

PPH0 LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

Registered Number : 05418426

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COMPANIES HOUSE

PPHO LIMITED

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DIRECTORS' REPORT**YEAR ENDED 31 DECEMBER 2007**

The directors have pleasure in submitting their report and the audited financial statements of the group for the year ended 31 December 2007.

RESULTS AND DIVIDENDS

The results for the year are shown in the consolidated profit and loss account on page 5. No dividend was paid during the year (2006 : £24,000). No final dividend is proposed.

BUSINESS REVIEW

The group 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.

aAIM Turbo LLP bought their shares in the group from Natwest Property Investments Limited on 25 June 2007. On 26 June 2007 N Moy resigned as a director and J Elton was appointed as a director.

On 3 May 2007, Pendragon Group Services Limited were allotted 51 'A' shares for a total subscription price of £151,000, and 100 Preference Shares for a total subscription price of £100. Natwest Property Investments Limited were allotted 49 'B' shares for a total subscription price of £145,000.

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

As shown in the group's consolidated profit and loss account on page 5, turnover increased by 220% from £7,201,000 in the prior year to £23,064,000 in the current year and the profit for the financial year increased from a £735,000 profit in the prior year to a £1,794,000 profit in the current year. The increased turnover is due to property rental income increasing from £7,201,000 in the prior year to £23,064,000 in the current year. This rental income increased after the group purchased land and buildings at the end of 2006 for consideration of £275,984,000, including costs. Loan interest paid increased from £5,859,000 in the prior year to £19,811,000 in the current year. As this £13,952,000 increase in interest payable in the year was less than the rental income increase, profitability for the year improved.

The consolidated balance sheet on page 6 of the financial statements shows that the net assets of the group have increased by £2,090,000 to £44,465,000. This was due to the profit of £1,794,000 for the year and £296,000 proceeds from the shares issued by PPH0 in the year.

Tangible fixed assets increased by £2,181,000 which was due to the £2,181,000 of land and buildings purchased in the year. Debtors have decreased from £32,103,000 in the prior year to £2,822,000. The main reason for this is that in the prior year there was a £27,671,000 VAT debtor and there is no equivalent balance in the current year. Total creditors fell from £360,006,000 to £337,080,000, and this was mainly due to £27,716,000 owed to the Pendragon group at the prior year end being paid during the year. This amount was related to the purchase of properties from the Pendragon group at the end of 2006.

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 general weakening of commercial property valuations and changes in tax legislation that affect the property sector, for example, the 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 group is well positioned to take advantage of future opportunities.

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 has resulted in a breach of the loan to value covenant. As a consequence the Group has entered into constructive discussions with the relevant lenders with a view to agreeing suitable amendments or waivers of the covenant to enable the Group to be in compliance with the agreed covenant for the foreseeable future and provide sufficient headroom against the covenant to take account of the current economic climate. 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 2007.

In addition, on 10 November 2008 the Group's sole customer, Pendragon PLC reported in its interim management statement that it expected to report a 2008 full year loss before exceptional items of £30 million. The directors have made enquiries of Pendragon PLC regarding its ability to fulfil its rental obligations to the Group and, based on those enquiries, the directors have concluded that those rental obligations will continue to be fulfilled.

Therefore, after making suitable enquiries, the Directors believe that the Group 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:

D R Forsyth (resigned 28 April 2008)

N Moy (resigned 26 June 2007)

J Elton (appointed 26 June 2007, resigned 18 December 2008)

Pendragon Management Services Limited (appointed 28 April 2008)

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 26 June 2007 and J Elton was appointed as a director on 26 June 2007. J Elton resigned as a director on 18 December 2008.

DIRECTORS' REPORT continued

YEAR ENDED 31 DECEMBER 2007

PAYMENTS TO SUPPLIERS

The group has no trade creditors therefore the number of days' purchases outstanding for payment by the group at 31 December 2007 was nil days (2006: nil days).

POLITICAL AND CHARITABLE DONATIONS

The group 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 group'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 group's auditors are aware of that information.

On behalf of the Board

H C Sykes
Secretary



Loxley House
Little Oak Drive
Annesley
Nottinghamshire
29 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Principles).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent 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;
- 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 group and the parent 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 parent 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 group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PPH0 LIMITED

We have audited the group and parent company financial statements of PPH0 Limited for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheet, the Group Cash Flow Statement, the Group 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 group'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 group'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 group and the group'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 group 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 group's and 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 group's and the parent company's affairs as at 31 December 2007 and of the group's 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.

