

PPH1 LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

Registered Number 05410412

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PPH1 LIMITED

CONTENTS

YEAR ENDED 31 DECEMBER 2006

PAGE

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

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2006

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

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 3
An interim dividend was paid during the year of £24,000 (2005 £nil) No final dividend is proposed

BUSINESS REVIEW

The company is a wholly-owned subsidiary of PPH0 Limited which is a joint venture undertaking between Pendragon PLC and aAim Turbo LLP

On 19 January 2006, PPH0 Limited was allotted 1 ordinary share for a total subscription price of £2,015 000 and on 22 December 2006, PPH0 Limited was allotted 1 ordinary share for £26,971,000

The company's principal activity is the provision of property leasing services There have not been any significant changes in the company's principal activities in the year 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

As shown in the company's profit and loss account on page 3, turnover increased by 144.8% from £2,941,000 in the prior year to £7,201,000 in the current year and the profit for the financial year increased from a £118,000 profit in the prior year to a £759,000 profit in the current year The increased turnover is due to property rental income increasing from £2,941,000 in the prior year to £7,201,000 in the current year This rental income increased after the company purchased land and buildings in the year for consideration of £275,984,000, including costs Loan interest paid increased from £2,370,000 in the prior year to £5,859,000 in the current year As this £3,489,000 increase in interest payable in the year was less than the rental income increase, profitability for the year improved

The balance sheet on page 4 of the financial statements shows that the net assets of the company have increased by £29,721,000 to £42,375,000 This was due to a dividend paid of £24,000 in the year, the profit of £759,000 for the year and £28,986,000 proceeds from the shares issued to PPH0 in the year

Tangible fixed assets increased by £275,984,000 which was due to the £275,984,000 of land and buildings purchased in the year Debtors have increased from nil in the prior year to £32,103,000 in the current year The main parts of the balance are a £27,671,000 VAT debtor and £3,394,000 of deferred debt facility fees The total bank loans and overdrafts payable increased from £80,418,000 to £325,361,000 The loan was increased to fund the land and buildings purchases in the year

On 25 June 2007, Natwest Property Investments Limited sold their shares in PPH0 Limited to aAim Turbo LLP

Risks to the business include fluctuations in business conditions and the general economy that may result in the ability of tenants to service rent Other risks include changes in tax legislation that affect the property sector, for example, the proposed abolition of Industrial Buildings Allowances will increase the amount of taxation paid by the company and reduce its cashflows accordingly

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

DIRECTORS

The directors who held office during the year were as follows

T G Finn (resigned 27 November 2006)
D R Forsyth
H C Sykes (resigned 22 December 2006)
S B Eighteen (resigned 22 December 2006)
A C Farnell (resigned 22 December 2006)
N S Moy (resigned 25 June 2007)
N Bailey (appointed 27 November 2006, resigned 22 December 2006)

Following Natwest Property Investments Limited selling their shares in the immediate and ultimate parent company, PPH0 Limited, to aAim Turbo LLP on 25 June 2007, N Moy resigned as a director on 25 June 2007 and J Elton was appointed as a director on 25 June 2007

PAYMENTS TO SUPPLIERS

The Company has no trade creditors therefore the number of days' purchases outstanding for payment by the company at 31 December 2006 was nil days (2005 nil days)

POLITICAL AND CHARITABLE DONATIONS

The company made no political or charitable donations during the year

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

H C Sykes
Secretary



Loxley House
Little Oak Drive
Annesley
Nottinghamshire
15 October 2007

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 PPH1 LIMITED

We have audited the financial statements of PPH1 Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, 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 31 December 2006 and of its profit 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

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

15 October 2007

PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 2006**

Note		2006 £000	2005 £000
2	TURNOVER	7,201	2,941
	GROSS PROFIT	7,201	2,941
	Administrative charges	(311)	(70)
3	OPERATING PROFIT	6,890	2,871
5	Income from shares in group undertakings	24	-
	Loss on disposal of fixed assets	-	(223)
	PROFIT BEFORE INTEREST	6,914	2,648
6	Net Interest payable	(5,840)	(2,364)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,074	284
7	Taxation	(315)	(166)
	PROFIT FOR THE FINANCIAL YEAR	759	118

All amounts relate to continuing operations

Movements in reserves are shown in note 15

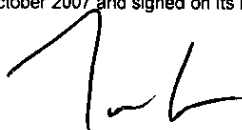
The notes on pages 7 to 10 form part of these financial statements

There were no recognised gains and losses for the current year other than as shown above

