

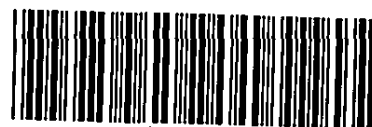
**ARENA AUTO LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

Registered Number : 3087521

THURSDAY



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COMPANIES HOUSE

**ARENA AUTO LIMITED**

**CONTENTS**

**YEAR ENDED 31 DECEMBER 2007**

**PAGE**

- 1 Directors' Report**
- 2 Directors' Responsibilities Statement**
- 3 Independent Auditors' Report**
- 4 Profit and Loss Account**
- 5 Balance Sheet**
- 6 Reconciliation of Movements in Shareholders' Funds**
- 7 Notes to the Financial Statements**

**ARENA AUTO LIMITED**

1

**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 for the year are shown in the profit and loss account on page 4.  
The directors do not recommend the payment of a dividend (2006 : £nil).

**REVIEW OF ACTIVITIES**

The Company did not trade during the year.

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 year were as follows:

T G Finn  
D R Forsyth  
M S Casha  
H C Sykes  
Pendragon Management Services Limited

**POLITICAL AND CHARITABLE DONATIONS**

The Company made no political or charitable donations during the year. (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.

By order of the Board

  
H C Sykes  
Secretary

Loxley House  
Little Oak Drive  
Annesley  
Nottinghamshire

9 December 2008

**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 ARENA AUTO LIMITED**

We have audited the financial statements of Arena Auto 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 2.

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

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

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

**Basis of audit opinion**

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

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st December 2007 and of its result 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.

**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*

7 December 2008

**ARENA AUTO LIMITED**

4

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31 DECEMBER 2007**

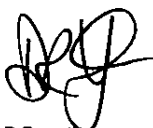
The only profit and loss account movements in either the current year or preceding year were in taxation - see note 3.

There are no recognised gains and losses in either year.  
The notes on pages 7 to 9 form part of these financial statements.

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

Note		2007 £000	2006 £000
4	<b>CREDITORS:</b> amounts falling due within one year	(10,906)	(10,906)
	<b>NET LIABILITIES</b>	(10,906)	(10,906)
	<b>CAPITAL AND RESERVES</b>		
5	Called up share capital	4,000	4,000
6	Profit and loss account	(14,906)	(14,906)
	<b>SHAREHOLDERS' DEFICIT</b>	(10,906)	(10,906)

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

D R Forsyth  
Director

The notes on pages 7 to 9 form part of these financial statements.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****YEAR ENDED 31 DECEMBER 2007**

	2007 £000	2006 £000
Result for the financial year	-	-
Net movement in shareholders' deficit	-	-
Opening shareholders' deficit	(10,906)	(10,906)
Closing shareholders' deficit	(10,906)	(10,906)

The notes on pages 7 to 9 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.

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) 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) 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.

(d) Cash flow statement. Arena Auto 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.

(e) 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.

(f) Auditors' remuneration. Auditors' remuneration is borne by Derwent Vehicles Limited, another group Company.

**NOTES TO THE FINANCIAL STATEMENTS continued****YEAR ENDED 31 DECEMBER 2007****2 EMPLOYEES**

The Company had no employees during the year (2006 : nil).

No director of the Company received or waived any remuneration for services to the Company during the year (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.

**3 TAXATION**

	<b>2007</b> <b>£000</b>	2006 £000
UK corporation tax at 30% (2006 : 30%)		
Adjustments in respect of prior periods	-	8
Deferred taxation		
Adjustments in respect of prior periods	-	(8)
	-	

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:

	<b>2007</b> <b>£000</b>	2006 £000
Profit on ordinary activities before tax	-	-
Tax on profit at UK rate of 30% (2006 : 30%)	-	-
Total current tax charge	-	8
Aggregate tax charge is analysed as:		
Current tax	-	8
Deferred tax	-	(8)
	-	-

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%.

**NOTES TO THE FINANCIAL STATEMENTS continued****YEAR ENDED 31 DECEMBER 2007**

4	CREDITORS : amounts falling due within one year	<b>2007</b>	<b>2006</b>
		<b>£000</b>	<b>£000</b>
	Amounts owed to group undertakings	<b>10,906</b>	<b>10,906</b>

5	CALLED UP SHARE CAPITAL	<b>2007</b>	<b>2006</b>
		<b>£000</b>	<b>£000</b>
	Authorised :		
	10,000,000 (2006 : 10,000,000) ordinary shares of £1 each	<b>10,000</b>	<b>10,000</b>
	Allotted, called up and fully paid :		
	4,000,000 (2006 : 4,000,000) ordinary shares of £1 each	<b>4,000</b>	<b>4,000</b>

6	RESERVES	<b>Profit and Loss Account £000</b>
	At 31 December 2006 and at 31 December 2007	<b>(14,906)</b>

7 **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.