

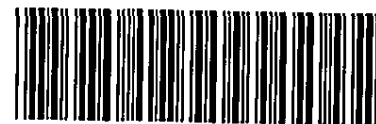
STRIPESTAR LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

Registered Number : 3786959

TUESDAY



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STRIPESTAR LIMITED

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STRIPESTAR 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 4. The directors do not recommend the payment of a dividend (2007 : £nil).

BUSINESS REVIEW

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

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 company disposed of the Ford Poole, Ford Dorchester and Ford Reading dealerships in the year for a total consideration of £1,685,000 as shown in note 20.

On 1 January 2008, the statutory structure of the Pendragon group was reorganised. 46 Vehicle dealerships with net assets of £37,839,000 were purchased by the Company. No dealerships were disposed of by the Company. All asset movements were funded by intercompany loans.

There were a non recurring stock write down of £3,520,000 incurred in the current year.

As shown in the Company's profit and loss account on page 4, turnover increased by 238% from £246,245,000 in the prior year to £831,546,000 in the current year and the result for the financial year worsened from a £3,069,000 loss in the prior year to a £12,308,000 loss in the current year. Turnover has increased due to the 46 dealerships acquired in the group reorganisation on 1 January 2008. In addition to the stock write down mentioned above, the main reason for the worsening of the result for the year was a decline in used profit per unit.

Stripestar Limited 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 Evans Halshaw division, which includes the Company, is discussed in the 2008 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 £12,287,000 to a £2,525,000 net liability. This was due the loss of £12,308,000 for the year and the share based payment credit of £21,000 in the year.

The Company has faced very challenging market conditions in the year. In 2008 UK national registrations of new cars fell by 11.3% from 2007 levels, although this decline disguised a greater fall in real demand as dealers preregistered and discounted to achieve sales targets. As transaction prices for new cars started to fall there was a negative impact on the used car market causing used margins to reduce significantly as dealers sought to maintain sales volume and stock turn. In the face of these challenging market conditions, the ultimate parent company, Pendragon PLC, has refinanced the Group's borrowings on a three year basis in order to provide more flexibility in the anticipated difficult markets ahead, details of which can be found in note 25 and in the Group 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 also a member of six funded group wide pension schemes (Pendragon Pension Plan, CD Bramall Pension Plan, CD Bramall Dealership Limited Pension Scheme, CD Bramall Retirement Benefit Scheme, Quicks Pension Scheme and Reg Vardy Retirement Scheme) 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 schemes assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the schemes have been accounted for in these financial statements as if the schemes were defined contribution schemes. At 31 December 2007 the schemes had a combined deficit on an FRS 17 basis of £62,522,000 (2007 : £13,846,000).

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.

Stripestar 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.

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

DIRECTORS' REPORT continued

YEAR ENDED 31 DECEMBER 2008

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 2008 was 40 days (2007 : 22 days).

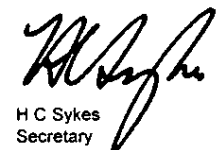
POLITICAL AND CHARITABLE DONATIONS

The Company made charitable donations of £3,280 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
2009

22 May

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 STRIPESTAR LIMITED

We have audited the financial statements of Stripestar Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains 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 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

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

Note		2008 £000	2007 £000
2	TURNOVER		
	Continuing operations	175,391	207,626
	Acquisitions	642,276	-
	Discontinued operations	13,879	38,619
		831,546	246,245
3	Cost of sales	(739,541)	(218,217)
	GROSS PROFIT	92,005	28,028
3	Net operating expenses (includes £2,837,000 of non-recurring costs which were incurred on the closure of businesses (2007 : £96,000))	(103,834)	(31,949)
4	OPERATING LOSS		
	Continuing operations	(1,194)	(2,955)
	Acquisitions	(9,447)	-
	Discontinued operations	(1,188)	(966)
		(11,829)	(3,921)
	(Loss) / profit on disposal of business	(394)	80
	Gain on settlement of defined benefit pension scheme	-	1,155
	LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(12,223)	(2,686)
6	Interest payable	(4,873)	(1,774)
7	Interest receivable	314	89
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(16,782)	(4,371)
8	Taxation on loss on ordinary activities	4,474	1,302
17	LOSS FOR THE FINANCIAL YEAR	(12,308)	(3,069)

All amounts relate to continuing operations.