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 ability to continue as a going concern, which indicates that the Group has breached its loan to value covenant and its reliance on Pendragon PLC as its sole lessee customer. Continuing in operational existence is dependent on the ultimate shareholders injecting further equity or agreeing suitable amendments or waivers of the covenant to enable the Group to be in compliance with its agreed covenants for the foreseeable future and on the ability of Pendragon PLC to continue to discharge its rental obligation to the Group. 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. 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 be in compliance with its agreed covenants. 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 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

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

29 December 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 2007**

| Note | 2007 £000 | 2006 £000 |
|------|--|---------------|
| 2 | TURNOVER | 23,064 |
| | GROSS PROFIT | 7,201 |
| | Administrative charges | (986) |
| 3 | OPERATING PROFIT | 22,078 |
| 5 | Net Interest payable | (19,715) |
| | PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 1,050 |
| 6 | Taxation on profit on ordinary activities | (569) |
| 15 | PROFIT FOR THE FINANCIAL YEAR | 735 |

All amounts relate to continuing operations.

Movements in reserves are shown in note 15.

The notes on pages 10 to 14 form part of these financial statements.

There are no recognised gains and losses in either year other than the result for that year.

CONSOLIDATED BALANCE SHEET**AT 31 DECEMBER 2007**

| Note | | 2007 £000 | 2006 £000 |
|------|--|--------------|--------------|
| | FIXED ASSETS | | |
| 8 | Tangible assets | 370,599 | 368,418 |
| | CURRENT ASSETS | | |
| 10 | Debtors | 2,822 | 32,103 |
| | Cash at bank and in hand | 8,124 | 2,001 |
| | | 10,946 | 34,104 |
| 11 | CREDITORS: amounts falling due within one year | (337,080) | (36,044) |
| | NET CURRENT LIABILITIES | (326,134) | (1,940) |
| | TOTAL ASSETS LESS CURRENT LIABILITIES | 44,465 | 366,478 |
| 12 | CREDITORS: amounts falling due after more than one year | - | (323,962) |
| 13 | Provisions for liabilities and charges | - | (141) |
| | NET ASSETS | 44,465 | 42,375 |
| | CAPITAL AND RESERVES | | |
| 14 | Called up share capital | 602 | 602 |
| 15 | Share premium account | 41,216 | 40,920 |
| 15 | Profit and loss account | 2,647 | 853 |
| | SHAREHOLDERS' FUNDS | 44,465 | 42,375 |

Approved by the Board of Directors on 29 December 2008 and signed on its behalf by:

Neil D. Smith
 As Authorised Representative of
 Pendragon Management Services Limited
 Director

Director

The notes on pages 10 to 14 form part of these financial statements.

COMPANY BALANCE SHEET**AT 31 DECEMBER 2007**

| Note | | 2007 £000 | 2006 £000 |
|------|-----------------------------|---------------|---------------|
| | FIXED ASSETS | | |
| 9 | Investments | 41,818 | 41,522 |
| | NET ASSETS | 41,818 | 41,522 |
| | CAPITAL AND RESERVES | | |
| 14 | Called up share capital | 602 | 602 |
| 15 | Share premium account | 41,216 | 40,920 |
| | SHAREHOLDERS' FUNDS | 41,818 | 41,522 |

Approved by the Board of Directors on 29 December 2008 and signed on its behalf by :

Neil Dairley
 As Authorised Representative of
 Pendragon Management Services Limited
 Director Director

The notes on pages 10 to 14 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT**AT 31 DECEMBER 2007**

| Note | 2007 £000 | 2006 £000 |
|------|--|--------------|
| 16 | NET CASH INFLOW FROM OPERATING ACTIVITIES | 8,520 |
| 17 | Returns on investments and servicing of finance | (5,840) |
| 17 | Taxation | (248) |
| 17 | Capital expenditure and financial instruments | (275,984) |
| | CASH INFLOW / (OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING | (273,552) |
| 17 | Financing | 273,929 |
| 18 | INCREASE IN CASH IN THE YEAR | 377 |

The notes on pages 10 to 14 form part of these financial statements.

