL AND CHARITABLE DONATIONS**

The company made charitable donations of £598 during the year.

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2006

DISCLOSURE OF INFORMATION TO AUDITORS

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

On behalf of the Board



H C Sykes  
Secretary

Loxley House  
Little Oak Drive  
Annesley  
Nottinghamshire  
15 October 2007

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Principles).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;

The directors are responsible for keeping proper accounting records 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENDRAGON ORIENT LIMITED**

We have audited the financial statements of Pendragon Orient Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Note of Historical Cost Profits and Losses, the Reconciliation of Movements in Shareholders Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland):

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc  
Birmingham  
Chartered Accountants  
Registered Auditor

15 October 2007

## PROFIT AND LOSS ACCOUNT

## YEAR ENDED 31 DECEMBER 2006

Note		2006 £000	2005 £000
2	<b>TURNOVER</b>	<b>79,279</b>	19,177
3	Cost of sales	(70,268)	(16,859)
	<b>GROSS PROFIT</b>	<b>9,011</b>	2,318
3	Net operating expenses	(10,124)	(3,053)
4	<b>OPERATING LOSS</b>	<b>(1,113)</b>	(735)
	Profit on disposal of Property	238	-
	<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>	<b>(875)</b>	(735)
6	Interest payable	(459)	(197)
	<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(1,334)</b>	(932)
7	Taxation	482	263
15	<b>LOSS FOR THE FINANCIAL YEAR</b>	<b>(852)</b>	(669)

All amounts relate to continuing operations.

Movements in reserves are shown in note 15.

The notes on pages 7 to 12 form part of these financial statements.

There are no recognised gains and losses in either year other than the result for that year.

**BALANCE SHEET****AT 31 DECEMBER 2006**

Note		2006 £000	2005 £000
	<b>FIXED ASSETS</b>		
8	Goodwill	127	90
9	Tangible assets	1,266	3,034
		1,393	3,124
	<b>CURRENT ASSETS</b>		
10	Stocks	8,902	7,491
11	Debtors	2,985	3,668
		11,887	11,159
12	<b>CREDITORS:</b> amounts falling due within one year	(11,005)	(11,147)
	<b>NET CURRENT ASSETS</b>	882	12
	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	2,275	3,136
13	Provisions for liabilities and charges	(73)	(82)
	<b>NET ASSETS</b>	2,202	3,054
	<b>CAPITAL AND RESERVES</b>		
14	Called up share capital	1,500	1,500
15	Other reserves	-	810
15	Profit and loss account	702	744
	<b>SHAREHOLDERS' FUNDS</b>	2,202	3,054

Approved by the Board of Directors on 15 October 2007 and signed on its behalf by :



D R Forsyth  
Director

The notes on pages 7 to 12 form part of these financial statements.

**NOTE ON HISTORICAL COST PROFITS AND LOSSES****YEAR ENDED 31 DECEMBER 2006**

	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
Reported loss on ordinary activities before taxation	<b>(1,334)</b>	(932)
Difference between historical cost depreciation and actual depreciation on property revaluation	-	3
Historical cost loss on ordinary activities before taxation	<b>(1,334)</b>	(929)
Historical cost loss on ordinary activities after taxation and dividends	<b>(852)</b>	(666)

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****YEAR ENDED 31 DECEMBER 2006**

	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
Issue of ordinary shares	-	1,500
Loss for the financial year	<b>(852)</b>	(669)
Net (decrease) / increase in shareholders' funds	<b>(852)</b>	831
Opening shareholders' funds	<b>3,054</b>	2,223
Closing shareholders' funds	<b>2,202</b>	3,054

The notes on pages 7 to 12 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2006**

**1 ACCOUNTING POLICIES**

(a) Accounting convention. The financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention, modified to include the revaluation of property. The company has applied the transitional rules contained in FRS 15 'Tangible Fixed Assets' to retain previous valuations as the basis on which certain of these assets are held. The financial statements have been prepared on a going concern basis.

(b) Turnover. Turnover represents sales invoiced to third parties exclusive of value added tax. Consideration received from customers is only recorded as turnover when the company has performed its obligation in respect of that consideration.

(c) Tangible fixed assets and depreciation. Freehold land is not depreciated. Depreciation is provided to write off the cost or revaluation less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Freehold buildings - 2% per annum  
Plant and equipment - 10 to 33% per annum  
Motor vehicles - 20 to 25% per annum

(d) Stocks.

(i) Motor vehicles and parts stocks are stated at the lower of cost and net realisable value.

(ii) Consignment vehicles are new unregistered vehicles owned by the manufacturers, mainly located at the company's premises, and insured by the company. New consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the company and, in accordance with Financial Reporting Standard No 5, are included within stocks on the balance sheet even though legal title has not yet passed to the company. The corresponding liability is included in creditors.

Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

(e) Taxation. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation. Full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date, except as follows:

- (i) deferred tax is not recognised on the difference between book values and fair values of non-monetary assets arising on acquisitions unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised; and
- (ii) deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

(f) Cash flow statement. As a wholly owned subsidiary undertaking of Pendragon PLC - whose consolidated financial statements are publicly available and include the results of this company, the company has relied upon the exemption in Financial Reporting Standard No.1 (revised) and has not included a cash flow statement as part of these financial statements.

(g) The Company participates in a group wide defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(h) Leases. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(i) Related parties. Under Financial Reporting Standard 8 the company has relied upon the exemption not to disclose related party transactions with other group undertakings as they are all included in the Pendragon PLC consolidated financial statements.

(j) Goodwill. Goodwill represents the excess of the fair value of consideration given over the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions is capitalised and amortised to nil by equal instalments over its estimated useful life.

**2 TURNOVER**

All turnover arises in the United Kingdom from the company's principal activities.

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2006

## 3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

	2006 £000	2005 £000
Turnover	79,279	19,177
Cost of sales	(70,268)	(16,859)
Gross profit	9,011	2,318
Net operating expenses :		
Distribution costs	(5,668)	(1,644)
Administrative expenses	(4,456)	(1,409)
	(10,124)	(3,053)
Operating loss	(1,113)	(735)

## 4 OPERATING LOSS

Operating loss has been arrived at after charging :

	2006 £000	2005 £000
Depreciation of tangible fixed assets - owned	324	98
Audit of these financial statements	4	4
Operating lease charges - Land & Buildings	559	119

Amounts receivable by the company's auditor in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Pendragon PLC.

## 5 EMPLOYEES

The average number employed by the company in the following areas was:

	2006 Number	2005 Number
Sales	73	25
After sales	81	28
Administration	58	20
	212	73

Costs incurred in respect of these employees were :

	2006 £000	2005 £000
Wages and salaries	4,754	1,488
Social security costs	461	143
Other pension costs	71	8
	5,286	1,639

No director of the company received any remuneration for services to the company during the year (2005 : £nil).

## 6 INTEREST PAYABLE

	2006 £000	2005 £000
Interest payable on loans wholly repayable within five years :		
Bank loans and overdrafts	121	40
Intra group interest payable	272	12
Stocking loans	66	145
	459	197

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2006

## 7 TAXATION

	2006 £000	2005 £000
UK corporation tax at 30% (2005 : 30%)		
Adjustments in respect of prior periods	(1)	10
	(1)	10
Deferred taxation		
Current year deferred taxation	10	51
Adjustments in respect of prior periods	(19)	-
	(10)	61
Receipt for group relief	(472)	(324)
	(482)	(263)

Factors affecting the tax credit for the period:

The tax assessed is different than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2006 £000	2005 £000
Loss on ordinary activities before tax	(1,334)	(932)
Tax on loss at UK rate of 30% (2005 : 30%)	(400)	(280)
Permanent differences:		
Accounting depreciation for which no tax relief is due	3	4
Goodwill amortisation for which no tax relief is due	1	1
Difference between accounts profits and taxable profits on capital asset disposals	(71)	-
Other disallowables	5	-
Adjustments to tax (credit) / charge in respect of previous periods	(1)	10
Total permanent differences	(63)	15
Deferred tax movements taken to the profit and loss account:		
Accelerated capital allowances	(19)	(48)
Other provisions	9	(1)
Total timing differences	(10)	(49)
Total current tax credit	(473)	(314)
Aggregate tax (credits) / charges are analysed as:		
Current tax	(473)	(314)
Deferred tax	(9)	51
	(482)	(263)

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008. The deferred tax liability has been calculated at 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be relieved at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax liability will reverse, it is not possible to calculate the full financial impact of this change.

## 8 GOODWILL

	Goodwill £000
<b>Cost</b>	
At 31 December 2005	91
Additions	44
At 31 December 2006	135
<b>Amortisation</b>	
At 31 December 2005	1
Charge for the year	7
At 31 December 2006	8
<b>Net book value</b>	
At 31 December 2006	127
At 31 December 2005	90

Goodwill on dealerships acquired is amortised over a period of twenty years.

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2006

9	FIXED ASSETS - TANGIBLE ASSETS	Freehold Land & Buildings £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
	<b>Cost or valuation</b>				
	At 31 December 2005	2,137	1,042	217	<b>3,396</b>
	Additions	57	253	770	<b>1,080</b>
	Disposals	(2,194)	-	(505)	<b>(2,699)</b>
	At 31 December 2006	-	1,295	482	<b>1,777</b>
	<b>Depreciation</b>				
	At 31 December 2005	57	254	51	<b>362</b>
	Disposals	(70)	-	(105)	<b>(175)</b>
	Charge for the year	13	210	101	<b>324</b>
	At 31 December 2006	-	464	47	<b>511</b>
	<b>Net book value</b>				
	At 31 December 2006	-	<b>831</b>	<b>435</b>	<b>1,266</b>
	At 31 December 2005	2,080	788	166	3,034
	Historical cost of freehold land and buildings held at valuation:		<b>2006 £000</b>		<b>2005 £000</b>
	Cost		-		988
	Depreciation		-		(50)
			-		938
	Analysis of freehold land and buildings at net book value		<b>2006 £000</b>		<b>2005 £000</b>
	At valuation (open market value of freehold property as at 30 April 1990)		-		1,500
	At cost		-		580
			-		2,080

The freehold property was valued on 30 April 1990 at £1,500,000, subsequent additions are stated at cost.