Movements in reserves are shown in note 17.

The notes on pages 7 to 14 form part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2008

Note		2008 £000	2007 £000
	FIXED ASSETS		
9	Goodwill	4,103	4,541
10	Tangible assets	11,163	4,719
		15,266	9,260
	CURRENT ASSETS		
11	Stocks	97,715	21,529
12	Debtors	26,079	10,430
	Cash at bank and in hand	28,324	-
		152,118	31,959
13	CREDITORS: amounts falling due within one year	(169,809)	(31,350)
	NET CURRENT (LIABILITIES) / ASSETS	(17,691)	609
	TOTAL ASSETS LESS CURRENT (LIABILITIES) / ASSETS	(2,425)	9,869
14	CREDITORS : amounts falling due in more than one year	(100)	(100)
15	Provisions for liabilities and charges	-	(7)
	NET (LIABILITIES) / ASSETS	(2,525)	9,762
	CAPITAL AND RESERVES		
16	Called up share capital	100	100
17	Share premium account	24,900	24,900
17	Profit and loss account	(27,525)	(15,238)
	SHAREHOLDERS' (DEFICIT) / FUNDS	(2,525)	9,762

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


D R Forsyth
Director

The notes on pages 7 to 14 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**YEAR ENDED 31 DECEMBER 2008**

	2008 £000	2007 £000
Loss for the financial year	(12,308)	(3,069)
Actuarial gain recognised in the defined benefit pension scheme	-	540
Deferred taxes arising on gains in the defined benefit pension scheme	-	(162)
Total recognised gains and losses relating to the year	(12,308)	(2,691)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**YEAR ENDED 31 DECEMBER 2008**

	2008 £000	2007 £000
Loss for the financial year	(12,308)	(3,069)
Share based payments	21	-
Net decrease in shareholders' funds	(12,287)	(3,069)
Opening shareholders' funds	9,762	12,453
Other recognised gains	-	378
Closing shareholders' (deficit) / funds	(2,525)	9,762

The notes on pages 7 to 14 form part of these financial statements.

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.

The going concern basis assumes that the Company will continue to trade since Pendragon PLC has indicated that it will provide or procure such funds as are necessary to enable the Company to continue its activities for a period of at least twelve months and enable the Company to continue to pay its debts on this basis. Therefore, the directors consider it appropriate to prepare the financial statements 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. Stripestar 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) Post-retirement benefits. 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) Share based payments. The Group operates a number of employee share option schemes. The fair value at the date at which the share options are granted is recognised in the profit and loss account on a straight line basis over the vesting period, taking into account the number of options that are expected to vest. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The number of options that are expected to become exercisable is reviewed at each balance sheet date and if necessary estimates are revised. In accordance with FRS 20, no profit and loss account expenses are recorded in respect of grants of share options made prior to 7 November 2002.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES continued

(l) Classification of financial instruments issued by the Company. Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the Reconciliation of Movements in Shareholders' Funds.

(m) Accounting for acquisitions. The results of companies and businesses acquired are included from the effective date of acquisition. The purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

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

2 TURNOVER

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

3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

	Continuing operations	Acquisitions	Discontinued operations	Total 2008	Continuing operations	Discontinued operations	2007
	£000	£000	£000	£000	£000	£000	£000
Turnover	175,391	642,276	13,879	831,546	207,626	38,619	246,245
Cost of sales	(156,523)	(569,838)	(13,180)	(739,541)	(183,570)	(34,647)	(218,217)
Gross profit	18,868	72,438	699	92,005	24,056	3,972	28,028
Net operating expenses:							
Distribution costs	(11,567)	(44,253)	(871)	(56,691)	(14,561)	(2,793)	(17,354)
Administrative expenses	(8,495)	(37,632)	(1,016)	(47,143)	(12,450)	(2,145)	(14,595)
	(20,062)	(81,885)	(1,887)	(103,834)	(27,011)	(4,938)	(31,949)
Operating loss	(1,194)	(9,447)	(1,188)	(11,829)	(2,955)	(966)	(3,921)

