# ARENA AUTO PLC

## REPORT AND FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2000

Registered Number : 3087521



**ARENA AUTO PLC**

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**YEAR ENDED 31 DECEMBER 2000**


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# DIRECTORS' REPORT

## YEAR ENDED 31 DECEMBER 2000

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2000.

### RESULTS AND DIVIDENDS

The results and proposed transfer from reserves for the year are shown in the profit and loss account on page 4. The directors do not recommend the payment of a dividend (1999 - £nil).

### REVIEW OF ACTIVITIES

The company's principal activity during the year was the sale and service of motor vehicles.

During the year the company disposed of all its motor vehicle dealerships to external vendors and as a consequence has ceased trading.

### DIRECTORS

The directors during the year were as follows:

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

### DIRECTORS' INTERESTS

None of the directors had any interest in the share capital of the company. The interests of the directors in the share capital of the ultimate parent company are shown in the financial statements of that company.
During the period none of the directors had a material interest in any contract of significance in relation to the company's activities.

### 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 2000 was 3 days (1999 -13 days).

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2000

AUDITORS

A resolution to re-appoint KPMG Audit Plc as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

H C Sykes
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
16 February 2001

## DIRECTORS' RESPONSIBILITY STATEMENT

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ARENA AUTO PLC

We have audited the financial statements on pages 4 to 12.

**Respective responsibilities of directors and auditors**
The directors are responsible for preparing the directors' report and, as described above, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

**Basis of audit opinion**
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 judgements 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 of the state of affairs of the company as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

16 February 2001

## PROFIT AND LOSS ACCOUNT

## YEAR ENDED 31 DECEMBER 2000

| Note | | 2000 £000 | 1999 £000 |
|---|---|---|---|
| 2 | **TURNOVER** | | |
| | Continuing operations | - | 103,628 |
| | Discontinued operations | 50,936 | - |
| | | 50,936 | 103,628 |
| 3 | Cost of sales | (47,247) | (94,868) |
| | **GROSS PROFIT** | 3,689 | 8,760 |
| 3 | Net operating expenses | (9,614) | (15,867) |
| 4 | **OPERATING LOSS** | (5,925) | (7,107) |
| 15 | Loss on disposal of businesses | (3,848) | - |
| | **LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST** | (9,773) | (7,107) |
| 6 | Interest payable | (1,218) | (1,715) |
| | **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | (10,991) | (8,822) |
| 7 | Taxation | 3,122 | 2,530 |
| 14 | **RETAINED LOSS FOR THE FINANCIAL PERIOD** | (7,869) | (6,292) |

All amounts in 2000 relate to discontinued operations.
Movements in reserves are shown in note 14.
The notes on pages 7 to 12 form part of these financial statements.

## BALANCE SHEET

## AT 31 DECEMBER 2000

| Note | | 2000 £000 | 1999 £000 |
|---|---|---|---|
| | **FIXED ASSETS** | | |
| 8 | Tangible assets | **110** | 2,379 |
| | **CURRENT ASSETS** | | |
| 9 | Stocks | **4,459** | 17,700 |
| 10 | Debtors | **8,027** | 8,760 |
| | | **12,486** | 26,460 |
| 11 | **CREDITORS:** amounts falling due within one year | **(23,547)** | (32,143) |
| | **NET CURRENT LIABILITIES** | **(11,061)** | (5,683) |
| | **TOTAL ASSETS LESS CURRENT LIABILITIES** | **(10,951)** | (3,304) |
| 12 | Provisions for liabilities and charges | **-** | (131) |
| | **NET LIABILITIES** | **(10,951)** | (3,435) |
| | **CAPITAL AND RESERVES** | | |
| 13 | Called up share capital | **4,000** | 4,000 |
| 14 | Profit and loss account | **(14,951)** | (7,435) |
| | **EQUITY SHAREHOLDERS' FUNDS** | **(10,951)** | (3,435) |

Approved by the Board of Directors on 16 February 2001 and signed on its behalf by :



D R Forsyth
Director

The notes on pages 7 to 12 form part of these financial statements.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

## YEAR ENDED 31 DECEMBER 2000

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Loss for the financial year | (7,869) | (6,292) |
| Total recognised gains and losses relating to the year | (7,869) | (6,292) |

The reported loss for the year is not materially different from the loss on an unmodified historical cost basis.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

## YEAR ENDED 31 DECEMBER 2000

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Loss for the financial year | (7,869) | (6,292) |
| Goodwill written back | 353 | - |
| Net decrease in shareholders' funds | (7,516) | (6,292) |
| Opening shareholders' funds | (3,435) | 2,857 |
| Closing shareholders' funds | (10,951) | (3,435) |

The notes on pages 7 to 12 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

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.

