

PENDRAGON ORIENT LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

Registered Number : 1994002

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PENDRAGON ORIENT LIMITED

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DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2007

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2007.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 5.
The directors do not recommend the payment of a dividend (2006 : £nil).

BUSINESS REVIEW

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

The Company's principal activity is that of motor retailers and parts distributors. 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, though as noted below the Company participated in a group restructure resulting in the disposal of 3 vehicle dealerships on 1 January 2008. It is anticipated these changes will result in approximately a £20 million decrease in turnover.

As shown in the Company's profit and loss account on page 5, turnover increased from £79,279,000 in the prior year to £81,627,000 in the current year and the loss for the financial year was £1,794,000 compared to the prior year loss of £852,000. The main reason for the increased turnover is increased levels of trade at the Honda Leeds dealership.

The balance sheet on page 6 of the financial statements shows that the net assets of the Company have decreased by the loss of £1,794,000 to £408,000.

On 1 January 2008, the statutory structure of the Pendragon group was reorganised. 3 vehicle dealerships with net assets of £2,214,000 were disposed of by the Company. All asset movements were funded by intercompany loans.

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 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. As 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 2007 the scheme had a deficit on an FRS 17 basis of £3,783,000 (2006 : £19,467,000).

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.

Pendragon PLC, our ultimate holding company, reported in its Interim Management Statement, on 10 November 2008 there has been a marked deterioration in the outlook for economic activity in the UK which has had a significant impact on new car registrations. It said it expects to report a 2008 full year loss before exceptional items for the whole of its group of £30 million. It also reported, it is currently considering sale options regarding the future of its software subsidiary, Pinewood.

After making suitable enquiries, the Directors believe that the Company has adequate resources to continue to adopt the going concern basis in preparing the accounts. This matter, including the material uncertainties surrounding this conclusion, is more fully described in note 1 to the financial statements.

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 ensure the suppliers are aware of those terms and 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 2007 was 18 days (2006 : 19 days).

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2007

POLITICAL AND CHARITABLE DONATIONS

The Company made charitable donations of £131 during the year (2006 : £598).

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
2008

9 December

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 31st December 2007 which comprise the Profit and Loss Account, the Balance Sheet, 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 2007 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.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the company's ability to continue as a going concern. This is dependent on the Pendragon PLC group ("the Group") being able to meet its financial covenants on its borrowing agreements over the foreseeable future, as the company is subject to cross guarantees over the Group's indebtedness and is reliant on inter-group borrowings to allow the company to continue to realise its assets and discharge its liabilities in the normal course of business. If such covenants were breached the lenders would be able to request early repayment of all outstanding borrowings and cancel their existing commitments. The Group's financial projections indicate that a breach of the Group's covenants is possible to occur when the covenants are next tested as at 31 December 2008 and, as a result, the Group has entered into discussions with the relevant lenders to agree suitable amendments or waivers of covenants to enable the Group to remain in compliance with its covenants. This position, as set out in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

KPMG Audit Plc

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

9 December 2008

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

| Note | | 2007 £000 | 2006 £000 |
|------|--|--------------|--------------|
| 2 | TURNOVER | | |
| | Continuing operations | 61,126 | 48,775 |
| | Discontinued operations | 20,501 | 30,504 |
| | | 81,627 | 79,279 |
| 3 | Cost of sales | (73,222) | (70,268) |
| | GROSS PROFIT | 8,405 | 9,011 |
| 3 | Net operating expenses | (9,925) | (10,124) |
| 4 | OPERATING LOSS | | |
| | Continuing operations | (430) | (366) |
| | Discontinued operations | (1,090) | (747) |
| | | (1,520) | (1,113) |
| | Profit on disposal of property | - | 238 |
| | LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST | (1,520) | (875) |
| 6 | Interest payable | (1,043) | (459) |
| | LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | (2,563) | (1,334) |
| 7 | Taxation on loss on ordinary activities | 769 | 482 |
| 15 | LOSS FOR THE FINANCIAL YEAR | (1,794) | (852) |

Movements in reserves are shown in note 15.

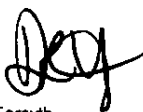
The notes on pages 8 to 14 form part of these financial statements.

