PENDRAGON ORIENT LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

Registered Number 1994002

PENDRAGON ORIENT LIMITED

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YEAR ENDED 31 DECEMBER 2011

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DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2011

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 (2010 £nil)

BUSINESS REVIEW

The Company is a wholly-owned subsidiary of Pendragon PLC and operates as part of the Stratstone division

The Company's principal activity is that of motor retailers and parts distributors in the UK 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 decreased by 30 6% from £41,657,000 in the prior year to £28,896,000 in the current year and the loss for the financial year was £613,000 compared to the prior year loss of £865,000
The main reason for the decrease in turnover was a fall in the number of new and used vehicles sold in the current year compared to the prior year together with the loss of revenue from the sale of the Harrogate dealership in April 2011

Pendragon PLC manages its operations on a divisional basis For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of Stratstone division, which includes the Company, is discussed in the 2011 financial statements of Pendragon PLC

The balance sheet on page 5 of the financial statements shows that the net assets of the Company have decreased by £613,000 This was due to the loss in the year

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 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 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 2011 the scheme had a deficit on an FRS 17 basis of £1,165,000 (2010 £26,874,000)

Details of the number of employees and related costs can be found in note 5 to the financial statements

Pendragon Orient Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities The Company operates in accordance with Pendragon PLC policies as noted in Pendragon PLC's annual report, which does not form part of this report Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption

In August 2011 the Pendragon Group completed a Rights Issue raising net proceeds of £70 8m which was used to repay existing debt and at the same time the Group's financing facilities were extended until June 2014 on improved terms Current forecasts and projections taking account of potential changes in market circumstances show that the Group should be able to operate within the level of the current facilities

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

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
T P Holden
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

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

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 2011 was 16 days (2010 20 days)

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

RE-APPOINTMENT OF AUDITORS

KPMG Audit Plc has indicated its willingness to continue as independent auditor and in accordance with section 489 of the Companies Act 2006, a resolution concerning its reappointment will be proposed at the Annual General Meeting

On behalf of the Board

H C Sykes
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
12 April 2012

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 Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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 AUDITOR'S REPORT TO THE MEMBERS OF PENDRAGON ORIENT LIMITED

We have audited the financial statements of Pendragon Orient Limited for the year ended 31 December 2011 set out on pages 4 to 12 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

M Steventon (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

12 April 2012

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2011

Note		2011 £000	2010 £000
2	**TURNOVER**	28,896	41 657
3	Cost of sales	(25,515)	(36,753)
	GROSS PROFIT	3,381	4,904
3	Net operating expenses	(4,274)	(5,280)
4	**OPERATING LOSS**	(893)	(376)
15	Loss on disposal of business	(33)	-
	LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(926)	(376)
6	Interest payable	(19)	(98)
7	Interest receivable	25	71
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(920)	(403)
8	Taxation on loss on ordinary activities	307	(462)
17	**LOSS FOR THE FINANCIAL YEAR**	(613)	(865)

There are no material differences between the loss as shown in the profit and loss account above and their historical cost equivalents
All current year amounts relate to continuing operations
Movements in reserves are shown in note 17
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

PENDRAGON ORIENT LIMITED

BALANCE SHEET

AT 31 DECEMBER 2011

Note		2011 £000	2010 £000
	FIXED ASSETS		
9	Goodwill	-	-
10	Tangible assets	346	596
		346	596
	CURRENT ASSETS		
11	Stocks	2,588	3 533
12	Debtors	1,578	3,192
	Cash at bank and in hand	-	-
		4,166	6,725
13	**CREDITORS** amounts falling due within one year	(2,444)	(4,640)
	NET CURRENT ASSETS	1,722	2,085
	NET ASSETS	2,068	2,681
	CAPITAL AND RESERVES		
16	Called up share capital	5,000	5,000
17	Profit and loss account	(2,932)	(2,319)
	SHAREHOLDERS' FUNDS	2,068	2,681

Approved by the Board of Directors on 12 April 2012 and signed on its behalf by

T P Holden
Director

Registered Company Number 1994002

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2011

	2011 £000	2010 £000
Loss for the financial year	(613)	(865)
Net decrease in shareholders' funds	(613)	(865)
Opening shareholders' funds	2,681	3,546
Closing shareholders' funds	2,068	2,681

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

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

The Company s business activities together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors Report on page 1

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future The Company participates in the Pendragon group s centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

In August 2011 the Pendragon Group completed a Rights Issue raising net proceeds of £70 8m which was used to repay existing debt and at the same time the Group's financing facilities were extended until June 2014 on improved terms Current forecasts and projections taking account of potential changes in market circumstances show that the Group should be able to operate within the level of the current facilities