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 represents sales invoiced to third parties exclusive of value added tax.

(c) Tangible fixed assets and depreciation. Freehold land is not depreciated. Depreciation is provided to write off the cost less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Freehold buildings - 2% per annum
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 are included as an asset in the balance sheet at consignment value where they are capable of bearing a finance charge at any time during the consignment period. New vehicle stocks held by the manufacturer to the order of the company, which are not capable of bearing a finance charge, are not included as an asset in the balance sheet.

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

(f) Deferred taxation. Provision is made for deferred taxation on timing differences, under the liability method, except where the liability is not expected to arise in the foreseeable future.

(g) Cash flow statement. As a wholly owned subsidiary undertaking of Pendragon PLC, 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.

(h) Pensions. The regular cost of the group's defined benefit pension scheme is expensed in order to allocate the cost of providing the pensions, recognising any actuarial surplus or deficiency (where appropriate), over the working lives of the relevant employees.

(i) Leases. Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding. Rentals under operating leases are charged to the profit and loss account in the year in which they are incurred.

(j) Related parties. Under Financial Reporting Standard No. 8 the company has relied upon the exemption not to disclose related party transactions with other group undertakings as they are all included in the Pendragon PLC consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2000

2 TURNOVER

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

3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Turnover | 50,936 | 103,628 |
| Cost of sales | (47,247) | (94,868) |
| Gross profit | 3,689 | 8,760 |
| Net operating expenses : | | |
| Distribution costs | 3,984 | 8,449 |
| Administrative expenses | 5,630 | 7,418 |
| | 9,614 | 15,867 |
| Operating loss | (5,925) | (7,107) |

4 OPERATING LOSS

Operating loss has been arrived at after charging :

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Depreciation of tangible fixed assets - owned | 353 | 533 |
| Auditors' remuneration - audit services | 6 | 15 |
| Leasing and hire charges | 67 | 161 |
| Property rentals | 879 | 1,922 |

5 EMPLOYEES

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

| | 2000 Number | 1999 Number |
|---|---|---|
| Sales | 92 | 127 |
| After sales | 180 | 249 |
| Administration | 54 | 75 |
| | 326 | 451 |

Costs incurred in respect of these employees were :

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Wages and salaries | 4,924 | 7,711 |
| Social security costs | 440 | 691 |
| Other pension costs | 104 | 64 |
| | 5,468 | 8,466 |

No director of the company received any remuneration for services to the company during the year (1999 - none).

6 INTEREST PAYABLE

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Interest payable on loans wholly repayable within five years : | | |
| Bank loans and overdrafts | 484 | 294 |
| Stocking loans | 127 | 215 |
| Intra group interest | 276 | 856 |
| Other loans | 331 | 350 |
| | 1,218 | 1,715 |

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2000

7 TAXATION

| | 2000 £000 | 1999 £000 |
|---|---|---|
| UK corporation tax at 30.0% (1999 - 30.25%) | | |
| Current tax on income for the year | - | - |
| Adjustments in respect of prior periods | (17) | 9 |
| | (17) | 9 |
| Deferred taxation | | |
| Current year deferred taxation | (132) | 84 |
| Adjustments in respect of prior periods | 1 | (3) |
| | (148) | 90 |
| Receipt for group relief | (2,974) | (2,620) |
| | (3,122) | (2,530) |

8 FIXED ASSETS - TANGIBLE ASSETS

| | Land & Buildings £000 | Plant & Equipment £000 | Motor Vehicles £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 December 1999 | 926 | 2,744 | 221 | **3,891** |
| Additions | 13 | 141 | 17 | **171** |
| Disposal of businesses | (890) | (2,309) | - | **(3,199)** |
| Other disposals | - | (129) | (230) | **(359)** |
| At 31 December 2000 | 49 | 447 | 8 | **504** |
| **Depreciation** | | | | |
| At 31 December 1999 | 316 | 1,118 | 78 | **1,512** |
| Disposal of businesses | (362) | (1,015) | - | **(1,377)** |
| Other disposals | - | - | (94) | **(94)** |
| Charge for the period | 46 | 290 | 17 | **353** |
| At 31 December 2000 | - | 393 | 1 | **394** |
| **Net book value** | | | | |
| At 31 December 2000 | 49 | 54 | 7 | **110** |
| At 31 December 1999 | 610 | 1,626 | 143 | **2,379** |

| Land and buildings comprise (at net book value): | 2000 £000 | 1999 £000 |
|---|---|---|
| Long leasehold | - | 22 |
| Short leasehold | 49 | 588 |
| | 49 | 610 |

