

# **H.R. Owen Plc**

## **Interim Financial Information**

### **For the six months ended 30 June 2008**

#### **HIGHLIGHTS**

\* “the results for the first six months were strong, particularly in the circumstances of the challenging and worsening economic climate.”

\* “The Board remains confident that its strategy of downsizing to a smaller and more focused specialist car group has greatly improved the prospects for the Group”

- **Operating profit of £2.2 million (2007: £1.8 million);**
- **Profits before tax from continuing operations, before exceptional items, stable at £1.8 million;**
- **Profit before tax of £1.8 million (2007: £1.4 million);**
- **Earnings per share from continuing operations, before exceptional items, of 5.6 pence (2007: 5.0 pence);**
- **Interim dividend declared of 2.0 pence per ordinary share;**
- **Cash balances at 30 June 2008 of £6.4 million.**

\* *Extracts from the Chairman’s Statement.*

# Chairman's Statement

Overall the results for the first six months were strong, particularly in the circumstances of the challenging and worsening economic climate.

The Group's profits before tax were £1.8 million (2007: £1.4 million) with profit from continuing operations before exceptional items unchanged at £1.8 million. In the prior year, an exceptional charge of £0.4 million, associated with the costs of the £11.8 million return of capital to shareholders, was taken against first half profits.

Turnover for the continuing businesses was £95.9 million compared to £94.9 million for the first half of 2007.

Profit after tax for the Group was £1.3 million (2007: £0.6 million) representing earnings per share of 5.6 pence (2007: 2.5 pence). Adjusting for discontinued operations and exceptional charges in the prior period, profits after tax from continuing operations for the six months ended 30 June 2007 were £1.2 million representing earnings per share of 5.0 pence.

On 29 May 2008 the Company paid the final dividend declared for the year ended 31 December 2007 of 2.0 pence per ordinary share. The directors have now declared an interim dividend for the six months ended 30 June 2008 of 2.0 pence per ordinary share (2007: Nil pence per ordinary share) which is expected to be paid on 24 October 2008 to shareholders on the register at the close of business on 26 September 2008.

Capital expenditure in the six months was £1.7 million (2007: £0.2 million), primarily associated with the Group's new Ferrari and Maserati aftersales facility which opened in North London in June 2008. Overall there was a cash outflow in the period of £3.8 million (2007: £5.2 million) as the Group utilised surplus cash balances to pay down certain vehicle funding lines. The Group finished the period with a strong balance sheet including cash balances of £6.4 million (2007: £5.7 million) and, as for 30 June 2007, had no net debt.

The Group's concentration on ultra luxury saloons and super sports car franchises protected the results to a degree from the real market conditions as our new car business has, and continues to be, able to rely on a number of forward orders.

Over recent years the Group has reduced its exposure to the volume brands and our last two franchises for Volvo are expected to be sold to the management in the near future. In the meantime, the volume brands (Alfa Romeo and Volvo) increased their performance year on year.

The individual franchises performed in line with the national market share for the manufacturers we represent, which meant that in most cases we continued to occupy the number one or number two position for best performance in the UK. The overall results, however, masked the ravages of the economy and a mixed result across the Group for our sales brands.

Many of the brands introduced outstanding new cars during the period. In particular, the Bentley Brooklands, Ferrari Scuderia, Maserati GranTurismo, Rolls-Royce Phantom Drophead Coupé and the Alfa Romeo 8C created excellent results for the franchises. A number of new model introductions will take place in the next twelve months where we have accumulated strong forward orders, but we expect the overall market to weaken in the second half of the year.

In January, we implemented a major de-stocking exercise for used vehicles. This has proved to be a good decision as used car activity at the top end of the market has been affected by the adverse economic conditions.

Aftersales revenues and profits were at record levels following the excellent vehicle sales results of the last two years, which have clearly increased the vehicle parcs of the brands we represent where customer cars are much more captive than in other aftersales sectors of the market.

