

PPH1 LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

Registered Number 05410412

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COMPANIES HOUSE

PPH1 LIMITED

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DIRECTORS' REPORT**YEAR ENDED 31 DECEMBER 2009**

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 5
No interim dividend was paid during the year (2008 £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 Group Services Limited and aAm Turbo LLP

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.

The Joint Venture Group of PPH0, PPH1 and PPH2 (the Group) owns a portfolio of properties which are currently leased to Pendragon PLC and which are used as security for the bank loan facilities. A reduction in market values resulted in a breach of the loan to value covenant during 2007. As a consequence the Group entered into constructive discussions with the relevant lenders with a view to agreeing a suitable solution to rectify the position. This solution will involve amendments or waivers of the covenant to enable the Group to be in compliance with any agreed covenant for the foreseeable future. As at 31 December 2009 and at the date of signing of these financial statements, discussions with lenders continue. An immediate resolution is not expected although the Group's lenders remain supportive. As a result of the above breach of covenant all bank debt has been disclosed as current in the balance sheet as at 31 December 2009. The directors have considered whether the Group can continue in operational existence for the foreseeable future, as explained in note 1.

At 31 December 2008 a valuation of the investment properties was completed by the property department of Pendragon PLC, the ultimate parent of Pendragon Group Services Limited. This resulted in a valuation deficit of £103,917,000.

At 31 December 2009 the investment properties were valued at their market values by the property department of Pendragon PLC, the ultimate parent of Pendragon Group Services Limited, this resulted in a valuation surplus in the current year of £6,098,000.

The directors consider this movement of property value to be temporary which has been recognised in the Statement of Total Recognised Gains and Losses. The carrying value of PPH0 Limited's investment in its subsidiaries remains impaired due to the difficulties faced in adhering to existing financing covenants.

As shown in the profit and loss account on page 5 turnover increased by 2.6% from £23,494,000 in the prior year to £24,095,000 in the current year due to the increased property rental income. The profit for the financial year increased from £2,729,000 in the prior year to £2,813,000 in the current year. The main reasons for the improved result for the year are the increase in turnover and a reduction in the administrative charges and a tax charge of £720,000 in the current year compared to a tax credit of £227,000 in the prior year.

The balance sheet on page 6 of the financial statements shows that the net liabilities of the Company have decreased by £8,911,000 to £47,812,000 net liabilities. This was due to the profit of £2,813,000 for the year and the valuation surplus of £6,098,000.

In February 2010 the investment properties were valued at £272,780,000 by the property department of Pendragon PLC.

Risks to the business include fluctuations in business conditions and the general economy that may result in the inability of tenants to service rent. Other risks include general weakening of commercial property valuations which could affect banking covenants or the ability of the Company to obtain finance and changes in tax legislation that affect the property sector.

DIRECTORS

The directors who held office were as follows:

Pendragon Management Services Limited
S Legassick (appointed 15 January 2009)

PAYMENTS TO SUPPLIERS

The Company has no trade creditors therefore the number of days' purchases outstanding for payment by the company at 31 December 2009 was nil days (2008 nil days).

DIRECTORS' REPORT continued

YEAR ENDED 31 DECEMBER 2009

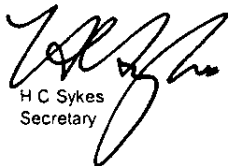
POLITICAL AND CHARITABLE DONATIONS

The Company made no political or charitable donations during the year (2008 £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


H C Sykes
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
8 April 2010

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 Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2009 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended, have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

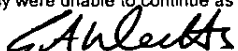
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 Group's and parent company's ability to continue as a going concern.

As reported in the 2008 financial statements, as the Group's borrowing covenant has been breached, the lenders are able to request early repayment of all outstanding borrowings and cancel their existing commitments. Accordingly, the ability of the Group and parent company to continue in operational existence is dependent on agreeing a suitable solution to rectify the position. This solution will involve amendments or waivers of the covenant to enable the Group to be in compliance with any agreed covenant for the foreseeable future. This position, along with other matters, set out in Note 1, indicates the existence of material uncertainties which may cast significant doubt about the Group's and parent company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and parent company were unable to continue as a going concern.