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

| | Group 2007 £000 | Company 2007 £000 | Group 2006 £000 | Company 2006 £000 |
|-------------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Profit for the financial year | 1,794 | - | 735 | - |
| On issue of share capital | 296 | 296 | 28,986 | 28,986 |
| Net movement in shareholders' funds | 2,090 | 296 | 29,721 | 28,986 |
| Opening shareholders' funds | 42,375 | 41,522 | 12,654 | 12,536 |
| Closing shareholders' funds | 44,465 | 41,818 | 42,375 | 41,522 |

The notes on pages 10 to 14 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.

(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 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 has resulted in a breach of the loan to value covenant. As the Group's covenant has been breached the lenders are able to request early repayment of all outstanding borrowings and cancel their existing commitments. Therefore all borrowings due to these lenders has been disclosed as current debt in the balance sheet as at 31 December 2007.

As a consequence the Group has entered into constructive discussions with the relevant lenders with a view to agreeing suitable amendments or waivers of the covenant to enable the Group to be in compliance with the agreed covenant for the foreseeable future and provide sufficient headroom against the covenant to take account of the current economic climate. This may involve injecting further equity by PPH0 Limited's shareholders to take account of the current economic climate. The Group'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 Group can, subject to the issues noted above, continue to operate within the facilities currently agreed. If it is not possible to conclude these discussions satisfactorily then, in the absence of any mitigating actions and in the absence of other funding alternatives, the Group may be unable to repay its borrowings as they fall due and, therefore, the Group may be unable to continue to realise its assets and discharge its liabilities in the normal course of business.

In addition, on 10 November 2008 the Group's sole customer, Pendragon PLC, reported in its interim management statement that it expected to report a 2008 full year loss before exceptional items of £30 million. The directors have made enquiries of Pendragon PLC regarding its ability to fulfil its rental obligations to the Group and, based on those enquiries, the directors have concluded that those rental obligations will continue to be fulfilled.

As a result of the issues noted above there exists material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

Constructive discussions with all relevant lenders are ongoing and the Directors are not aware of any issues which would prevent the required corrective actions and amendments from being agreed. Based on discussions with lenders, discussions with the Directors of Pendragon PLC and projected results for the Group the Directors are of the view that a satisfactory conclusion will be reached. On this basis, the directors are confident that the Group 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) Basis of consolidation. The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year.

(d) 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 group has performed its obligation in respect of that consideration.

(e) Investments. Investments held as fixed assets are stated at cost less any impairment losses.

(f) Tangible fixed assets and depreciation. Freehold land is not depreciated. The properties held by PPH0 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.

(g) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2007****1 ACCOUNTING POLICIES continued**

(h) Related parties. The following are deemed to be related parties of PPH0 Limited:

PPH1 Limited - Subsidiary
 PPH2 Limited - Subsidiary of PPH1 Limited
 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 (appointed 28 April 2008)
 J Elton - Director (appointed 25 June 2007, resigned 18 December 2008)

| | | |
|---|-------------|-------------|
| During the year, the following management charges were paid to related parties: | 2007 | 2006 |
| | £000 | £000 |
| Pendragon PLC | 250 | 100 |

| | | |
|---|---------------|--------------|
| During the year, the following rental income was received from related parties: | 2007 | 2006 |
| | £000 | £000 |
| Pendragon PLC | 23,064 | 7,201 |

| | | |
|---|--------------|--------------|
| At the year end, the following amounts were due to related parties: | 2007 | 2006 |
| | £000 | £000 |
| Pendragon PLC | 5,414 | 5,229 |

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

(i) Dividends on shares presented within shareholders funds. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

| | | |
|--------------------|---------------|--------------|
| 2 TURNOVER | 2007 | 2006 |
| | £000 | £000 |
| Rentals receivable | 23,064 | 7,201 |

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

| | | |
|--|-------------|-------------|
| 3 OPERATING PROFIT | 2007 | 2006 |
| Operating profit has been arrived at after charging / (crediting): | £000 | £000 |
| Audit of these financial statements | 15 | 15 |

| | |
|--|--|
| 4 EMPLOYEES | |
| The group had no employees during the year (2006 : nil). | |

No director of the group received or waived any remuneration for services to the group during the year (2006 : £nil).