Freehold land and buildings includes land not depreciated of £nil (2005 : £1,175,000).

10	STOCKS	<b>2006 £000</b>	<b>2005 £000</b>
	New and used vehicles	<b>6,753</b>	5,387
	Consignment vehicles	<b>1,645</b>	1,687
	Vehicle parts and other stocks	<b>504</b>	417
		<b>8,902</b>	7,491

Consignment vehicles exclude new vehicle stocks held by the manufacturers to the order of the company, which are not capable of bearing a finance charge, amounting to £1,323,000 (2005 : £1,237,000).

11	DEBTORS	<b>2006 £000</b>	<b>2005 £000</b>
	Trade debtors	<b>1,113</b>	1,643
	Amounts owed by group undertakings	<b>360</b>	3
	Other debtors	<b>1,444</b>	2,022
	Prepayments	<b>68</b>	-
		<b>2,985</b>	3,668

All amounts are due within one year.

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2006

## 12 CREDITORS : amounts falling due within one year

	2006 £000	2005 £000
Bank overdraft	2,200	2,318
Payments received on account	89	1
Trade creditors	4,152	4,108
Amounts owed to group undertakings	1,748	1,453
Consignment vehicle liabilities	1,645	1,687
UK corporation tax	6	5
Other taxation and social security	22	-
Accruals and deferred income	1,143	1,575
	<b>11,005</b>	<b>11,147</b>

## 13 PROVISIONS FOR LIABILITIES AND CHARGES

The movement in the provision for deferred taxation in the year is as follows:

	Deferred Tax £000
At 31 December 2005	82
Profit and loss account	(9)
At 31 December 2006	<b>73</b>

The amounts of deferred tax provided in the financial statements are as follows:

	2006 £000	2005 £000
Fixed asset timing differences	82	83
Other timing differences	(9)	(1)
Fixed asset timing differences	<b>73</b>	<b>82</b>

## 14 CALLED UP SHARE CAPITAL

	2006 £000	2005 £000
Authorised :		
1,500,000 (2005 : 1,500,000) ordinary shares of £1 each	1,500	1,500
Allotted, called up and fully paid :		
1,500,000 (2005 : 1,500,000) ordinary shares of £1 each	1,500	1,500

## 15 RESERVES

	Revaluation reserve £000	Profit and Loss Account £000
At 31 December 2005	810	744
Loss for the financial year	-	(852)
Transfer to profit and loss account on sale of property	(810)	810
At 31 December 2006	-	<b>702</b>

## 16 OPERATING LEASE COMMITMENTS

Annual lease payments due in 2007 under operating leases of the company, according to the period in which the lease expires are as follows:

	Land and Buildings	
	2006 £000	2005 £000
Under 1 year	559	-
Between 1 and 5 years	-	659
	<b>559</b>	<b>659</b>

**PENDRAGON ORIENT LIMITED****NOTES TO THE FINANCIAL STATEMENTS continued****YEAR ENDED 31 DECEMBER 2006****17 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH COMPANY IS A MEMBER**

The company's ultimate parent company is Pendragon PLC which is incorporated in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by Pendragon PLC. Financial statements of Pendragon PLC for the year ended 31 December 2006 are available from the Company Secretary, Pendragon PLC Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

**18 CONTINGENT LIABILITIES**

The company is party to a group arrangement with its bankers whereby any in-hand balance may be applied against the overdraft of other group companies. As at 31 December 2006 the cash at bank and in hand was £nil (2005 : £nil).

**19 PENSIONS**

The Company is a member of a funded group wide defined contribution pension scheme (Pendragon Pension Plan). There were no outstanding or prepaid contributions at either the beginning or end of the financial year. The defined contribution pension scheme was closed at the end of April 2006 and replaced by an alternative defined contribution scheme (group stakeholder arrangement).

The Company is also a member of a funded group wide pension scheme (Pendragon Pension Plan) providing benefits based on final pensionable pay, which closed to future benefits from 30 September 2006 and employees were offered membership of a defined contribution scheme. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. At 31 December 2006 the scheme had a deficit on an FRS 17 basis of £19,467,000 (2005 : £31,042,000).

The latest full actuarial valuation was carried out at 6 April 2006 and was updated for FRS 17 purposes to 31 December 2006 by a qualified independent actuary. The defined benefit scheme was closed on 30 September 2006.

The pension charge cost in respect of the defined benefit scheme for the year was £63,000 (2005: £8,000).

The pension charge cost in respect of the defined contribution schemes for the year was £8,000 (2005: £nil). The increase was attributed to the transfer of members from the defined benefit scheme at the end of September 2006.