These strong aftersales results were affected by an extensive building programme during the period at our School Road service centre in North London. In late June we relocated the Ferrari and Maserati aftersales departments from School Road to a new purpose-built facility at Park Royal, North London. We then relocated our BMW and MINI service franchises to the School Road premises vacated by Ferrari and Maserati and reconfigured these extensive service operations to accommodate the aftersales operations of Rolls-Royce/BMW/MINI and Bentley/Bugatti/Lamborghini. The Group's other service operations for specialist cars, namely, Jack Barclay Bentley at Nine Elms, Alfa Romeo at Chelsea and Lamborghini at Stockport, also contributed to the strong results.

During the first six months the Ferrari and Maserati sales franchise, which we acquired in St Albans, Hertfordshire, late last year, has made a solid start in its first full year of our ownership.

On 18 March 2008 we were notified that Bentley Motors had acquired a 27.9% holding in the Group. Bentley and its sister franchises, Bugatti and Lamborghini, are the Group's largest suppliers and we welcome them as substantial shareholders.

On 13 May 2008 the Board announced to the Stock Exchange that John Robertson had resigned as a director of the Company and thanked him for the contribution he had made to the Group over the last ten years, both as Chairman of the Audit Committee and as a non-executive director generally, and wished him every success for the future.

Historically, the Group has generated the majority of its profits in the first half of the year. We expect the Group to remain profitable in the second half where the results are underpinned by forward orders, but both new and used car sales will continue to reduce until more stability is experienced in the market. We also expect the Group to continue the payment of dividends.

The Board remains confident that its strategy of downsizing to a smaller and more focused specialist car group has greatly improved the prospects for the Group and, in combination with our strong balance sheet, remains a good defensive action against the prevailing market conditions.

**J P MacArthur**  
28 August 2008

# Independent Review Report to H.R. Owen Plc

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## PricewaterhouseCoopers LLP

Chartered Accountants

Cambridge

28 August 2008

## Notes:

- (a) The maintenance and integrity of the H.R. Owen Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# H.R. Owen Plc

## Consolidated income statement for the six months ended 30 June 2008

|  | Notes | Unaudited<br>6 months<br>ended<br>30 June<br>2008<br>£'000 | Unaudited<br>6 months<br>ended<br>30 June<br>2007<br>£'000 | Audited<br>Year ended<br>31 December<br>2007<br>£'000 |
|--|-------|--|--|---|
| <b>Continuing operations</b>   |       |  |  |   |
| Revenue  | 5     | 95,910   | 94,937   | 183,635   |
| Cost of sales  |       | (79,266)   | (78,630)   | (151,889)   |
| <b>Gross profit</b>  |       | <b>16,644</b>  | 16,307   | 31,746  |
| Other income   |       | 21   | 21   | 103   |
| Distribution costs   |       | (7,211)  | (7,294)  | (14,136)  |
| Administrative expenses  |       | (7,227)  | (6,820)  | (13,705)  |
| <b>Operating profit before exceptional items</b>                               |       | <b>2,227</b>   | 2,214  | 4,008   |
| Exceptional costs of return of capital to shareholders                         |       | —  | (402)  | (402)   |
| <b>Operating profit</b>  |       | <b>2,227</b>   | 1,812  | 3,606   |
| Interest payable and similar charges   |       | (783)  | (790)  | (1,599)   |
| Interest receivable  |       | 382  | 403  | 831   |
| <b>Profit before taxation</b>  |       | <b>1,826</b>   | 1,425  | 2,838   |
| Taxation charge  | 6     | (516)  | (656)  | (398)   |
| <b>Profit for the period from continuing operations</b>                        |       | <b>1,310</b>   | 769  | 2,440   |
| <b>Discontinued operations</b>   |       |  |  |   |
| Loss for the period from discontinued operations                               | 7     | —  | (187)  | (1,006)   |
| <b>Profit for the period</b>   |       | <b>1,310</b>   | 582  | 1,434   |
| <b>Dividend per share (pence)</b>  |       |  |  |   |
|  | 2     | 2.0  | 0.0  | 0.0   |
| <b>Earnings per share:</b>   |       |  |  |   |
| — Basic and diluted (pence per ordinary share)                                 | 3     | 5.6p   | 2.5p   | 6.1p  |
| <b>Earnings per share from continuing operations</b>                           |       |  |  |   |
| — Basic and diluted (pence per ordinary share)                                 | 3     | 5.6p   | 3.3p   | 10.3p   |
| <b>Earnings per share from continuing operations, before exceptional items</b> |       |  |  |   |
| — Basic and diluted (pence per ordinary share)                                 |       | 5.6p   | 5.0p   | 12.0p   |
| <b>Earnings/(losses) per share from discontinued operations</b>                |       |  |  |   |
| — Basic and diluted (pence per ordinary share)                                 | 3     | 0.0p   | (0.8)p   | (4.2)p  |