| | | |
|-------------------------------|---------------|--------------|
| 5 NET INTEREST PAYABLE | 2007 | 2006 |
| | £000 | £000 |
| Interest payable on loans: | | |
| Bank loans and overdrafts | 19,811 | 5,859 |
| Interest receivable: | | |
| Bank interest receivable | (96) | (19) |
| | 19,715 | 5,840 |

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2007

6 TAXATION

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| UK corporation tax at 30% (2006 : 30%) | | |
| Current tax on income for the year | 710 | 221 |
| Adjustments in respect of prior periods | - | (3) |
| | 710 | 218 |
| Deferred taxation | | |
| Current year deferred taxation | (141) | 94 |
| Adjustments in respect of prior periods | - | 3 |
| | 569 | 315 |
| 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: | | |
| | 2007 £000 | 2006 £000 |
| Profit on ordinary activities before tax | 2,363 | 1,074 |
| Tax on profit at UK rate of 30% (2006 : 30%) | 709 | 322 |
| Permanent differences: | | |
| Abolition of balancing adjustments | 141 | - |
| Income from shares in group undertakings | - | (7) |
| Adjustments to tax charge in respect of previous periods | 1 | (3) |
| Total permanent differences | 142 | (10) |
| Deferred tax movements taken to the profit and loss account: | | |
| Accelerated capital allowances | (141) | (94) |
| Total current tax charge | 710 | 218 |
| Aggregate tax charges are analysed as: | | |
| Current tax | 710 | 218 |
| Deferred tax | (141) | 97 |
| | 569 | 315 |

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%.

7 PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was £nil (2006: £24,000). As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

8 FIXED ASSETS - TANGIBLE ASSETS

| Group | Investment properties £000 |
|---|----------------------------------|
| Valuation | |
| At 31 December 2006 | 368,464 |
| Additions | 2,181 |
| At 31 December 2007 | 370,645 |
| Depreciation | |
| At 31 December 2006 and at 31 December 2007 | 46 |
| Net book value | |
| At 31 December 2007 | 370,599 |
| At 31 December 2006 | 368,418 |

Investment properties are held at Open Market Value. At 31 December 2007 investment properties were valued by Savills plc. There was a material difference between the valuation amount and the previous carrying amount. Management has considered the difference and decided to make no adjustment to the current carrying amount of these properties.

There were no capital commitments at the year end.

The company does not have any tangible fixed assets.

9 INVESTMENTS

| Company | Shares in undertakings £000 |
|---------------------------|-----------------------------------|
| At 31 December 2006 | 41,622 |
| On issue of share capital | 296 |
| At 31 December 2007 | 41,818 |

Shares in subsidiary undertakings are stated at cost. PPH0 Limited owns 100 per cent of the issued ordinary share capital of the following subsidiary incorporated in the United Kingdom:

| | Activity |
|--------------|-----------------------------|
| PPH1 Limited | Property Investment Company |

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2007

10 DEBTORS

| Group | 2007 £000 | 2006 £000 |
|---------------|--------------|---------------|
| Other debtors | - | 28,709 |
| Prepayments | 2,822 | 3,394 |
| | 2,822 | 32,103 |

The company does not have any debtors.

11 CREDITORS : amounts falling due within one year

| Group | 2007 £000 | 2006 £000 |
|--|----------------|---------------|
| Bank loans and overdrafts | 325,879 | 1,399 |
| UK corporation tax | 725 | 92 |
| Other taxation | 1,068 | - |
| Accrued rental income from Pendragon PLC | 5,414 | 5,229 |
| Amounts owed to Pendragon PLC | - | 27,716 |
| Accruals and deferred income | 4,006 | 1,608 |
| | 337,080 | 36,044 |

The loans bear interest at a floating rate based on LIBOR but the group 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 group (see note 8).

The company does not have any creditors falling due within one year.

12 CREDITORS : amounts falling due after more than one year

| Group | 2007 £000 | 2006 £000 |
|---------------------------|--------------|--------------|
| Bank loans and overdrafts | - | 323,962 |

The company does not have any creditors falling due after more than one year.

13 PROVISIONS FOR LIABILITIES AND CHARGES

Group

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

| | Deferred Taxation £000 |
|-------------------------|------------------------------|
| At 31 December 2006 | 141 |
| Profit and loss account | (141) |
| At 31 December 2007 | - |

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

| | 2007 £000 | 2006 £000 |
|--------------------------------|--------------|--------------|
| Fixed asset timing differences | - | 141 |

The company does not have any provisions for liabilities and charges.

