ARENA AUTO LIMITED

(formerly Arena Auto PLC)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

Registered Number : 3087521

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ARENA AUTO LIMITED

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DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 3. The directors do not recommend the payment of a dividend (2001 : £nil).

REVIEW OF ACTIVITIES

The company did not trade during the year. On the 9 August 2002 the company changed its status from a Public Limited Company to that of a Private Limited Company, changing its name to Arena Auto Limited.

DIRECTORS

The directors during the year were as follows:

T G Finn
D R Forsyth
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 (2001 : none). 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 (2001 : none).

AUDITORS

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

By order of the Board

H C Sykes
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
20 February 2003

DIRECTORS' RESPONSIBILITIES 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARENA AUTO LIMITED (formerly Arena Auto PLC)

We have audited the financial statements on pages 3 to 9.

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 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 1985. 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 2002 and of its result 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

20 February 2003

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2002

Note		2002 £000	2001 £000
2	TURNOVER		
	Discontinued operations	-	4,464
3	Cost of sales	-	(4,446)
	GROSS PROFIT	-	18
3	Net operating expenses	-	(228)
4	OPERATING LOSS	-	(210)
6	Interest payable	-	(7)
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	-	(217)
7	Taxation	-	63
13	RETAINED LOSS FOR THE FINANCIAL PERIOD	-	(154)

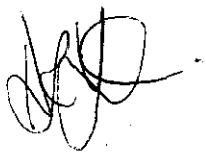
All amounts relate to discontinued operations.
Movements in reserves are shown in note 13.
The notes on pages 6 to 9 form part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2002

Note		2002 £000	2001 £000
	CURRENT ASSETS		
8	Stocks	-	13
9	Debtors	610	692
		610	705
10	**CREDITORS**: amounts falling due within one year	(11,675)	(11,778)
	TOTAL ASSETS LESS CURRENT LIABILITIES	(11,065)	(11,073)
11	Provisions for liabilities and charges	(8)	-
	NET LIABILITIES	(11,073)	(11,073)
	CAPITAL AND RESERVES		
12	Called up share capital	4,000	4,000
13	Profit and loss account	(15,073)	(15,073)
	EQUITY SHAREHOLDERS' DEFICIT	(11,073)	(11,073)

Approved by the Board of Directors on 20 February 2003 and signed on its behalf by :



D R Forsyth
Director

The notes on pages 6 to 9 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2002

	2002 £000	2001 £000
Loss for the financial year	-	(154)
Total recognised gains and losses relating to the year	-	(154)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2002

	2002 £000	2001 £000
Loss for the financial year	-	(154)
Net increase in shareholders' deficit	-	(154)
Opening shareholders' deficit	**(11,073)**	(10,919)
Closing shareholders' deficit	**(11,073)**	(11,073)

The notes on pages 6 to 9 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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) 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 Financial Reporting Standard No.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.

(d) 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.

(e) 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.

(f) 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.

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 2002

3 TURNOVER, COST OF SALES AND NET OPERATING EXPENSES

	2002 £000	2001 £000
Turnover	-	4,464
Cost of sales	-	(4,446)
Gross profit	-	18
Net operating expenses :		
Distribution costs	-	39
Administrative expenses	-	189
	-	228
Operating loss	-	(210)

4 OPERATING LOSS

Operating loss has been arrived at after charging :

	2002 £000	2001 £000
Auditors' remuneration - audit services	-	6

5 EMPLOYEES

The company had no employees during the year (2001 : nil).

No director of the company received any remuneration for services to the company during the year (2001 : £nil).

6 INTEREST PAYABLE

	2002 £000	2001 £000
Interest payable on loans wholly repayable within five years :		
Intra group interest	-	7

7 TAXATION

	2002 £000	2001 £000
UK corporation tax at 30.0% (2001 : 30%)		
Adjustments in respect of prior periods	(8)	7
Deferred taxation		
Current year deferred taxation	-	21
Adjustments in respect of prior periods	8	11
	-	39
Receipt for group relief	-	(102)
	-	(63)

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2002

7 TAXATION (continued)

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:

	2002 £000	2001 £000
Loss on ordinary activities before tax	-	(217)
Tax on loss at UK rate of 30% (2001 : 30%)	-	(65)
Permanent differences:		
Difference between accounts profits and taxable profits on capital asset disposals	-	(16)
Adjustments to tax charge in respect of previous periods	(8)	7
Total permanent differences	(8)	(9)
Deferred tax movements taken to the profit and loss account:		
Accelerated capital allowances	-	(21)
Total timing differences	-	(21)
Total current tax credit	(8)	(95)
Aggregate tax charges are analysed as:		
Current tax	(8)	(95)
Deferred tax	8	32
	-	(63)

8 STOCKS

	2002 £000	2001 £000
New and used vehicles	-	13

9 DEBTORS

	2002 £000	2001 £000
Trade debtors	-	26
Amounts owed by group undertakings	-	3
Other debtors	610	588
Other taxation and social security	-	50
Prepayments	-	25
	610	692

All amounts are due within one year.

10 CREDITORS : amounts falling due within one year

	2002 £000	2001 £000
Unsecured bank overdraft	-	239
Amounts owed to group undertakings	10,716	10,249
Accruals and deferred income	959	1,290
	11,675	11,778

Included in the amounts owed to group undertakings is £nil (2001 : £nil) secured on demonstrator stock.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2002

11 PROVISIONS FOR LIABILITIES AND CHARGES

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

	Deferred Tax £000
At 31 December 2001	-
Profit and loss account	8
At 31 December 2002	8

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

	2002 £000	2001 £000
Other timing differences	8	-

12 CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised :		
10,000,000 (2001 : 10,000,000) ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid :		
4,000,000 (2001 : 4,000,0000) ordinary shares of £1 each	4,000	4,000

13 RESERVES

	Profit and Loss Account £000
At 31 December 2001 and at 31 December 2002	(15,073)

14 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 2002 are available from the Company Secretary, Pendragon PLC Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.