4 OPERATING LOSS

Operating loss has been arrived at after charging:

	2008	2007
	£000	£000
Depreciation of tangible fixed assets - owned	3,958	919
Amortisation of goodwill	503	500
Audit of these financial statements	24	8
Operating lease charges - Plant & Equipment	169	169
Operating lease charges - Land & Buildings	6,725	1,312

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	2007
	Number	Number
Sales	598	180
After sales	1,080	315
Administration	708	212
	2,386	707

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2008

5 EMPLOYEES (cont)

Costs incurred in respect of these employees were :

	2008 £000	2007 £000
Wages and salaries	49,001	12,992
Social security costs	4,577	1,204
Other pension costs	606	63
Equity settled transactions	-	-
	54,184	14,259

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

	2008 £000	2007 £000
Stocking loans	4,216	939
Intra group loan interest	657	835
	4,873	1,774

7 INTEREST RECEIVABLE

	2008 £000	2007 £000
Bank interest receivable	314	89

8 TAXATION

	2008 £000	2007 £000
UK corporation tax at the UK average statutory rate of 28.5% (2007 : 30%)		
Adjustments in respect of prior periods	200	(80)
Deferred taxation:		
Current year deferred taxation	(2,079)	573
Adjustments in respect of prior periods	(152)	(69)
	(2,031)	424
Receipt for group relief	(2,443)	(1,726)
	(4,474)	(1,302)

Factors affecting the tax credit 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
Loss on ordinary activities before tax	(16,782)	(4,371)
Tax on loss at the UK average statutory rate of 28.5% (2007 : 30%)	(4,783)	(1,311)
Permanent differences:		
Accounting depreciation for which no tax relief is due	4	9
Goodwill amortisation for which no tax relief is due	143	150
Other disallowables	76	14
Corporation tax rate change	37	-
Adjustments to tax charge in respect of previous periods	201	(164)
Total permanent differences	461	9
Deferred tax movements taken to the profit and loss account:		
Accelerated capital allowances	1,683	(181)
Other provisions	396	(323)
Total timing differences	2,079	(504)
Total current tax credit	(2,243)	(1,806)
Aggregate tax credit is analysed as:		
Current tax	(2,243)	(1,806)
Deferred tax	(2,231)	504
	(4,474)	(1,302)

The standard rate of corporation tax changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's tax credit for this accounting period has been calculated using an average rate of 28.5%.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2008

9 GOODWILL

	Goodwill £000
Cost	
At 31 December 2007	10,000
Additions (see note 19)	65
At 31 December 2008	10,065
Amortisation	
At 31 December 2007	5,459
Charge for the year	503
At 31 December 2008	5,962
Net book value	
At 31 December 2008	4,103
At 31 December 2007	4,541

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 2007	606	7,892	2,699	11,197
Additions through business acquisitions (see note 19)	1,644	5,734	5,645	13,023
Other additions	118	3,800	7,890	11,808
Business disposal	-	(1,544)	-	(1,544)
Disposals	(2,060)	(3,474)	(9,046)	(14,580)
At 31 December 2008	308	12,408	7,188	19,904
Depreciation				
At 31 December 2007	422	5,648	408	6,478
Business disposal	-	(937)	-	(937)
Disposals	(195)	(542)	(21)	(758)
Charge for the year	15	2,333	1,610	3,958
At 31 December 2008	242	6,502	1,997	8,741
Net book value				
At 31 December 2008	66	5,906	5,191	11,163
At 31 December 2007	184	2,244	2,291	4,719

11 STOCKS

	2008 £000	2007 £000
New and used vehicles	91,361	18,406
Consignment vehicles	1,160	114
Vehicle parts and other stocks	5,194	3,009
	97,715	21,529

During the year £3,520,000 was recognised as an expense in respect of the write down of stocks (2007 : £nil).