The notes on pages 9 to 15 form an integral part of this abbreviated consolidated interim financial information.

## H.R. Owen Plc

### Consolidated statement of recognised income and expenses for the six months ended 30 June 2008

|  | Unaudited<br>6 months<br>ended<br>30 June<br>2008<br>£'000 | Unaudited<br>6 months<br>ended<br>30 June<br>2007<br>£'000 | Audited<br>Year ended<br>31 December<br>2007<br>£'000 |
|--|--|--|---|
| <b>Profit for the period</b>                                 | <b>1,310</b>   | 582  | 1,434   |
| Actuarial gains recognised in defined benefit pension scheme | —  | —  | 349   |
| Deferred taxation thereon                                    | —  | —  | (98)  |
| Tax benefit on special pension contributions                 |  |  |   |
| - deferred tax   | (63)   | (64)   | (71)  |
| - current tax  | 63   | 64   | 71  |
| Impact of change in UK tax rate on deferred tax              | —  | —  | 5   |
| <b>Net profits recognised directly in equity reserves</b>    | <b>—</b>   | —  | 256   |
| <b>Total recognised income for the period</b>                | <b>1,310</b>   | 582  | 1,690   |

# H.R. Owen Plc

## Consolidated balance sheet as at 30 June 2008

|   | Notes | Unaudited<br>6 months<br>ended<br>30 June<br>2008<br>£'000 | Unaudited<br>6 months<br>ended<br>30 June<br>2007<br>£'000 | Audited<br>Year ended<br>31 December<br>2007<br>£'000 |
|---|-------|--|--|---|
| <b>Assets</b>                           |       |  |  |   |
| <b>Non-current assets</b>               |       |  |  |   |
| Goodwill                                |       | 2,020  | 1,768  | 2,020   |
| Property, plant and equipment           | 8     | 5,961  | 4,488  | 4,838   |
| Deferred tax assets                     |       | 312  | 478  | 383   |
|   |       | <b>8,293</b>   | 6,734  | 7,241   |
| <b>Current assets</b>                   |       |  |  |   |
| Inventories                             |       | 28,136   | 18,967   | 29,827  |
| Trade and other receivables             |       | 7,902  | 4,652  | 8,485   |
| Current tax assets                      |       | —  | —  | 242   |
| Cash and cash equivalents               |       | 6,371  | 5,661  | 10,144  |
|   |       | <b>42,409</b>  | 29,280   | 48,698  |
| Assets classified as held for sale      |       | —  | 30,532   | —   |
| <b>Total current assets</b>             |       | <b>42,409</b>  | 59,812   | 48,698  |
| <b>Liabilities</b>                      |       |  |  |   |
| <b>Current liabilities</b>              |       |  |  |   |
| Financial liabilities – borrowings      |       | (14,069)   | (11,243)   | (17,289)  |
| Trade and other payables                |       | (26,631)   | (18,021)   | (30,150)  |
| Current tax liabilities                 |       | (906)  | (66)   | —   |
|   |       | <b>(41,606)</b>  | (29,330)   | (47,439)  |
| Liabilities classified as held for sale |       | —  | (29,065)   | —   |
| <b>Total current liabilities</b>        |       | <b>(41,606)</b>  | (58,395)   | (47,439)  |
| <b>Net current assets</b>               |       | <b>803</b>   | 1,417  | 1,259   |
| <b>Non-current liabilities</b>          |       |  |  |   |
| Deferred tax liabilities                |       | (56)   | (362)  | (56)  |
| Retirement benefit liability            | 9     | (59)   | (768)  | (315)   |
| <b>Total non-current liabilities</b>    |       | <b>(115)</b>   | (1,130)  | (371)   |
| <b>Net assets</b>                       |       | <b>8,981</b>   | 7,021  | 8,129   |
| <b>Shareholders' equity</b>             |       |  |  |   |
| Called-up share capital                 |       | 11,806   | 11,806   | 11,806  |
| Profit and loss deficit                 | 11    | (2,825)  | (4,785)  | (3,677)   |
| <b>Total equity</b>                     |       | <b>8,981</b>   | 7,021  | 8,129   |

