EVANS HALSHAW (CHESHAM) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

Registered Number : 1994408

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EVANS HALSHAW (CHESHAM) LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 3.
The directors do not recommend the payment of a dividend (2007 : £nil).

BUSINESS REVIEW

On 1 January 2008, the statutory structure of the Pendragon group was reorganised. As a consequence all of the Company's motor vehicle dealerships were disposed of by the Company together with all property assets (see note 15). The consideration received of £3,342,000 was settled by way of intercompany loans. The company therefore no longer has any trading assets and as such has ceased trading.

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

POLITICAL AND CHARITABLE DONATIONS

The Company made no political or charitable donations during the year (2007 : £250).

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
22 May 2009

EVANS HALSHAW (CHESHAM) LIMITED

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).

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 EVANS HALSHAW (CHESHAM) LIMITED

We have audited the financial statements of Evans Halshaw (Chesham) Limited for the year ended 31 December 2008 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 2.

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 2008 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

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

22 May 2009

EVANS HALSHAW (CHESHAM) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

Note		2008 £000	2007 £000
2	TURNOVER	-	38,170
3	Cost of sales	-	(34,244)
	GROSS PROFIT	-	3,926
3	Net operating expenses	-	(3,640)
4	OPERATING PROFIT	-	286
6	Interest receivable	-	199
6	Interest payable	-	(176)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	-	309
7	Taxation on profit on ordinary activities	(2)	(62)
14	(LOSS) / PROFIT FOR THE FINANCIAL YEAR	(2)	247

All amounts relate to discontinued operations.
Movements in reserves are shown in note 14.
The notes on pages 6 to 10 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 2008

Note		2008 £000	2007 £000
	FIXED ASSETS		
8	Tangible assets	-	1,017
	CURRENT ASSETS		
9	Stocks	-	4,956
10	Debtors	5,011	2,455
	Cash at bank and in hand	-	296
		5,011	7,707
11	**CREDITORS**: amounts falling due within one year	-	(3,689)
	NET CURRENT ASSETS	5,011	4,018
	TOTAL ASSETS LESS CURRENT LIABILITIES	5,011	5,035
12	Provisions for liabilities and charges	-	(22)
	NET ASSETS	5,011	5,013
	CAPITAL AND RESERVES		
13	Called up share capital	292	292
14	Profit and loss account	4,719	4,721
	SHAREHOLDERS' FUNDS	5,011	5,013

Approved by the Board of Directors on 22 May 2009 and signed on its behalf by :

D R Forsyth
Director

The notes on pages 6 to 10 form part of these financial statements.

EVANS HALSHAW (CHESHAM) LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2008

	2008 £000	2007 £000
(Loss) / profit for the financial year	**(2)**	247
Net (decrease) / increase in shareholders' funds	**(2)**	247
Opening shareholders' funds	**5,013**	4,766
Closing shareholders' funds	**5,011**	5,013

The notes on pages 6 to 10 form part of these financial statements.

EVANS HALSHAW (CHESHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

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) 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.

(c) Tangible fixed assets and depreciation. Depreciation is provided to write off the cost less the estimated residual value of 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. Evans Halshaw (Chesham) 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) 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.

(h) Accounting for disposals. The results of the businesses disposed of during the year are included up to the effective date of disposal.

(i) Auditors' remuneration. Auditors' remuneration is borne by Alloy Racing Limited, another group Company.

2 TURNOVER

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

3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

	2008 £000	2007 £000
Turnover	-	38,170
Cost of sales	-	(34,244)
Gross profit	-	3,926
Net operating expenses :		
Distribution costs	-	(2,394)
Administrative expenses	-	(1,246)
	-	(3,640)
Operating profit	-	286

All amounts relate to discontinued operations.

4 OPERATING PROFIT

Operating profit has been arrived at after charging :

	2008 £000	2007 £000
Depreciation of tangible fixed assets - owned	-	114
Audit of these financial statements	-	2
Operating lease charges - Land & Buildings	-	240

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:

	2008 Number	2007 Number
Sales	-	14
After sales	-	24
Administration	-	17
	-	55

Costs incurred in respect of these employees were :

	2008 £000	2007 £000
Wages and salaries	-	1,763
Social security costs	-	187
Other pension costs	-	6
	-	1,956

No director of the Company received or waived any remuneration for services to the Company during the year (2007 : £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 AND RECEIVABLE

	2008 £000	2007 £000
Interest payable on loans wholly repayable within five years :		
Stocking loans	-	(176)
Total interest payable	-	(176)
Interest receivable:		
Intra group interest receivable	-	162
Bank interest receivable	-	37
Total interest receivable:	-	199
	-	23

