REG VARDY (VMC) LIMITED

REPORT AND FINANCIAL STATEMENTS

EIGHT MONTH PERIOD ENDED 31 DECEMBER 2006

Registered Number 4484230

REG VARDY (VMC) LIMITED

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REG VARDY (VMC) LIMITED

DIRECTORS' REPORT

EIGHT MONTH PERIOD ENDED 31 DECEMBER 2006

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

RESULTS AND DIVIDENDS

The results and proposed transfer to reserves for the period are shown in the profit and loss account on page 4
The directors do not recommend the payment of a dividend (30 April 2006 £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 There have not been any significant changes in the company's principal activities in the period 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

The accounting reference date of the company was changed to 31 December during the period from 30 April to bring the company in line with the parent company, Pendragon PLC

As shown in the company's profit and loss account on page 4, turnover for the eight month period ending 31 December 2006 was £11,475,000 compared to a turnover of £18,231 000 for the year ended 30 April 2006 There was a profit for the eight month period ended 31 December 2006 of £121 000 compared to a profit for the year ended 30 April 2006 of £213,000
There are no significant differences between the profit and loss account for the current eight month period and the prior year

The balance sheet on page 5 of the financial statements shows that the net assets of the company have increased by £121,000 to £1,267,000 This was due to the profit of £121,000 for the period
The most significant balance sheet movements have been intercompany debtors increasing from nil to £1 2m and the cash balance moving from £0 4m to a £1 0m overdraft

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

One of the main risks facing the business is the year on year decline in new car registrations in the United Kingdom This risk is partly mitigated by the sale of used cars 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

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

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

DIRECTORS

The directors who held office during the period were as follows

T G Finn
M S Casha
D R Forsyth (resigned 18 May 2006)
H C Sykes (resigned 18 May 2006)
Motor Directors Limited
Motors (Secretaries) Limited

EMPLOYMENT OF DISABLED PERSONS

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

EMPLOYEE INVOLVEMENT

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

PAYMENTS TO SUPPLIERS

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

The number of days' purchases outstanding for payment by the company at 31 December 2006 was 10 days (April 2006 20 days)

POLITICAL AND CHARITABLE DONATIONS

The company made no political or charitable donations during the period

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

M S Casha
Director

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
15 October 2007

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for prepanng 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 Pnnciples)

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 penod

In prepanng 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 matenal departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropnate 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 irregulanties

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REG VARDY (VMC) LIMITED

We have audited the financial statements of Reg Vardy (VMC) Limited for the eight month penod ended 31 December 2006 which compnse 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 prepanng 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 appropnate 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 matenal misstatement, whether caused by fraud or other irregulanty or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion
- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the penod then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

KPMG Audit Plc

15 October 2007

PROFIT AND LOSS ACCOUNT

EIGHT MONTH PERIOD ENDED 31 DECEMBER 2006

Note		8 Months to 31 December 2006 £000	12 Months to 30 Apnl 2006 £000
2	**TURNOVER**	**11,475**	18 231
3	Cost of sales	**(9,703)**	(15,947)
	GROSS PROFIT	**1,772**	2,284
3	Net operatıng expenses	**(1,563)**	(2,215)
4	**OPERATING PROFIT**	**209**	69
6	Interest payable	**(35)**	(8)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**174**	61
7	Taxatıon	**(53)**	152
14	**PROFIT FOR THE FINANCIAL YEAR**	**121**	213

All amounts relate to contınuıng operatıons
Movements ın reserves are shown ın note 14
The notes on pages 7 to 11 form part of these financıal statements
There are no recognısed gaıns and losses ın eıther penod other than the result for that penod

