

**REG VARDY (VMC) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

Registered Number : 4484230

THURSDAY



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COMPANIES HOUSE

**REG VARDY (VMC) LIMITED**

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**DIRECTORS' REPORT****YEAR ENDED 31 DECEMBER 2007**

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

**RESULTS AND DIVIDENDS**

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

**BUSINESS REVIEW**

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

During the year the Company acquired two Vauxhall dealerships from the administrators of Dixons Motor Group for a total consideration of £0.5 million, as shown in note 16. The Company disposed of the Motherwell Vauxhall dealership in the year for a total consideration of £0.2 million, as shown in note 17.

As shown in the Company's profit and loss account on page 5, turnover for the year ending 31 December 2007 was £23,813,000 compared to a turnover of £11,475,000 for the 8 months ended 31 December 2006. There was a profit for the year ended 31 December 2007 of £160,000 compared to a profit for the 8 months ended 31 December 2006 of £121,000. The increase in turnover was due to the acquisition of the two Vauxhall dealerships in the year.

The balance sheet on page 6 of the financial statements shows that the net assets of the Company have increased by £160,000 to £1,427,000. This was due to the profit of £160,000 for the year.

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. These risks are significant to the group and are also detailed in the group financial statements.

The Company is also a member of a funded group wide pension scheme (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 scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. At 31 December 2007 the scheme had a deficit on an FRS 17 basis of £1,448,000 (2006 : £9,892,000).

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

The Company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

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

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

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

**DIRECTORS**

The directors who held office during the period were as follows:

T G Finn (resigned 14 August 2008)  
M S Casha (resigned 14 August 2008)  
Pendragon Management Services Limited (appointed 14 August 2008)  
Pendragon Group Services Limited (appointed 14 August 2008)  
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.

DIRECTORS' REPORT continued

YEAR ENDED 31 DECEMBER 2007

**PAYMENTS TO SUPPLIERS**

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

The number of days' purchases outstanding for payment by the Company at 31 December 2007 was 10 days (2006 : 10 days).

**POLITICAL AND CHARITABLE DONATIONS**

The Company made no political or charitable donations during the period (2006 : £nil).

**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



Pendragon Management Services Limited  
Director

Loxley House  
Little Oak Drive  
Annesley  
Nottinghamshire  
2008

9 December

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Principles).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of Reg Vardy (VMC) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**Emphasis of Matter – Going Concern**

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

KPMG Audit Plc  
Birmingham  
Chartered Accountants  
Registered Auditor

*KPMG Audit Plc*

*9 December* 2008

**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2007**

Note		12 Months to 31 December 2007 £000	8 Months to 31 December 2006 £000
2	<b>TURNOVER</b>		
	Continuing operations	12,714	5,380
	Acquisitions	8,244	-
	Discontinued operations	2,855	6,095
		23,813	11,475
3	Cost of sales	(20,928)	(9,703)
	<b>GROSS PROFIT</b>	<b>2,885</b>	<b>1,772</b>
3	Net operating expenses	(2,690)	(1,563)
4	<b>OPERATING PROFIT</b>		
	Continuing operations	278	108
	Acquisitions	(84)	-
	Discontinued operations	1	101
		195	209
17	Loss on business disposals	(13)	-
		182	209
6	Net interest payable	-	(35)
	<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>182</b>	<b>174</b>
7	Taxation on profit on ordinary activities	(22)	(53)
15	<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>160</b>	<b>121</b>

Movements in reserves are shown in note 15.

The notes on pages 8 to 13 form part of these financial statements.

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

**BALANCE SHEET****AT 31 DECEMBER 2007**

Note		2007 £000	2006 £000
	<b>FIXED ASSETS</b>		
8	Goodwill	50	-
9	Tangible assets	313	57
		<b>363</b>	<b>57</b>
	<b>CURRENT ASSETS</b>		
10	Stocks	3,085	1,246
11	Debtors	895	1,843
		<b>3,980</b>	<b>3,089</b>
12	<b>CREDITORS:</b> amounts falling due within one year	<b>(2,910)</b>	<b>(1,879)</b>
	<b>NET CURRENT ASSETS</b>	<b>1,070</b>	<b>1,210</b>
	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,433</b>	<b>1,267</b>
13	Provisions for liabilities and charges	(6)	-
	<b>NET ASSETS</b>	<b>1,427</b>	<b>1,267</b>
	<b>CAPITAL AND RESERVES</b>		
14	Called up share capital	-	-
15	Other reserves	1,677	1,677
15	Profit and loss account	(250)	(410)
	<b>SHAREHOLDERS' FUNDS</b>	<b>1,427</b>	<b>1,267</b>

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



Pendragon Management Services Limited  
Director

The notes on pages 8 to 13 form part of these financial statements.