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

BALANCE SHEET**AT 31 DECEMBER 2007**

| Note | | 2007 £000 | 2006 £000 |
|------|---|-----------------|-----------------|
| | FIXED ASSETS | | |
| 8 | Goodwill | 120 | 127 |
| 9 | Tangible assets | 1,648 | 1,266 |
| | | 1,768 | 1,393 |
| | CURRENT ASSETS | | |
| 10 | Stocks | 7,410 | 8,902 |
| 11 | Debtors | 2,001 | 2,985 |
| | Cash at bank and in hand | 267 | - |
| | | 9,678 | 11,887 |
| 12 | CREDITORS: amounts falling due within one year | (10,949) | (11,005) |
| | NET CURRENT (LIABILITIES) / ASSETS | (1,271) | 882 |
| | TOTAL ASSETS LESS CURRENT LIABILITIES | 497 | 2,275 |
| 13 | Provisions for liabilities and charges | (89) | (73) |
| | NET ASSETS | 408 | 2,202 |
| | CAPITAL AND RESERVES | | |
| 14 | Called up share capital | 1,500 | 1,500 |
| 15 | Profit and loss account | (1,092) | 702 |
| | SHAREHOLDERS' FUNDS | 408 | 2,202 |

Approved by the Board of Directors on 9 December 2008 and signed on its behalf by :



D R Forsyth
Director

The notes on pages 8 to 14 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDSYEAR ENDED 31 DECEMBER 2007

| | 2007 £000 | 2006 £000 |
|-------------------------------------|--------------|--------------|
| Loss for the financial year | (1,794) | (852) |
| Net decrease in shareholders' funds | (1,794) | (852) |
| Opening shareholders' funds | 2,202 | 3,054 |
| Closing shareholders' funds | 408 | 2,202 |

The notes on pages 8 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTSYEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Accounting convention. The financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention. The financial statements have been prepared on a going concern basis.

(b) Basis of preparation.

Going Concern: In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The company is subject to multi lateral cross guarantees in respect of the indebtedness of Pendragon PLC and its UK subsidiaries ("the Group") in favour of certain lenders to the Group and is reliant on inter-group borrowings to allow the company to continue to realise its assets and discharge its liabilities in the normal course of business. The directors have been informed by the directors of Pendragon PLC ("the Group directors") that the Group is currently in compliance with the financial covenants contained in all of its borrowing agreements. However, they have further been informed that, as a consequence of the rapid decline in the UK automotive market over recent months, the Group's current financial projections indicate that a breach of the Group's banking covenants is possible to occur when the covenants are next tested as at 31 December 2008 and to continue thereafter. If such a covenant breach were to occur then the lenders would be able to request early repayment of all outstanding borrowings and cancel their existing commitments.

As a consequence, the Group has entered into constructive discussions with the relevant lenders with a view to agreeing suitable amendments or waivers of covenants to enable the Group to remain in compliance with its covenants for the foreseeable future and provide sufficient headroom against those covenants to take account of the current economic climate. If the Group is not able to agree covenant waivers or amendments then, in the absence of any mitigating actions and in the absence of other funding alternatives, the Group directors have informed the directors that the Group may be unable to repay its borrowings as they fall due and, therefore, that the company may be unable to continue to realise its assets and discharge its liabilities in the normal course of business. As a result there exists a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern.

Constructive discussions with relevant lenders are ongoing and the directors are not aware of any issues which would prevent the required amendments from being agreed. Based on discussions with lenders and projected results for the Group the Group directors have informed the directors that they are of the view that a satisfactory conclusion will be reached. On this basis, the directors are confident that the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements. Therefore these financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

(c) 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.

(d) Tangible fixed assets and depreciation. Depreciation is provided to write off the cost less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic life as follows:

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

(e) 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 FRS 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.

(f) Taxation. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been 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 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.

(g) Cash flow statement. Pendragon Orient Limited is a wholly owned subsidiary of Pendragon PLC. The Company's results are included in the consolidated financial statements of Pendragon PLC, which are publicly available; the Company has relied upon the exemption in FRS 1 (revised) and has not included a cash flow statement as part of these financial statements.

(h) 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.

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

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES continued

(j) Related parties. Under FRS 8 the Company has relied upon the exemption not to disclose related party transactions with other group undertakings as they are a wholly owned subsidiary of Pendragon PLC.