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

(b) Turnover Turnover from the sale of goods is recognised in the profit and loss account net of discounts, when the significant risks and rewards of ownership have been transferred to the buyer In general this occurs when vehicles or parts have been supplied or when service has been completed Turnover from services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the reporting date The stage of completion is assessed by surveys of work performed or by reference to time expended on services that are charged on labour rate basis

Incentives received from manufacturers in respect of target achievements are accounted for as a deduction from the cost of the vehicles or parts to which they relate

(c) 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

Leasehold properties - 2% per annum or over the period of the lease if less than 50 years
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 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

(e) 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 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 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

(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

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(i) Related parties As the Company is a wholly owned subsidiary of Pendragon PLC the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group

The Company has a related party relationship with Reg Vardy (VMC) Limited, which is a joint venture undertaking between Pendragon PLC and General Motors (UK) Limited

During the year, the following amounts were received from related parties in respect of vehicle sales	2011 £000	2010 £000
Reg Vardy (VMC) Limited	20	-

During the year, the following amounts were paid to related parties in respect of vehicle purchases	2011 £000	2010 £000
Reg Vardy (VMC) Limited	9	-

At the year end no amounts were due to or receivable from related parties

(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 which is twenty years

2 TURNOVER
All turnover arises in the United Kingdom from the Company's principal activities

3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

	2011 £000	2010 £000
Turnover	28,896	41 657
Cost of sales	(25,515)	(36,753)
Gross profit	3,381	4 904
Net operating expenses		
Distribution costs	(2,276)	(3,218)
Administrative expenses	(1,998)	(2 062)
	(4,274)	(5,280)
Operating loss	(893)	(376)

All current year amounts relate to continuing operations

4 OPERATING LOSS
Operating loss has been arrived at after charging

	2011 £000	2010 £000
Depreciation of tangible fixed assets - owned	155	180
Audit of these financial statements	5	5
Operating lease charges - Land & Buildings	327	446

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

	2011 Number	2010 Number
Sales	22	25
After sales	40	46
Administration	26	30
	88	101

Costs incurred in respect of these employees were

	2011 £000	2010 £000
Wages and salaries	2,008	2 602
Social security costs	193	255
Other pension costs	27	29
	2,228	2,886

No director of the Company received or waived any remuneration for services to the Company during the year (2010 £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 INTERREST PAYABLE

	2011 £000	2010 £000
Interest payable on loans wholly repayable within five years		
Bank interest payable	8	-
Intra group interest payable	-	-
Stocking loans	11	98
Total interest payable	19	98

7 INTEREST RECEIVABLE

	2011 £000	2010 £000
Interest receivable		
Bank interest receivable	-	71
Intra group interest receivable	25	-
Total interest receivable	25	71

8 TAXATION

	2011 £000	2010 £000
UK corporation tax at the UK average statutory rate of 26 5% (2010 28%)		
Current tax on income for the year	(196)	-
Adjustments in respect of prior periods	(4)	2
Total current tax	(200)	2
Deferred taxation		
Accelerated capital allowances	(48)	25
Other provisions	-	(1)
Effect of decreased rate	16	4
Adjustments in respect of prior periods	(75)	432
Total deferred tax	(107)	460
Tax on loss on ordinary activities	(307)	462

Factors affecting the tax (credit) / charge for the period
The current tax credit for the period is lower (2010 tax charge is higher) than the standard rate of corporation tax in the UK ((26 5%) (2010 28%)) The differences are explained below

	2011 £000	2010 £000
Loss on ordinary activities before tax	(920)	(403)
Tax on loss at the UK average statutory rate of 26 5% (2010 28%)	(244)	(113)
Effects of		
Accelerated capital allowances	48	(25)
Other provisions	-	1
Other disallowables	-	1
Derecognised losses	-	136
Adjustments to tax charge in respect of previous periods	(4)	2
Total current tax (credit) / charge (see above)	(200)	2

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

The 2012 Budget on 21 March 2012 announced a further reduction in the corporation tax rate to 24% (effective from 1 April 2012) This was substantively enacted on 26 March 2012 Further 2% rate reductions in future periods will reduce the UK corporation tax rate to 22% over the next 2 years This will reduce the company's future current tax charge accordingly

The deferred tax asset at 31 December 2011 has been calculated based on future rate of 25% which was substantively enacted at the balance sheet date

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

9 GOODWILL

	Goodwill £000
Cost	
At 31 December 2010 and at 31 December 2011	135
Amortisation	
At 31 December 2010 and at 31 December 2011	135
Net book value	
At 31 December 2010 and at 31 December 2011	-