BALANCE SHEET

AT 31 DECEMBER 2006

Note		31 December 2006 £000	30 April 2006 £000
	FIXED ASSETS		
8	Tangible assets	**57**	71
	CURRENT ASSETS		
9	Stocks	**1,246**	1 242
10	Debtors	**1,843**	782
	Cash at bank and in hand	**-**	429
		3,089	2,453
11	**CREDITORS** amounts falling due within one year	**(1,879)**	(1,378)
	NET CURRENT ASSETS	**1,210**	1 075
	NET ASSETS	**1,267**	1 146
	CAPITAL AND RESERVES		
13	Called up share capital	**-**	-
14	Other reserves	**1,677**	1,677
14	Profit and loss account	**(410)**	(531)
	SHAREHOLDERS' FUNDS	**1,267**	1,146

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

M S Casha
Director

The notes on pages 7 to 11 form part of these financial statements

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EIGHT MONTH PERIOD ENDED 31 DECEMBER 2006

	8 Months to 31 December 2006 £000	12 Months to 30 April 2006 £000
Profit for the financial year	**121**	213
Net increase in shareholders' funds	**121**	213
Opening shareholders' funds	**1,146**	933
Closing shareholders' funds	**1,267**	1,146

The notes on pages 7 to 11 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

EIGHT MONTH PERIOD ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

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

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

(c) Tangible fixed assets Fixed assets are shown at cost less depreciation and provision for impairment Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of fixed assets on a straight line basis over their estimated useful lives as follows -

Plant and equipment - 25% per annum

(d) Stocks Stocks are stated at the lower of cost and net realisable value and include interest bearing consignment vehicles and invoiced new vehicles held by manufacturers to the order of the company

Cost incurred in bringing each product to its present location and condition is based on purchase price including handling costs less trade discounts

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the accounts

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

(f) Cash flow statement Reg Vardy (VMC) 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 Financial Reporting Standard No 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) Related parties Under Financial Reporting Standard 8 the company has relied upon the exemption not to disclose related party transactions with other group undertakings as they are a wholly owned subsidiary of Pendragon PLC

2 TURNOVER

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

NOTES TO THE FINANCIAL STATEMENTS continued

EIGHT MONTH PERIOD ENDED 31 DECEMBER 2006

3 TURNOVER COST OF SALES AND NET OPERATING EXPENSES

	8 Months to 31 December 2006 £000	12 Months to 30 April 2006 £000
Turnover	11,475	18,231
Cost of sales	(9,703)	(15,947)
Gross profit	1,772	2,284
Net operating expenses		
Distribution costs	(1,063)	(26)
Administrative expenses	(500)	(2 189)
	(1,563)	(2 215)
Operating profit	209	69

4 OPERATING PROFIT

Operating profit has been arrived at after charging

	8 Months to 31 December 2006 £000	12 Months to 30 April 2006 £000
Depreciation of tangible fixed assets	22	34
Operating lease charges- plant and machinery	1	-
Audit of these financial statements	1	1

5 EMPLOYEES

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

	8 Months to 31 December 2006 Number	12 Months to 30 April 2006 Number
Sales	16	18
After sales	28	31
Administration	7	8
	51	57

Costs incurred in respect of these employees were

	8 Months to 31 December 2006 £000	12 Months to 30 April 2006 £000
Wages and salaries	776	1 144
Social security costs	85	118
Other pension costs	10	12
	871	1 274

No director of the company received or waivered any remuneration for services to the company during the period (April 2006 £nil)

6 INTEREST PAYABLE

	8 Months to 31 December 2006 £000	12 Months to 30 April 2006 £000
Bank loans and overdrafts	35	1
Interest payable on vehicle stocking schemes	-	7
	35	8

7 TAXATION

	8 Months to 31 December 2006 £000	12 Months to 30 Apnl 2006 £000
UK corporation tax at 30% (2003 30%)		
Current tax on income for the period	65	6
Adjustments in respect of prior periods	-	(171)
	65	(165)
Deferred taxation		
Current period deferred taxation	(12)	(2)
Payment for group relief	-	15
	53	(152)