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 £94,842,000 (2007 : £24,006,000).

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

	2008 £000	2007 £000
Trade debtors	12,172	5,782
Amounts owed by group undertakings	-	1,995
UK corporation tax	2,392	5
Deferred tax (see note 15)	1,962	-
Other taxation and social security	-	746
Other debtors and prepayments	9,553	1,902
	26,079	10,430

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

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2008

13 CREDITORS : amounts falling due within one year

	2008 £000	2007 £000
Bank overdraft	-	860
Consignment vehicle liabilities	1,160	114
Payments received on account	1,601	276
Trade creditors	85,940	13,788
Amounts owed to group undertakings	55,647	11,872
Other taxation and social security	9,544	410
Accruals and deferred income	15,917	4,030
	169,809	31,350

14 CREDITORS : amounts falling due in more than one year

	2008 £000	2007 £000
Shares classified as liabilities (see note 16)	100	100

15 DEFERRED TAX

The movement in the deferred tax balance for the year was as follows:

	Deferred Tax £000
At 31 December 2007	(7)
Profit and loss account	2,231
Transferred from group undertakings	(262)
At 31 December 2008	1,962

The amounts of deferred tax provided / (asset) in the financial statements are as follows:

	2008 £000	2007 £000
Fixed asset timing differences	1,339	(43)
Other timing differences	343	36
Losses	280	-
Total deferred tax asset / (provision)	1,962	(7)

16 CALLED UP SHARE CAPITAL

	2008 £000	2007 £000
Authorised :		
120,000 (2007 : 120,000) Ordinary shares of £1.00 each	120	120
200,000 (2007 : 200,000) Preference shares of £1.00 each	200	200
	320	320
Allotted, called up and fully paid :		
100,000 (2007 : 100,000) Ordinary shares of £1.00 each	100	100
100,000 (2007 : 100,000) Preference shares of £1.00 each	100	100
	200	200
Shares classified as liabilities (see note 14)	100	100
Shares classified in shareholders' funds	100	100
	200	200

Preference shares confer upon the holders the right to receive payment of a cumulative preferential dividend at a rate of 1.5% above 3 month LIBOR per annum.

Preference shareholders have no participation in the assets of the Company on winding up beyond the issue price of their shares and any accrued dividend.

Preference shares do not confer any rights to vote at a general meeting except in the case of a variation of class rights.

The preference shares are redeemable on 8 September 2009 or at an earlier date by agreement between all the shareholders and the Company.

17 RESERVES

	Share Premium Account £000	Profit and Loss Account £000
At 31 December 2007	24,900	(15,238)
Loss for the financial year	-	(12,308)
Actuarial gain recognised in the pension scheme	-	-
Deferred tax arising on gains in the pension scheme	-	-
Share based payments	-	21
At 31 December 2008	24,900	(27,525)

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2008****18 OPERATING LEASE COMMITMENTS**

Annual lease payments due in 2009 under operating leases of the Company, according to the period in which the lease expires are as follows:

	Land and Buildings		Other	
	2008	2007	2008	2007
	£000	£000	£000	£000
Under 1 year	-	-	310	169
Between 1 and 5 years	-	37	15	-
Over 5 years	5,277	6,688	-	-
	5,277	6,725	325	169

19 ACQUISITION

On 1 January 2008, the statutory structure of the Pendragon group was reorganised. 46 Vehicle dealerships with net assets of £37,839,000 were purchased by the Company. No dealerships were disposed of by the Company. All asset movements were funded by intercompany loans.

Net assets at date of acquisition:

	Book and fair value at acquisition £000
Goodwill	65
Tangible fixed assets	13,023
Stocks	134,532
Debtors	25,606
Bank overdraft	(2,219)
Creditors	(133,168)
Consideration	37,839

20 DISPOSALS

The company disposed of the Ford Poole, Ford Dorchester and Ford Reading dealerships in the year for a total consideration of £1,685,000.