14 CALLED UP SHARE CAPITAL

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Authorised : | | |
| 255 (2006 : 204) ordinary 'A' shares of £1.00 each | - | - |
| 245 (2006 : 196) ordinary 'B' shares of £1.00 each | - | - |
| 500 (2006 : 400) preference shares of £1 each | - | - |
| 2,500,000,000 (2006 : 2,500,000,000) redeemable deferred shares of £1.00 each | 2,500,000 | 2,500,000 |
| 2,500,000,000 (2006 : 2,500,000,000) T preference shares of £1.00 each | 2,500,000 | 2,500,000 |
| Allotted, called up and fully paid : | | |
| 255 (2006 : 204) ordinary 'A' shares of £1.00 each | - | - |
| 245 (2006 : 196) ordinary 'B' shares of £1.00 each | - | - |
| 602,341 (2006 : 602,341) redeemable deferred shares of £1.00 each | 602 | 602 |
| 500 (2006 : 400) preference shares of £1.00 each | - | - |

During the year 100 (2006 : 200) ordinary shares at an aggregate nominal value of £100 (2006 : £200) were issued for a total cash consideration of £296,000 (2006 : £28,384,000).

The profits which the group may decide to distribute shall be applied in paying to each holder of a preference share, in priority to any payment to the holders of 'A' shares or 'B' shares, a floating rate non-cumulative preferential dividend at the rate per annum equal to LIBOR on the capital for the time being paid up on that share, such dividend to accrue from day to day and to be paid in one instalment on 31 December in each year in respect of the year ending on that date.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2007

15 RESERVES

| Group | Share Premium Account £000 | Profit and Loss Account £000 |
|-------------------------------|-------------------------------|---------------------------------|
| At 31 December 2006 | 40,920 | 853 |
| On issue of share capital | 296 | - |
| Profit for the financial year | - | 1,794 |
| At 31 December 2007 | 41,216 | 2,647 |

| Company | Share Premium Account £000 | Profit and Loss Account £000 |
|---------------------------|-------------------------------|---------------------------------|
| At 31 December 2006 | 40,920 | - |
| On issue of share capital | 296 | - |
| At 31 December 2007 | 41,216 | - |

16 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Operating profit | 22,078 | 6,890 |
| Decrease / (increase) in debtors | 29,281 | (32,103) |
| (Decrease) / increase in creditors | (24,077) | 33,733 |
| Net cash inflow from operating activities | 27,282 | 8,520 |

17 ANALYSIS OF CASH FLOWS

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| <i>Returns on investments and servicing of finance</i> | | |
| Interest received | 96 | 19 |
| Interest paid | (19,811) | (5,859) |
| | (19,715) | (5,840) |
| <i>Taxation</i> | | |
| UK corporation tax paid | (77) | (248) |
| <i>Capital expenditure and financial investment</i> | | |
| Purchase of tangible fixed assets | (2,181) | (275,984) |
| <i>Financing</i> | | |
| Issue of ordinary share capital | 296 | 28,986 |
| Repayment of secured loan | (1,379) | (693) |
| New secured loan | 1,897 | 245,636 |
| | 814 | 273,929 |

18 ANALYSIS AND RECONCILIATION OF NET DEBT

| | At 1 January 2007 £000 | Cash flow £000 | At 31 December 2007 £000 |
|--------------------------|------------------------------|----------------------|--------------------------------|
| Cash at bank and in hand | 2,001 | 6,123 | 8,124 |
| Debt due within one year | (325,361) | (518) | (325,879) |
| Debt due after one year | - | - | - |
| | (323,360) | 5,605 | (317,755) |

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Increase in cash in the period | 6,123 | 377 |
| Cash inflow from increase in debt | (518) | (244,943) |
| Decrease / (increase) in net debt in the period | 5,605 | (244,566) |
| Net debt at 1 January 2007 | (323,360) | (78,794) |
| Net debt at 31 December 2007 | (317,755) | (323,360) |

19 JOINT VENTURE PARTIES

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 Pendragon PLC and aAim Turbo LLP can be obtained from their respective Company Secretaries at the following addresses:

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