Factors affecting the tax charge for the period The tax assessed is different than the standard rate of corporation tax in the UK (30%) The differences are explained below	8 Months to 31 December 2006 £000	12 Months to 30 Apnl 2006 £000
Profit on ordinary activities before tax	174	61
Tax on profit at UK rate of 30% (2003 30%)	52	18
Permanent differences		
Expenses not deductible	-	1
Other disallowables	1	-
Adjustments to tax charge in respect of previous periods	-	(171)
Total permanent differences	1	(170)
Deferred tax movements taken to the profit and loss account		
Accelerated capital allowances	12	2
Other provisions	-	-
Total timing differences	12	2
Total current tax charge	65	(150)
Aggregate tax charges are analysed as		
Current tax	65	(150)
Deferred tax	(12)	(2)
	53	(152)

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

8 FIXED ASSETS - TANGIBLE ASSETS

	Plant & Equipment £000
Cost or valuation	
At 30 April 2006	149
Additions	8
At 31 December 2006	157
Depreciation	
At 30 April 2006	78
Charge for the period	22
At 31 December 2006	100
Net book value	
At 31 December 2006	57
At 30 April 2006	71

9 STOCKS

	31 December 2006 £000	30 April 2006 £000
Consignment vehicles	**92**	39
New and used vehicles	**1,063**	1,133
Parts and sundry stocks	**91**	70
	1,246	1,242

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 £231,000 (April 2006 £nil)

10 DEBTORS

	31 December 2006 £000	30 April 2006 £000
Trade debtors	**497**	753
Amounts owed by group undertakings	**1,242**	-
Deferred taxation (see note 12)	**18**	6
Prepayments and accrued income	**86**	23
	1,843	782

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

11 CREDITORS amounts falling due within one year

	31 December 2006 £000	30 April 2006 £000
Bank overdraft	**1,034**	-
Consignment vehicle liabilities	**92**	39
Payments received on account	**17**	-
Trade creditors	**395**	934
Amounts owed to group undertakings	**11**	151
UK corporation tax	**74**	9
Other taxation and social security	**108**	120
Accruals and deferred income	**148**	125
	1,879	1,378

12 DEFERRED TAX ASSET

The movement in the deferred tax asset for the period is as follows

	Total £000
At 30 April 2006	**6**
Profit and loss account	**12**
At 31 December 2006	**18**

The amounts of deferred tax provided in the financial statements are as follows	31 December 2006 £000	30 April 2006 £000
Fixed asset timing differences	**18**	6

13 CALLED UP SHARE CAPITAL

	31 December 2006 £000	30 April 2006 £000
Authorised		
10 'A' Ordinary £1 shares	-	-
990 'B' Ordinary £1 shares	1	1
Allotted, called-up and fully paid		
1 'A' Ordinary £1 shares	-	-
99 'B' Ordinary £1 shares	-	-

14 RESERVES

	Share Premium Account £000	Profit and Loss Account £000
At 30 April 2006	1,677	(531)
Profit for the financial year	-	121
At 31 December 2006	1,677	(410)

15 OPERATING LEASE COMMITMENTS

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

	Plant & Machinery	
	31 December 2006 £000	30 April 2006 £000
Within 1 year	1	1

16 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH COMPANY IS A MEMBER

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

17 CONTINGENT LIABILITIES

The company is party to a group arrangement with its bankers whereby any in-hand balance may be applied against the overdraft of other group companies As at 31 December 2006 the cash at bank and in hand was £nil (April 2006 £429,000)

18 PENSIONS

The company is a member of a funded group wide defined contribution pension scheme (Reg Vardy Group Personal Pension Plan) There were no outstanding or prepaid contributions at either the beginning or end of the financial period

The Company is also a member of a funded group wide pension scheme (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 Because the Company is unable to identify its share of the scheme assets and liabilties on a consistent and reasonable basis as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme At 31 December 2006 the scheme had a deficit on an FRS 17 basis of £9 892,000 (April 2006 £11 203,000)

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

The pension charge cost in respect of the defined benefit scheme for the period was £nil (April 2006 £nil)

The pension charge cost in respect of the defined contribution schemes for the period was £10,000 (April 2006 £12,000)