BALANCE SHEET**AT 31 DECEMBER 2006**

Note		2006 £000	2005 £000
	FIXED ASSETS		
9	Tangible assets	368,418	92,434
	CURRENT ASSETS		
10	Debtors	32,103	-
	Cash at bank and in hand	2,001	1,624
		34,104	1,624
11	CREDITORS amounts falling due within one year	(36,044)	(1,850)
	NET CURRENT ASSETS / (LIABILITIES)	(1,940)	(226)
	TOTAL ASSETS LESS CURRENT ASSETS / (LIABILITIES)	366,478	92,208
12	CREDITORS amounts falling due after more than one year	(323,862)	(79,510)
13	Provisions for liabilities and charges	(141)	(44)
	NET ASSETS	42,375	12,654
	CAPITAL AND RESERVES		
14	Called up share capital	-	-
15	Share premium account	41,522	12,536
15	Profit and loss account	853	118
	SHAREHOLDERS' FUNDS	42,375	12,654

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


D R Forsyth
Director

J Elton
Director

The notes on pages 7 to 10 form part of these financial statements

CASH FLOW STATEMENT**YEAR ENDED 31 DECEMBER 2006**

Note		2006 £000	2005 £000
16	NET CASH INFLOW FROM OPERATING ACTIVITIES	253,433	84,056
17	Returns on investments and servicing of finance	(5,840)	(2,364)
17	Taxation	(218)	(122)
17	Capital expenditure and financial instruments	(275,984)	(92,482)
	CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	(28,609)	(10,912)
17	Financing	28,986	12,536
18	INCREASE IN CASH IN THE YEAR	377	1 624

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDSYEAR ENDED 31 DECEMBER 2006

	2006 £000	2005 £000
Profit for the financial year	759	118
On issue of share capital	28,986	12,536
Dividends paid	(24)	-
Net increase in shareholders' funds	29,721	12,654
Opening shareholders' funds	12,654	-
Closing shareholders' funds	42,375	12,654

The notes on pages 7 to 10 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**YEAR 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 Rental income is credited to the profit and loss account as turnover in equal instalments over the period of the lease. 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 and depreciation Freehold land is not depreciated. The properties held by PPH1 Limited were investment properties and no depreciation is charged.

Investment properties are held at Open Market Value at each Balance Sheet date and are valued by Savills plc. Any movements are posted to the Investment Revaluation Reserve, unless there is a permanent deficit, which is posted to the Profit and Loss Account.

(d) 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 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) Related parties The following are deemed to be related parties of PPH1 Limited:

PPH0 Limited - Immediate parent company
 PPH2 Limited - Subsidiary
 Pendragon Group Services Limited - Joint Venture partner in PPH0 Limited
 Pendragon PLC - Ultimate parent of Pendragon Group Services Limited
 Natwest Property Investments Limited - Former Joint Venture partner in PPH0 Limited
 The Royal Bank of Scotland Group plc - Ultimate parent of Natwest Property Investments Limited
 aAm Turbo LLP - Joint Venture partner in PPH0 Limited
 D R Forsyth - Director
 N S Moy - Director (resigned 25 June 2007)
 T G Finn - Director (resigned 27 November 2006)
 H C Sykes - Director (resigned 22 December 2006)
 S B Eighteen - Director (resigned 22 December 2006)
 A C Farnell - Director (resigned 22 December 2006)
 N Bailey - Director (appointed 27 November 2006, resigned 22 December 2006)
 J Elton - Director (appointed 25 June 2007)

During the year, the following creditors were payable to related parties:

	2006 £000	2005 £000
The Royal Bank of Scotland Group plc	325,361	80,418
PPH2 Limited	-	34
	325,361	80,452

During the year, the following interest was paid to related parties:

	2006 £000	2005 £000
The Royal Bank of Scotland Group plc	5,859	813

There have been no other related party transactions.

2 TURNOVER

	2006 £000	2005 £000
Rentals receivable	7,201	2,941

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

3 OPERATING PROFIT

Operating profit has been arrived at after charging / (crediting):

	2006 £000	2005 £000
Depreciation of tangible fixed assets - owned	-	48
Rentals receivable	(7,201)	(2,941)
Audit of these financial statements	15	-

4 EMPLOYEES

The company had no employees during the year.

No director of the company received or waived any remuneration for services to the company during the year (2005: £nil).

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2006****5 INCOME FROM SUBSIDIARY UNDERTAKINGS**

	2006 £000	2005 £000
Dividends receivable	24	-

6 NET INTEREST PAYABLE

	2006 £000	2005 £000
Interest payable on loans		
Bank loans and overdrafts	5,859	2,370
Interest receivable		
Bank interest receivable	(19)	(6)
	5,840	2,364

7 TAXATION

	2006 £000	2005 £000
UK corporation tax at 30.0%		
Current tax on income for the year	221	122
Adjustments in respect of prior periods	(3)	-
	218	122
Deferred taxation		
Current year deferred taxation	94	44
Adjustments in respect of prior periods	3	-
	315	166

Factors affecting the tax charge for the year:

The tax assessed is different than the standard rate of corporation tax in the UK (30%)

The differences are explained below

Profit on ordinary activities before tax	1,074	284
Tax on profit at UK rate of 30%	322	85
Permanent differences		
Accounting depreciation for which no tax relief is due	-	14
Difference between accounts profits and taxable profits on capital asset disposals	-	67
Income from shares in group undertakings	(7)	-
Adjustments to tax charge in respect of previous periods	(3)	-
Total permanent differences	(10)	81
Deferred tax movements taken to the profit and loss account		
Accelerated capital allowances	(94)	(44)
Other provisions	-	-
Total timing differences	(94)	(44)
Total current tax charge	218	122
Aggregate tax charges are analysed as		
Current tax	218	122
Deferred tax	97	44
	315	166

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 liability has been calculated at 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be (charged)/relieved 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 liability will reverse, it is not possible to calculate the full financial impact of this change.