G Watts (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

 April 2010

PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 2009**

Note		2009 £000	2008 £000
2	TURNOVER	24,095	23 494
	GROSS PROFIT	24 095	23 494
	Administrative charges	(900)	(1 255)
3	OPERATING PROFIT	23,195	22 239
5	Net Interest payable	(19,662)	(19 737)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,533	2 502
6	Taxation on profit on ordinary activities	(720)	227
12	PROFIT FOR THE FINANCIAL YEAR	2,813	2 729

All amounts relate to continuing operations

Movements in reserves are shown in note 12

The notes on pages 8 to 11 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 2009**

Note		2009 £000	2008 £000
	FIXED ASSETS		
7	Tangible assets	272,780	266,682
	CURRENT ASSETS		
9	Debtors	2,076	2,458
	Cash at bank and in hand	9,441	8,665
		11,517	11,123
10	CREDITORS amounts falling due within one year	(332,109)	(334,528)
	NET CURRENT LIABILITIES	(320,592)	(323,405)
	NET LIABILITIES	(47,812)	(56,723)
	CAPITAL AND RESERVES		
11	Called up share capital	-	-
12	Share premium account	41,818	41,818
12	Revaluation reserve	(97,819)	(103,917)
12	Profit and loss account	8,189	5,376
	SHAREHOLDERS' DEFICIT	(47,812)	(56,723)

Approved by the Board of Directors on 8 April 2010 and signed on its behalf by

Neil D. Kirby
 AS duly authorised representative of
 Pendragon Management Services Limited
 Director

Registered Company Number 05410412

The notes on pages 8 to 11 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**YEAR ENDED 31 DECEMBER 2009**

	2009 £000	2008 £000
Profit for the financial year	2,813	2 729
Revaluation of investment properties	6,098	(103 917)
Total recognised gains and losses relating to the financial year	8 911	(101 188)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**YEAR ENDED 31 DECEMBER 2009**

	2009 £000	2008 £000
Profit for the financial year	2,813	2 729
Revaluation of investment properties	6,098	(103 917)
Net increase / (decrease) in shareholders' funds	8,911	(101 188)
Opening shareholders' (deficit) / funds	(56,723)	44 465
Closing shareholders' deficit	(47,812)	(56 723)

The notes on pages 8 to 11 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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 UK GAAP accounting standards and under the historical cost accounting rules except that investment properties are carried at open market value in accordance with SSAP 19

(b) Basis of preparation

Going Concern The Group owns a portfolio of properties which are currently leased to Pendragon PLC and are used as security for the bank loan facilities. A reduction in market values in 2007 had resulted in a breach of the loan to value covenant. As the lenders are able to request early repayment of all outstanding borrowings and cancel their existing commitments all borrowings due to these lenders had been disclosed as current debt in the balance sheet as at 31 December 2007. The loan to value covenant remains in breach therefore all borrowings subject to the covenant have continued to be disclosed as current debt as at 31 December 2009.

The Company continues to hold constructive discussions with the relevant lenders with a view to agreeing rectification of the position. Any solution will involve amendments or waivers of the covenant to enable the Company to be in compliance with any agreed covenant for the foreseeable future. Discussion with lenders continue and an immediate resolution is not expected although the Company's lenders remain supportive.

The Company's directors have considered their cash flow projections for the period ending twelve months from the date of their approval of these financial statements which indicate that the Company can subject to the issues noted above continue to operate within the facilities expected to be provided. If it is not possible to conclude these discussions satisfactorily then in the absence of other funding alternatives the Company will be unable to repay its borrowings as they fall due and as such there exists material uncertainties which may cast significant doubt about the ability of the Company to continue as a going concern. Therefore the Company may be unable to continue to realise its assets and discharge its liabilities in the normal course of business.

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.

The Company's continuing existence is also dependent on the ability of Pendragon PLC to continue to discharge its rental obligation to the Company. Based on the consolidated financial statements of Pendragon PLC for the year ended 31 December 2009 the directors have no reasons to believe that Pendragon PLC will not continue to discharge its obligation to the Group.

(c) Turnover Rental income is credited to the profit and loss account as turnover in 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.

(d) Tangible fixed assets and depreciation Freehold land is not depreciated. The properties held by PPH1 Limited are investment properties and no depreciation is charged.

Investment properties are held at Open Market Value at each Balance Sheet date and were valued by the property department of Pendragon PLC the ultimate parent of Pendragon Group Services Limited. Any movements are posted to the Investment Revaluation Reserve unless there is a permanent deficit which is posted to the Profit and Loss Account.

(e) 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.

(f) Cash flow statement As a wholly owned subsidiary undertaking of PPH0 Limited 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.

(g) Related parties The Group has related party relationships with the following:

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
 aAim Turbo LLP - Joint Venture partner in PPH0 Limited
 Pendragon Management Services Limited - Director
 S Legassick - Director (appointed 15 January 2009)

During the year the following management charges were payable to related parties	2009 £000	2008 £000
Pendragon PLC	250	250
During the year the following rental income was received from related parties	2009 £000	2008 £000
Pendragon PLC	24,095	23,494
At the year end the following amounts were due to related parties	2009 £000	2008 £000
Pendragon PLC	5,593	5,555

There were no provisions for doubtful debts due from any related parties at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2009