Net assets at date of disposal

	Net book value £000
Tangible fixed assets	607
Stocks	1,534
Creditors	(60)
	2,081
Loss on sale	(396)
Proceeds on sale (net of costs) satisfied in cash	1,685

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2008

21 SHARE BASED PAYMENTS

On 1 January 2008, when the statutory structure of the Pendragon group was reorganised, 710,755 share options were transferred in from other Group companies.

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2008	Number of options '000 2008	Weighted average exercise price 2007	Number of options '000 2007
Outstanding at beginning of period	60.43p	1,017	66.87p	1,409
Transferred in from other Group company	-	711	-	-
Lapsed during the period	66.34p	(717)	99.92p	(310)
Exercised during the period	23.47p	(78)	27.43p	(83)
Granted during the period	10.39p	627	0.00p	-
Outstanding at the end of the period	38.85p	1,559	60.43p	1,017
Exercisable at the end of the period	42.60p	619	25.84p	237

The options outstanding at 31 December 2008 have an exercise price in the range of 9.1 pence to 130.6 pence and a weighted contractual life of 6.5 years.

All share options are settled in equity

Movements in the number of options to acquire ordinary shares under the parent Company's share option schemes, together with exercise prices and the outstanding position at 31 December 2008 were as follows:

Exercise period	Date of grant	Scheme Description	Exercise price per share	At 31 December 2007 Number	Transferred in from other Group company	Granted Number	Exercised Number	Lapsed Number	At 31 December 2008 Number
17 March 2001 to 16 March 2008	17 March 1998	1989 Executive Scheme	24.6p	6,148	4,295	-	-	(10,443)	-
9 October 2001 to 8 October 2008 *	9 October 1998	1989 Executive Scheme	10.2p	6,148	4,295	-	-	(10,443)	-
21 June 2002 to 20 June 2009	21 June 1999	1999 Executive Scheme	13.0p	723	505	-	-	-	1,228
9 March 2004 to 8 March 2011	9 March 2001	1999 Executive Scheme	18.7p	20,253	14,148	-	-	-	34,401
1 July 2008 to 31 December 2008	1 July 2001	1998 Sharesave Scheme	18.0p	3,990	2,787	-	-	(6,777)	-
24 March 2008 to 23 March 2013	24 March 2003	1999 Executive Scheme	23.4p	39,431	27,544	-	(18,429)	-	48,546
24 March 2008 to 23 March 2013	24 March 2003	1999 Executive Scheme	23.4p	135,409	94,589	-	(57,991)	-	172,007
1 July 2008 to 31 December 2008	1 July 2003	1998 Sharesave Scheme	24.6p	80,023	55,900	-	-	(130,665)	5,258
1 July 2010 to 31 December 2010	1 July 2003	1998 Sharesave Scheme	24.6p	24,248	16,940	-	(2,343)	-	21,019
30 September 2006 to 29 September 2013	30 September 2001	1999 Executive Scheme	40.2p	40,283	28,140	-	-	(9,609)	58,814
20 September 2006 to 19 September 2014	20 September 2001	1999 Executive Scheme	60.2p	202,536	141,478	-	-	(41,773)	302,241
1 July 2008 to 31 December 2008	1 July 2005	1998 Sharesave Scheme	60.4p	171,193	119,585	-	-	(283,630)	7,148
1 July 2010 to 31 December 2010	1 July 2005	1998 Sharesave Scheme	60.4p	87,779	61,319	-	-	(26,305)	122,793
1 July 2012 to 31 December 2012	1 July 2005	1998 Sharesave Scheme	60.4p	27,117	18,944	-	-	(18,261)	27,800
1 July 2009 to 31 December 2009	1 July 2006	1998 Sharesave Scheme	130.6p	80,988	56,573	-	-	(73,264)	64,297
1 July 2011 to 31 December 2011	1 July 2006	1998 Sharesave Scheme	130.6p	73,553	51,380	-	-	(67,726)	57,207
1 July 2013 to 31 December 2013	1 July 2006	1998 Sharesave Scheme	130.6p	17,656	12,333	-	-	(17,333)	12,656
19 September 2011 to 18 September 2018	19 September 2001	1999 Executive Scheme	10.39p	-	-	626,597	-	(2,949)	623,648
				1,017,478	710,755	626,597	(78,763)	(717,004)	1,559,063

The share option arrangements scheduled above include a number of arrangements granted before 7 November 2002.