8 DIVIDENDS

	2006 £000	2005 £000
Ordinary shares		
Ordinary dividends on equity shares - £8 000 00 (2005 £nil) per share	24	-

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2006****9 FIXED ASSETS - TANGIBLE ASSETS**

	Land & Buildings £000
Cost	
At 31 December 2005	92,480
Additions	275,984
At 31 December 2006	368,464
Depreciation	
At 31 December 2005 and at 31 December 2006	46
Net book value	
At 31 December 2006	368,418
At 31 December 2005	92,434

There were no capital commitments at the year end

10 DEBTORS

	2006 £000	2005 £000
Other debtors	28,709	-
Prepayments	3,394	-
	32,103	-

11 CREDITORS amounts falling due within one year

	2006 £000	2005 £000
Bank loans and overdrafts	1,399	908
Amounts owed to group undertakings	-	34
UK corporation tax	92	122
Other taxation	-	621
Accruals and deferred income	34,553	165
	36,044	1,850

12 CREDITORS amounts falling due after more than one year

	2006 £000	2005 £000
Bank loans and overdrafts	323,962	79,510

£313 350 000 of the bank loans and overdrafts fall due in more than five years. The loans bear interest at LIBOR but the company has entered into a swap to receive LIBOR and pay a fixed rate of 4.76 percent.

The debt is secured on the properties held by the company (see note 9).

13 PROVISIONS FOR LIABILITIES AND CHARGES

The movement in the provision for the year is as follows

	Deferred Taxation £000
At 31 December 2005	44
Profit and loss account	97
At 31 December 2006	141

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

	2006 £000	2005 £000
Fixed asset timing differences	141	44

14 CALLED UP SHARE CAPITAL

	2006 £000	2005 £000
Authorised, allotted, called up and fully paid 5 ordinary shares of £1.00 each (2005: 3 ordinary shares of £1.00 each)	-	-

15 RESERVES

	Share Premium Account £000	Profit and Loss Account £000
At 31 December 2005	12,536	118
On issue of share capital	28,986	-
Profit for the financial year	-	759
Dividends paid	-	(24)
At 31 December 2006	41,522	853

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2006

16 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2006 £000	2005 £000
Operating profit	6,890	2,871
Depreciation and amortisation	-	48
Loss on disposal of tangible fixed assets	-	(223)
Increase in debtors	(32,103)	-
Increase in creditors	278,848	81,360
Net cash inflow from operating activities	253,433	84,056

17 ANALYSIS OF CASH FLOWS

	2006 £000	2005 £000
<i>Returns on investments and servicing of finance</i>		
Interest received	19	6
Interest paid	(5,859)	(2,370)
	(5,840)	(2,364)
<i>Taxation</i>		
UK corporation tax paid	(218)	(122)
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(275,984)	(95,565)
Sale of tangible fixed assets	-	3,083
	(275,984)	(92,482)
<i>Financing</i>		
Issue of ordinary share capital	28,986	12,536

18 ANALYSIS AND RECONCILIATION OF NET DEBT

	At 1 January 2006 £000	Cash flow £000	At 31 December 2006 £000
Cash at bank and in hand	1,624	377	2,001
Debt due within one year	(908)	(491)	(1,399)
Debt due after one year	(79,510)	(244,452)	(323,962)
	(78,794)	(244,566)	(323,360)
	2006 £000		2005 £000
Increase in cash in the period	377		1,624
Cash inflow from increase in debt	(244,943)		(80,418)
Movement in net debt in the period	(244,566)		(78,794)
Net debt at 1 January 2006	(78,794)		-
Net debt at 31 December 2006	(323,360)		(78,794)

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

The company's immediate and ultimate parent company is PPH0 Limited which is incorporated in England and Wales. PPH0 Limited is a joint venture undertaking between Pendragon PLC and aAim Turbo LLP. Copies of the financial statements of PPH0 Limited, Pendragon PLC and aAim Turbo LLP can be obtained from their respective Company Secretaries at the following addresses:

PPH0 Limited, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR
 Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR
 aAim Turbo LLP, 100 Piccadilly, London, W1J 7NH

PPH0 Limited and its subsidiaries qualify as a medium sized group and are therefore exempt from the preparation of consolidated financial statements.

20 SUBSEQUENT EVENTS

On 25 June 2007, Natwest Property Investments Limited sold their shares in PPH0 Limited, the immediate and ultimate parent to aAim Turbo LLP.