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

10 FIXED ASSETS - TANGIBLE ASSETS

	Short leasehold property £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 31 December 2010	5	692	401	**1,098**
Additions	-	40	299	**339**
Business disposals	(5)	(111)	-	**(116)**
Other disposals	-	(43)	(493)	**(536)**
At 31 December 2011	-	578	207	**785**
Depreciation				
At 31 December 2010	1	442	59	**502**
Business disposals	(2)	(87)	-	**(89)**
Other disposals	-	(30)	(99)	**(129)**
Charge for the year	1	77	77	**155**
At 31 December 2011	-	402	37	**439**
Net book value				
At 31 December 2011	-	**176**	**170**	**346**
At 31 December 2010	4	250	342	596

11 STOCKS

	2011 £000	2010 £000
New and used vehicles	**2,410**	3,317
Vehicle parts and other stocks	**178**	216
	2,588	3,533

During the year £21,000 credit was recognised as an expense in respect of the write down of stocks (2010 £123,000 credit)

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 £644,000 (2010 £856,000)

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

12 DEBTORS

	2011 £000	2010 £000
Trade debtors	**108**	437
Amounts owed by group undertakings	**1,095**	2,148
Deferred taxation (see note 14)	**205**	98
Other debtors	**97**	339
Prepayments	**73**	170
	1,578	3,192

All amounts are due within one year with the exception of deferred tax

13 CREDITORS amounts falling due within one year

	2011 £000	2010 £000
Bank overdraft	507	1,561
Payments received on account	35	104
Trade creditors	1,232	2,146
UK corporation tax	-	5
Other taxation and social security	27	53
Accruals and deferred income	643	771
	2,444	4 640

14 DEFERRED TAX

The movement in the deferred taxation asset in the year is as follows

	Deferred Tax £000
At 31 December 2010	98
Profit and loss account	107
At 31 December 2011	205

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

	2011 £000	2010 £000
Fixed asset timing differences	190	42
Other timing differences	15	56
Fixed asset timing differences	205	98

The directors believe that the deferred tax asset recognised is recoverable as they expect taxable profits to arise in the foreseeable future

Deferred tax assets are shown in debtors (see note 12)

15 DISPOSALS

The Company disposed of the Harrogate Honda dealership in the year for a total consideration of £15,000 before costs of £32 000

Net assets at date of disposal

	Net book value £000
Tangible fixed assets	27
Stocks	29
Creditors	(41)
Proceeds on sale satisfied in cash	15
Loss on sale	(33)
Proceeds on sale (net of costs)	(18)

16 CALLED UP SHARE CAPITAL

	2011 £000	2010 £000
Allotted, called up and fully paid		
5 000 000 (2010 5 000 000) ordinary shares of £1 each	5,000	5 000

17 RESERVES

	Profit and Loss Account £000
At 31 December 2010	(2,319)
Loss for the financial year	(613)
At 31 December 2011	(2,932)

18 OPERATING LEASE COMMITMENTS

Annual lease payments due in 2012 under operating leases of the Company, according to the period in which the lease expires are as follows

Land and Buildings	2011 £000	2010 £000
Between 1 and 5 years	-	86
Over 5 years	321	360
	321	446

19 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

Pendragon PLC has granted security over some of the Company's assets, not subject to any other arrangements, mainly comprising property, debtors and certain vehicle stocks Pendragon PLC has also granted security over assets in some of its other subsidiaries and if security over the total of all those assets had been granted at 31 December 2011, the Group balance sheet value of those assets would have been £286m

20 PENSIONS

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 2011 the scheme had a deficit on an FRS 17 basis of £1,165,000 (2010 £26,874,000)

On 13 July 2011 the Pendragon Group agreed an asset-backed cash payment arrangement with the Trustees of the UK pension schemes to help address the UK pension funding deficits In connection with the arrangement certain UK freehold properties were transferred to a limited partnership established by the Pendragon Group The partnership is controlled by the Pendragon Group The fair value of the assets transferred was £34,500,000 On 13 July 2011, the Pendragon Group made a special contribution to the UK pension scheme of £34,500,000 and on the same date the UK pension scheme used this contribution to acquire a limited interest in the partnership for its fair value of £35 800 000 The UK pension scheme's partnership interest entitles it to a distribution from the income of the partnership over 20 years subject to a discretion exercisable by the Pendragon Group in certain circumstances

The latest full actuarial valuation was carried out at 5 April 2011 and was updated for FRS 17 purposes to 31 December 2011 by a qualified independent actuary The defined benefit scheme was closed on 30 September 2006

The pension charge cost in respect of the group stakeholder arrangement for the year was £27,000 (2010 £29,000)

21 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 2011 are available from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley Nottinghamshire, NG15 0DR