On 19 September 2008 options over 626,597 ordinary shares of 5p were granted pursuant to the 1999 Executive Option Scheme at an exercise price of 10.39p per share.

The grants of share options under the 1989 and 1999 Schemes prescribed an earnings per share performance criterion. It is a pre-condition to the exercise of grants made under the 1989 and 1999 Schemes that the growth in the Company's earnings per share over the prescribed three year period must exceed by at least 3 percent per annum (for 1999 scheme) and 2 percent per annum (for 1989 scheme) compound the annual rate of inflation as shown by the RPI Index.

The weighted average share price at the date of exercise for share options exercised in the year was 34.4 pence (2007 : 98.0 pence).

The vesting conditions attaching to the 1998 Pendragon Sharesave schemes are that the option holder must be employed by the group on the date of exercise.

All options are settled by physical delivery of shares.

The fair value of the services received in return for share options is measured by reference to the fair value of the options granted. The estimate of the fair value of the services received in respect of share option and share save schemes is measured using the Black-Scholes option pricing model.

The weighted average fair value of the options at the date of grant for those that are outstanding at 31 December 2008 is 18.1 pence (2007 : 25.7 pence).

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2008

21 SHARE BASED PAYMENTS (CONTINUED)

The average assumptions input into the models for options granted under the share save schemes in the year were as follows:

	Share save scheme	
	2008	2007
Number of share options granted in year	-	-
Weighted average share price (pence)	-	-
Weighted average exercise price (pence)	-	-
Expected volatility (%)	-	-
Expected life (years)	-	-
Risk free rate (%)	-	-
Expected dividend yield (%)	-	-

Expected volatility was determined by calculating the historical volatility of the parent Company's share price over the corresponding historical period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and team member turnover.

The Company recognised a total expense of £21,000 (2007 : £nil) relating to equity-settled share based payment transactions.

22 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.

23 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.

Pendragon PLC is in discussion with HM Revenue and Customs over issues which may result in additional liabilities to be recognised in future periods and although these liabilities, if any, could potentially be significant, it is not possible at present to quantify them. Accordingly no amounts have been included in the 2008 Pendragon PLC financial statements or the Company financial statements in respect of these issues.

24 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 six funded group wide pension schemes (Pendragon Pension Plan, CD Bramall Pension Plan, CD Bramall Dealership Limited Pension Scheme, CD Bramall Retirement Benefit Scheme, Quicks Pension Scheme and Reg Vardy Retirement Scheme) 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 schemes assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the schemes have been accounted for in these financial statements as if the schemes were defined contribution schemes. At 31 December 2007 the schemes had a combined deficit on an FRS 17 basis of £62,522,000 (2007 : £13,846,000).

The latest full actuarial valuations were carried out at 5 April 2006 for the Pendragon Pension Plan, CD Bramall Pension Scheme and CD Bramall Dealerships Limited Pension Scheme, at 31 March 2006 for the CD Bramall Retirement Benefit Scheme, at 5 April 2007 for the Quicks Pension Scheme and at 30 April 2007 for the Reg Vardy Retirement Scheme. These were updated for FRS 17 purposes to 31 December 2008 by a qualified independent actuary. The defined benefit schemes were closed on 30 September 2006.

The pension charge cost in respect of the group stakeholder arrangement for the year was £606,000 (2007 : £63,000).

25 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 its refinancing timescale. The Group have also changed the maturity profile on their £110 million of loan notes to mature in April 2012.