2	TURNOVER	2009 £000	2008 £000
	Rentals receivable	24,095	23,494
	All turnover arises in the United Kingdom from the Company's principal activities		
3	OPERATING PROFIT	2009 £000	2008 £000
	Operating profit has been arrived at after charging		
	Audit of these financial statements	15	15
4	EMPLOYEES		
	The Company had no employees during the year (2008: nil)		
	No director of the Company received or waived any remuneration for services to the Company during the year (2008: £nil)		
5	NET INTEREST PAYABLE	2009 £000	2008 £000
	Interest payable on loans		
	Bank loans and overdrafts	19,662	19,815
	Interest receivable		
	Bank interest receivable	-	(78)
		19,662	19,737
6	TAXATION	2009 £000	2008 £000
	UK corporation tax at the UK average statutory rate of 28% (2008: 28.5%)		
	Current tax on income for the year	720	317
	Adjustments in respect of prior periods		(544)
		720	(227)
	Factors affecting the tax charge / (credit) for the year		
	The tax assessed is different than the average statutory rate of corporation tax in the UK (28.5%)		
	The differences are explained below		
		2009 £000	2008 £000
	Profit on ordinary activities before tax	3,533	2,502
	Tax on profit at the UK average statutory rate of 28% (2008: 28.5%)	989	713
	Permanent differences		
	Non qualifying capital allowances	(269)	(396)
	Adjustments to tax charge in respect of previous periods	-	(544)
	Total permanent differences	(269)	(940)
	Total current tax charge / (credit)	720	(227)

The corporation tax rate applicable to the Company changed from 30% to 28% on 1 April 2008. Accordingly, the Company's profits for the previous accounting period are taxed at an effective rate of 28.5%.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2009

7 FIXED ASSETS - TANGIBLE ASSETS

	Land & Buildings £000
Cost	
At 31 December 2008	370,645
Valuation deficit	
At 31 December 2008	103,963
Surplus arising following revaluation	(6,098)
At 31 December 2009	97,865
Net book value	
At 31 December 2009	272,780
At 31 December 2008	266,682

At 31 December 2009 the investment properties were valued at their market values by the property department of Pendragon PLC the ultimate parent of Pendragon Group Services Limited. This resulted in a valuation surplus in the current year of £6,098,000. The surplus is considered temporary by the directors and therefore is recognised in the revaluation reserve in accordance with SSAP 19.

	2009 £000	2008 £000
Historical cost of land and buildings		
Cost	370,645	370,645
Depreciation	(46)	(46)
	370,599	370,599

There were no capital commitments at the year end.

8 FIXED ASSETS - INVESTMENTS

	Shares in undertakings £000
At 31 December 2008 and 31 December 2009	-

Shares in subsidiary undertakings are stated at cost. PPH1 Limited owns 100 per cent of the issued ordinary share capital of the following subsidiary incorporated in the United Kingdom:

	Activity
PPH2 Limited	Property Investment Company

9 DEBTORS

	2009 £000	2008 £000
Prepayments	2,076	2,458

10 CREDITORS amounts falling due within one year

	2009 £000	2008 £000
Bank loans and overdrafts	321,082	323,726
UK corporation tax	683	254
Other taxation	565	563
Deferred rental income from Pendragon PLC	5,593	5,555
Accruals and deferred income	4,186	4,430
	332,109	334,528

The loans bear interest at a floating rate based on LIBOR but the Company has entered into a swap to receive LIBOR based interest and pay a fixed rate of 4.76 percent.

The debt is secured on the properties held by the Company (see note 7).

11 CALLED UP SHARE CAPITAL

	2009 £000	2008 £000
Authorised, allotted, called up and fully paid		
6 ordinary shares of £1.00 each (2008: 6 ordinary shares of £1.00 each)	-	-

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2009

12	RESERVES	Revaluation Reserve £000	Share Premium Account £000	Profit and Loss Account £000
	At 31 December 2008	(103,917)	41,818	5,376
	Revaluation of investment properties	6,098	-	-
	Profit for the financial year	-	-	2,813
	At 31 December 2009	(97,819)	41,818	8,189

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has derivative financial instrument that it has not recognised at fair value as follows

The Company has entered into a interest rate swap to receive LIBOR based interest and pay a fixed rate of 4.76%

The fair value of the swap as at 31 December 2009 is a liability of £24.5m (2008 liability of £52.4m)

The Company has also entered into a swap to receive a fixed uplift of 2.25% in respect of certain rents and to pay an inflation linked uplift. The fair value of this swap as at 31 December 2009 is an asset of £0.2m (2008 asset of £5.3m)

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

The Company's immediate and ultimate parent company and ultimate controlling party is PPH0 Limited which is incorporated in England and Wales. PPH0 Limited is a joint venture undertaking between Pendragon Group Services Limited and aAim Turbo LLP. Pendragon PLC is the ultimate parent Company of Pendragon Group Services Limited. 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