9 STOCKS

| | 2000 £000 | 1999 £000 |
|---|---|---|
| New and used vehicles | 4,398 | 15,663 |
| Consignment vehicles | - | 351 |
| Vehicle parts and other stocks | 61 | 1,686 |
| | 4,459 | 17,700 |

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 £68,000 (1999 - £nil).

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2000

10 DEBTORS

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Trade debtors | 3,323 | 2,386 |
| Amounts owed by group undertakings | 59 | 2,755 |
| Other debtors | 1,590 | 3,373 |
| UK corporation tax | 1 | - |
| Prepayments | 3,054 | 246 |
| | 8,027 | 8,760 |

All amounts are due within one year.

11 CREDITORS : amounts falling due within one year

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Unsecured bank overdraft | 15,137 | 10,210 |
| Unsecured loans | - | 6,000 |
| Consignment vehicle liabilities | - | 351 |
| Payments received on account | - | 89 |
| Trade creditors | 366 | 3,649 |
| Amounts owed to group undertakings | 3,452 | 10,216 |
| Other taxation and social security | 783 | 406 |
| Accruals and deferred income | 3,809 | 1,222 |
| | 23,547 | 32,143 |

Included in the amounts owed to group undertakings is £442,000 nil (1999 - £9,810,000) secured on demonstrator stock.

12 PROVISIONS FOR LIABILITIES AND CHARGES

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

| | Deferred Tax £000 |
|---|---|
| At 31 December 1999 | 131 |
| Profit and loss account | (131) |
| At 31 December 2000 | - |

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

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Fixed asset timing differences | - | 144 |
| Other timing differences | - | (13) |
| | - | 131 |

There are no unprovided deferred tax liabilities (1999 -£nil).

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2000

13 CALLED UP SHARE CAPITAL

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Authorised : | | |
| 10,000,000 ordinary shares of £1 each | 10,000 | 10,000 |
| Allotted, called up and fully paid : | | |
| 4,000,000 ordinary shares of £1 each | 4,000 | 4,000 |

14 RESERVES

| | Profit and Loss Account £000 |
|---|---|
| At 31 December 1999 | (7,435) |
| Retained loss | (7,869) |
| Goodwill written back | 353 |
| At 31 December 2000 | (14,951) |

15 BUSINESS DISPOSALS

During the year the company disposed of all of its motor dealerships to external vendors for a total consideration of £1,730,000.

| Net assets at date of disposal | Net book value £000 |
|---|---|
| Tangible fixed assets | 1,419 |
| Stocks | 3,792 |
| Debtors | 57 |
| Creditors | (43) |
| | 5,225 |
| Goodwill written back | 353 |
| Loss on sale | (3,848) |
| Proceeds on sale | 1,730 |

16 OPERATING LEASE COMMITMENTS

Annual lease payments due in 2001 under operating leases of the company, according to the period in which the lease expires, are as follows:

| | Property | | Other leases | |
|---|---|---|---|---|
| | 2000 £000 | 1999 £000 | 2000 £000 | 1999 £000 |
| Within 1 year | - | 220 | - | 26 |
| Between 1 and 5 years | - | 755 | - | 68 |
| Over 5 years | - | 299 | - | - |
| | - | 1,274 | - | 94 |

17 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 2000 are available from the CompanySecretary, Pendragon PLC Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

18 CONTINGENT LIABILITIES

The group has arranged financing for a number of vehicles where customers have an option to purchase the vehicle from the finance company at a predetermined value at the end of each agreement. If the customer does not exercise the option to purchase, the group has undertaken to repurchase the vehicle in place of the customer from the finance company. The total value of the contingent repurchases is as follows:

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Within one year | - | 1,368 |

19 PENSIONS

The company, as a member of the Pendragon PLC group, participates in that group's defined benefit contributory retirement and death benefits scheme for its eligible members.
Particulars of the latest actuarial valuation and basis for continuing company contributions may be found in the financial statements of Pendragon PLC.

The company's total pension costs for the year were £104,000 (1999 - £64,000).