(k) 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 2007

3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

| | Continuing operations £000 | Discontinued operations £000 | 2007 £000 | Continuing operations £000 | Discontinued operations £000 | 2006 £000 |
|--------------------------|----------------------------------|------------------------------------|--------------|----------------------------------|------------------------------------|--------------|
| Turnover | 61,126 | 20,501 | 81,627 | 48,775 | 30,504 | 79,279 |
| Cost of sales | (54,929) | (18,293) | (73,222) | (42,994) | (27,274) | (70,268) |
| Gross profit | 6,197 | 2,208 | 8,405 | 5,781 | 3,230 | 9,011 |
| Net operating expenses : | | | | | | |
| Distribution costs | (3,829) | (2,001) | (5,830) | (3,359) | (2,309) | (5,668) |
| Administrative expenses | (2,798) | (1,297) | (4,095) | (2,788) | (1,668) | (4,456) |
| | (6,627) | (3,298) | (9,925) | (6,147) | (3,977) | (10,124) |
| Operating loss | (430) | (1,090) | (1,520) | (366) | (747) | (1,113) |

4 OPERATING LOSS

Operating loss has been arrived at after charging :

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Depreciation of tangible fixed assets - owned | 365 | 324 |
| Audit of these financial statements | 4 | 4 |
| Operating lease charges - Land & Buildings | 559 | 559 |

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:

| | 2007 Number | 2006 Number |
|----------------|----------------|----------------|
| Sales | 76 | 73 |
| After sales | 84 | 81 |
| Administration | 61 | 58 |
| | 221 | 212 |

Costs incurred in respect of these employees were :

| | 2007 £000 | 2006 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 4,292 | 4,754 |
| Social security costs | 403 | 461 |
| Other pension costs | 54 | 71 |
| | 4,749 | 5,286 |

No director of the Company received or waived any remuneration for services to the Company during the year (2006 : Nil).

The directors are employed by Pendragon PLC and full details of their remuneration can be found in the Directors Remuneration Report section of that company's annual report. Due to the large number of subsidiary undertakings of the Pendragon group it is impracticable to make any meaningful apportionments of the directors' remuneration for the Company.

6 INTEREST PAYABLE

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Interest payable on loans wholly repayable within five years : | | |
| Bank loans and overdrafts | 30 | 121 |
| Intra group interest payable | 911 | 272 |
| Stocking loans | 102 | 66 |
| | 1,043 | 459 |

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2007

7 TAXATION

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| UK corporation tax at 30% (2006 : 30%) | | |
| Adjustments in respect of prior periods | - | (1) |
| | - | (1) |
| Deferred taxation | | |
| Current year deferred taxation | 17 | 10 |
| Adjustments in respect of prior periods | (1) | (19) |
| | 16 | (10) |
| Receipt for group relief | (785) | (472) |
| | (769) | (482) |

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:

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Loss on ordinary activities before tax | (2,563) | (1,334) |
| Tax on loss at UK rate of 30% (2006 : 30%) | (769) | (400) |
| Permanent differences: | | |
| Accounting depreciation for which no tax relief is due | - | 3 |
| Goodwill amortisation for which no tax relief is due | 2 | 1 |
| Difference between accounts profits and taxable profits on capital asset disposals | - | (71) |
| Other disallowables | 7 | 5 |
| Corporation tax rate change | (6) | - |
| Adjustments to tax (credit) / charge in respect of previous periods | (3) | (1) |
| Total permanent differences | - | (63) |
| Deferred tax movements taken to the profit and loss account: | | |
| Accelerated capital allowances | (19) | (19) |
| Other provisions | 3 | 9 |
| Total timing differences | (16) | (10) |
| Total current tax credit | (785) | (473) |
| Aggregate tax credits are analysed as: | | |
| Current tax | (785) | (473) |
| Deferred tax | 16 | (9) |
| | (769) | (482) |

The corporation tax rate applicable to the Company changed from 30% to 28% on 1 April 2008. As all timing differences will reverse after 1 April 2008 the deferred tax is calculated at 28%.

8 GOODWILL

| | Goodwill £000 |
|---|------------------|
| Cost | |
| At 31 December 2006 and at 31 December 2007 | 135 |
| Amortisation | |
| At 31 December 2006 | 8 |
| Charge for the year | 7 |
| At 31 December 2007 | 15 |
| Net book value | |
| At 31 December 2007 | 120 |
| At 31 December 2006 | 127 |