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDSYEAR ENDED 31 DECEMBER 2007

	12 Months to 31 December 2007 £000	8 Months to 31 December 2006 £000
Profit for the financial year	160	121
Net increase in shareholders' funds	160	121
Opening shareholders' funds	1,267	1,146
Closing shareholders' funds	1,427	1,267

The notes on pages 8 to 13 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2007

## 1 ACCOUNTING POLICIES

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

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

(b) Basis of preparation.

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

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

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

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

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

(e) Stocks.

(i) Motor vehicles and parts stocks are stated at the lower of cost and net realisable value.  
(ii) Consignment vehicles are new unregistered vehicles owned by the manufacturers, mainly located at the Company's premises, and insured by the Company. New consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the Company and, in accordance with FRS 5, are included within stocks on the balance sheet even though legal title has not yet passed to the Company. The corresponding liability is included in creditors.

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

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

Deferred 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.

(g) 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 FRS 1 (revised) and has not included a cash flow statement as part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 31 DECEMBER 2007

## 1 ACCOUNTING POLICIES continued

(h) 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.

(i) 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.

(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.

(k) 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.

(l) 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.

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2007

## 3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

	Continuing operations	Acquisitions	Discontinued operations	12 Months to 31 December 2007	Continuing operations	Discontinued operations	8 Months to 31 December 2006
	£000	£000	£000	£000	£000	£000	£000
Turnover	12,714	8,244	2,855	23,813	5,380	6,095	11,475
Cost of sales	(11,011)	(7,296)	(2,621)	(20,928)	(4,544)	(5,159)	(9,703)
Gross profit	1,703	948	234	2,885	836	936	1,772
Net operating expenses :							
Distribution costs	(828)	(558)	(156)	(1,542)	(489)	(574)	(1,063)
Administrative expenses	(597)	(474)	(77)	(1,148)	(239)	(261)	(500)
	(1,425)	(1,032)	(233)	(2,690)	(728)	(835)	(1,563)
Operating profit	278	(84)	1	195	108	101	209

## 4 OPERATING PROFIT

	12 Months to 31 December 2007	8 Months to 31 December 2006
	£000	£000
Operating profit has been arrived at after charging :		
Depreciation of tangible fixed assets	44	22
Amortisation of goodwill	1	-
Operating lease charges- plant and machinery	1	1
Audit of these financial statements	1	1

## 5 EMPLOYEES

The average number employed by the Company in the following areas was:

	12 Months to 31 December 2007	8 Months to 31 December 2006
	Number	Number
Sales	22	16
After sales	38	28
Administration	9	7
	69	51

	12 Months to 31 December 2007	8 Months to 31 December 2006
	£000	£000
Costs incurred in respect of these employees were :		
Wages and salaries	1,464	776
Social security costs	146	85
Other pension costs	28	10
	1,638	871

No director of the Company received or waived any remuneration for services to the Company during the period (2006 : £nil).

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

## 6 NET INTEREST PAYABLE

	12 Months to 31 December 2007	8 Months to 31 December 2006
	£000	£000
Interest payable on loans wholly repayable within five years :		
Bank loans and overdrafts	26	35
Interest payable on vehicle stocking schemes	6	-
Total interest payable	32	35
Interest receivable :		
Intra group interest receivable	(32)	-
	-	35

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2007

7	TAXATION	12 Months to 31 December 2007 £000	8 Months to 31 December 2006 £000
	UK corporation tax at 30% (2006 : 30%)		
	Current tax on income for the period	36	65
	Adjustments in respect of prior periods	(6)	-
		30	65
	Deferred taxation		
	Current period deferred taxation	24	(12)
	Payment for group relief	(32)	-
		22	53
	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:	12 Months to 31 December 2007 £000	8 Months to 31 December 2006 £000
	Profit on ordinary activities before tax	182	174
	Tax on profit at UK rate of 30% (2006 : 30%)	55	52
	Permanent differences:		
	Other disallowables	1	1
	Abolition of balancing adjustments	5	-
	Adjustments to tax charge in respect of previous periods	(39)	-
	Total permanent differences	(33)	1
	Deferred tax movements taken to the profit and loss account:		
	Accelerated capital allowances	(24)	12
	Total current tax charge	(2)	65
	Aggregate tax charges are analysed as:		
	Current tax	(2)	65
	Deferred tax	24	(12)
		22	53

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

8	GOODWILL	Goodwill £000
	Cost	
	At 31 December 2006	-
	Additions (see note 16)	51
	At 31 December 2007	51
	Amortisation	
	At 31 December 2006	-
	Charge for the year	1
	At 31 December 2007	1
	Net book value	
	At 31 December 2007	50
	At 31 December 2006	-