7 TAXATION

	2008 £000	2007 £000
UK corporation tax at the UK average statutory rate of 28.5% (2007 : 30%)		
Current tax on income for the year	-	-
Adjustments in respect of prior periods	1	(240)
	1	(240)
Deferred taxation		
Current year deferred taxation	-	(6)
Adjustments in respect of prior periods	1	16
	2	(230)
Payment for group relief	-	292
	2	62

Factors affecting the tax charge for the period:
The tax assessed is different than the average statutory rate of corporation tax in the UK (28.5%).
The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	-	309
Tax on profit at the UK average statutory rate of 28.5% (2007 : 30%)	-	93
Permanent differences:		
Accounting depreciation for which no tax relief is due	-	10
Other disallowables	-	(3)
Abolition of balancing adjustments	-	(36)
Corporation tax rate change	-	(2)
Adjustments to tax charge in respect of previous periods	1	-
Total permanent differences	1	(31)
Deferred tax movements taken to the profit and loss account:		
Accelerated capital allowances	-	(10)
Total current tax charge	1	52
Aggregate tax charges are analysed as:		
Current tax	1	52
Deferred tax	1	10
	2	62

The standard rate of corporation tax changed from 30% to 28% with effect from 1 April 2008. Accordingly, the average rate of corporation tax for this accounting period is 28.5%.

8 FIXED ASSETS - TANGIBLE ASSETS

	Short Leasehold Property £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 31 December 2007	758	1,073	403	2,234
Disposals	(758)	(1,073)	(403)	(2,234)
At 31 December 2008	-	-	-	-
Depreciation				
At 31 December 2007	354	828	35	1,217
Disposals	(354)	(828)	(35)	(1,217)
At 31 December 2008	-	-	-	-
Net book value				
At 31 December 2008	-	-	-	-
At 31 December 2007	404	245	368	1,017

All property was sold to Alloy Racing Limited on 1 January 2008. In accordance with the UK Taxes Act, the disposal of these properties is not subject to corporation tax.

9 STOCKS

	2008 £000	2007 £000
New and used vehicles	-	3,913
Consignment vehicles	-	848
Vehicle parts and other stocks	-	195
	-	4,956

10 DEBTORS

	2008 £000	2007 £000
Trade debtors	-	351
Amounts owed by group undertakings	5,009	1,803
Other debtors and prepayments	-	299
UK corporation tax	2	2
	5,011	2,455

All amounts are due within one year.

11 CREDITORS : amounts falling due within one year

	2008 £000	2007 £000
Consignment vehicle liabilities	-	848
Payments received on account	-	75
Trade creditors	-	2,358
Amounts owed to group undertakings	-	90
Other taxation and social security	-	63
Accruals and deferred income	-	255
	-	3,689

12 PROVISIONS FOR LIABILITIES AND CHARGES

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

	Deferred Taxation £000
At 31 December 2007	22
Profit and loss account	1
Transfer to other group company	(23)
At 31 December 2008	-

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

	2008 £000	2007 £000
Accelerated capital allowances	-	22

13 CALLED UP SHARE CAPITAL

	2008 £000	2007 £000
Authorised :		
350,000 (2007 : 350,000) ordinary shares of £1.00 each	350	350
Allotted, called up and fully paid :		
291,827 (2007 : 291,827) ordinary shares of £1.00 each	292	292

14 RESERVES

	Profit and Loss Account £000
At 31 December 2007	4,721
Loss for the financial year	(2)
At 31 December 2008	4,719

15 DISPOSALS

On 1 January 2008, the statutory structure of the Pendragon group was reorganised. As a consequence all of the Company's motor vehicle dealerships were disposed of by the Company together with all property assets. The consideration received of £3,342,000 was settled by way of intercompany loans.

Net assets at date of disposal	Net book value £000
Tangible fixed assets	1,017
Stocks	4,956
Debtors	519
Cash	296
Creditors	(3,446)
	3,342
Profit on sale	-
Proceeds on sale	3,342

16 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 2008 are available from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

17 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 2008, the Group balance sheet value of those assets would have been £540m.

18 POST BALANCE SHEET EVENTS

Due to the abnormal trading conditions experienced in the year by Pendragon PLC, covenants due to be measured at 31 December 2008 in relation to the £510 million credit facility and USD and GBP loan notes held by the Group were deferred at a cost of £2.9m. Pendragon PLC have successfully negotiated a new £530 million three year borrowing facility, providing the Group with much improved headroom on covenants and extending it's refinancing timescale. The Group have also changed the maturity profile on their £110 million of loan notes to mature in April 2012.