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

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2007

9 FIXED ASSETS - TANGIBLE ASSETS

| | Plant & Equipment £000 | Motor Vehicles £000 | Total £000 |
|-----------------------|------------------------------|---------------------------|---------------|
| Cost | | | |
| At 31 December 2006 | 1,295 | 482 | 1,777 |
| Additions | 311 | 1,325 | 1,636 |
| Disposals | (136) | (902) | (1,038) |
| At 31 December 2007 | 1,470 | 905 | 2,375 |
| Depreciation | | | |
| At 31 December 2006 | 464 | 47 | 511 |
| Disposals | (51) | (98) | (149) |
| Charge for the year | 221 | 144 | 365 |
| At 31 December 2007 | 634 | 93 | 727 |
| Net book value | | | |
| At 31 December 2007 | 836 | 812 | 1,648 |
| At 31 December 2006 | 831 | 435 | 1,266 |

10 STOCKS

| | 2007 £000 | 2006 £000 |
|--------------------------------|--------------|--------------|
| New and used vehicles | 6,083 | 6,753 |
| Consignment vehicles | 967 | 1,645 |
| Vehicle parts and other stocks | 360 | 504 |
| | 7,410 | 8,902 |

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 £1,651,000 (2006 : £1,323,000).

Consignment stock is held by the Company though legal title remains with the supplier. The balance of the consignment stock is subject to interest at commercial rates with an initial interest free period, typically 30 days, being granted. In most cases, if the stock remains unsold after a set period, typically 180 days then the stock is invoiced to the Company. These terms can be varied at any time and certain stock lines may be subject to different terms to others. No deposits are paid in respect of consignment stock.

11 DEBTORS

| | 2007 £000 | 2006 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 1,265 | 1,113 |
| Amounts owed by group undertakings | 86 | 360 |
| Other debtors | 584 | 1,444 |
| Prepayments | 66 | 68 |
| | 2,001 | 2,985 |

All amounts are due within one year.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2007

12 CREDITORS : amounts falling due within one year

| | 2007 £000 | 2006 £000 |
|------------------------------------|---------------|---------------|
| Bank overdraft | - | 2,200 |
| Payments received on account | 127 | 89 |
| Trade creditors | 3,795 | 4,152 |
| Amounts owed to group undertakings | 4,162 | 1,748 |
| Consignment vehicle liabilities | 967 | 1,645 |
| UK corporation tax | 6 | 6 |
| Other taxation and social security | 173 | 22 |
| Accruals and deferred income | 1,719 | 1,143 |
| | 10,949 | 11,005 |

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 2006 | 73 |
| Profit and loss account | 16 |
| At 31 December 2007 | 89 |

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

| | 2007 £000 | 2006 £000 |
|--------------------------------|--------------|--------------|
| Fixed asset timing differences | 104 | 82 |
| Other timing differences | (15) | (9) |
| Fixed asset timing differences | 89 | 73 |

14 CALLED UP SHARE CAPITAL

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Authorised : | | |
| 1,500,000 (2006 : 1,500,000) ordinary shares of £1 each | 1,500 | 1,500 |
| Allotted, called up and fully paid : | | |
| 1,500,000 (2006 : 1,500,000) ordinary shares of £1 each | 1,500 | 1,500 |

15 RESERVES

| | Profit and Loss Account £000 |
|-----------------------------|---------------------------------------|
| At 31 December 2006 | 702 |
| Loss for the financial year | (1,794) |
| At 31 December 2007 | (1,092) |

16 OPERATING LEASE COMMITMENTS

Annual lease payments due in 2008 under operating leases of the Company, according to the period in which the lease expires are as follows:

| | Land and Buildings | |
|--------------|--------------------|--------------|
| | 2007 £000 | 2006 £000 |
| Under 1 year | 97 | 559 |
| Over 5 years | 795 | - |
| | 892 | 559 |

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2007****17 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH COMPANY IS A MEMBER**

The Company's ultimate parent company and ultimate controlling party 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 2007 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 multi-lateral cross guarantees in respect of the indebtedness of Pendragon PLC and its UK subsidiaries in favour of certain lenders to the Group.

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). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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. As 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 2007 the scheme had a deficit on an FRS 17 basis of £3,783,000 (2006 : £19,467,000).

The latest full actuarial valuation was carried out at 5 April 2006 and was updated for FRS 17 purposes to 31 December 2007 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 £nil (2006 : £63,000).

The pension charge cost in respect of the defined contribution schemes for the year was £54,000 (2006 : £8,000).

20 POST BALANCE SHEET EVENTS

On 1 January 2008, the statutory structure of the Pendragon group was reorganised. 3 vehicle dealerships with net assets of £2,214,000 were disposed of by the Company. All asset movements were funded by intercompany loans.