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

9	FIXED ASSETS - TANGIBLE ASSETS	Short leasehold property £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
	Cost				
	At 31 December 2006	-	157	-	157
	Additions through business acquisitions	-	73	-	73
	Other additions	41	31	176	248
	Disposal of business	-	(27)	-	(27)
	Other disposals	-	(22)	-	(22)
	At 31 December 2007	41	212	176	429
	Depreciation				
	At 31 December 2006	-	100	-	100
	Disposal of business	-	(6)	-	(6)
	Other disposals	-	(22)	-	(22)
	Charge for the period	-	34	10	44
	At 31 December 2007	-	106	10	116
	Net book value				
	At 31 December 2007	41	106	166	313
	At 31 December 2006	-	57	-	57

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2007

## 10 STOCKS

	2007 £000	2006 £000
Consignment vehicles	689	92
New and used vehicles	2,299	1,063
Parts and sundry stocks	97	91
	<b>3,085</b>	<b>1,246</b>

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 £689,000 (2006 : £231,000).

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

## 11 DEBTORS

	2007 £000	2006 £000
Trade debtors	250	497
Amounts owed by group undertakings	59	1,242
Deferred taxation (see note 13)	-	18
Other debtors	561	-
Prepayments and accrued income	25	86
	<b>895</b>	<b>1,843</b>

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

## 12 CREDITORS : amounts falling due within one year

	2007 £000	2006 £000
Bank overdraft	231	1,034
Consignment vehicle liabilities	689	92
Payments received on account	35	17
Trade creditors	559	395
Amounts owed to group undertakings	975	11
UK corporation tax	37	74
Other taxation and social security	96	108
Accruals and deferred income	288	148
	<b>2,910</b>	<b>1,879</b>

## 13 DEFERRED TAX (PROVISION) / ASSET

The movement in the deferred tax (provision) / asset for the period is as follows:

	Total £000
At 31 December 2006	18
Profit and loss account	(24)
At 31 December 2007	(6)

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

	2007 £000	2006 £000
Fixed asset timing differences	(6)	18

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

Deferred tax asset is shown within debtors (see note 11).

## 14 CALLED UP SHARE CAPITAL

	2007 £000	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	-	-

## 15 RESERVES

	Share Premium Account £000	Profit and Loss Account £000
At 31 December 2006	1,677	(410)
Profit for the financial year	-	160
At 31 December 2007	1,677	(250)

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2007

## 16 ACQUISITION

The Company acquired the trade and assets of two Vauxhall dealerships from the administrators of the Dixons Motor Group for £480,000 on 2 August 2007. Consideration was satisfied in cash. The acquisitions have been accounted for by the acquisition method of accounting.

Net assets at date of acquisition:

	Book value at acquisition £000	Fair value adjustments £000	Fair value at acquisition £000
Tangible fixed assets	74	(1)	73
Stocks	406	(23)	383
Creditors	-	(27)	(27)
	480	(51)	429
Goodwill			51
Consideration (including costs)			480
Consideration satisfied by cash			480
Costs of acquisition			-
Fair value of consideration			480

The fair value adjustments were in respect of items of plant and equipment, vehicle and parts stock which were reduced to their estimated market value, the restatement of parts stocks to comply with the Company's accounting policies and liabilities recognised as part of the acquisition of these assets.

## 17 DISPOSALS

Net assets at date of disposal

	Net book value £000
Tangible fixed assets	21
Stocks	162
Creditors	(14)
	169
Loss on sale	(13)
Proceeds on sale (net of costs)	156

## 18 OPERATING LEASE COMMITMENTS

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

	Property 2007 £000	2006 £000	Plant & Machinery 2007 £000	2006 £000
Under 1 year	70	-	-	1
Between 2 and 5 years	-	70	-	-
Over 5 years	221	-	-	-
Within 1 year	291	70	-	1

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

The Company's ultimate parent company and ultimate controlling party is Pendragon PLC which is incorporated in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Pendragon PLC. Financial statements of Pendragon PLC for the year ended 31 December 2007 are available from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

## 20 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.

## 21 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 year.

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. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. At 31 December 2007 the scheme had a deficit on an FRS 17 basis of £1,448,000 (2006 : £9,892,000).

The latest full actuarial valuation was carried out at 30 April 2004 and was updated for FRS 17 purposes to 31 December 2007 by a qualified independent actuary. The defined benefit scheme was closed on 30 September 2006.

The pension charge cost in respect of the defined benefit scheme for the year was £nil (2006 : £nil).

The pension charge cost in respect of the defined contribution schemes for the year was £28,000 (2006 : £10,000).