# H.R. Owen Plc

## Consolidated cash flow statement for the six months ended 30 June 2008

|   | Notes | Unaudited<br>6 months<br>ended<br>30 June<br>2008<br>£'000 | Unaudited<br>6 months<br>ended<br>30 June<br>2007<br>£'000 | Audited<br>Year ended<br>31 December<br>2007<br>£'000 |
|---|-------|--|--|---|
| <b>Cash flows from operating activities</b>                                   |       |  |  |   |
| Cash generated from operations  | 12    | 116  | 6,480  | 11,736  |
| Net interest paid   |       | (401)  | (693)  | (1,436)   |
| Tax recovered/(paid)  |       | 704  | (912)  | (1,268)   |
| <b>Net cash generated from operating activities</b>                           |       | <b>419</b>   | <b>4,875</b>   | <b>9,032</b>  |
| <b>Cash flows from investing activities</b>                                   |       |  |  |   |
| Purchase of property, plant and equipment                                     |       | (1,718)  | (159)  | (697)   |
| Purchase of new dealership  |       | —  | —  | (327)   |
| <b>Cash flows from investing activities from continuing operations</b>        |       | <b>(1,718)</b>   | <b>(159)</b>   | <b>(1,024)</b>  |
| Proceeds from sale of property, plant and equipment – discontinued operations |       | —  | 136  | 168   |
| Purchase of property, plant and equipment – discontinued operations           |       | —  | (184)  | (220)   |
| Proceeds from sale of dealerships – discontinued operations                   |       | —  | —  | 4,963   |
| <b>Net cash (consumed by)/generated from investing activities</b>             |       | <b>(1,718)</b>   | <b>(207)</b>   | <b>3,887</b>  |
| <b>Cash flows from financing activities</b>                                   |       |  |  |   |
| Return of capital to shareholders   |       | —  | (12,208)   | (12,208)  |
| Dividends paid to shareholders  |       | (472)  | —  | —   |
| (Repayment)/receipt of other loans  |       | (2,002)  | 1,118  | (1,474)   |
| <b>Cash flows from financing activities from continuing operations</b>        |       | <b>(2,474)</b>   | <b>(11,090)</b>  | <b>(13,682)</b>                                       |
| Receipt of other loans – discontinued operations                              |       | —  | 1,176  | —   |
| <b>Net cash consumed by financing activities</b>                              |       | <b>(2,474)</b>   | <b>(9,914)</b>   | <b>(13,682)</b>                                       |
| <b>Decrease in cash and cash equivalents</b>                                  |       | <b>(3,773)</b>   | <b>(5,246)</b>   | <b>(763)</b>  |
| Cash and cash equivalents at 1 January  |       | 10,144   | 10,907   | 10,907  |
| <b>Cash and cash equivalents at 30 June</b>                                   |       | <b>6,371</b>   | <b>5,661</b>   | <b>10,144</b>   |

# H.R. Owen Plc

## Notes to the interim statement for the six months ended 30 June 2008

### 1. Basis of preparation and statement of compliance

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 were approved by the board of directors on 18 March 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

This condensed consolidated interim financial information has been reviewed, not audited. The condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard (“IAS”) 34 ‘Interim financial reporting’ as adopted by the European Union. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

#### Accounting policies

The principal accounting policies used in preparing this financial information are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the Group’s Annual Report & Accounts on pages 23 to 25 of those annual financial statements.

#### Forthcoming accounting standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning on 1 January 2008, but are not currently relevant for the Group:

- a) IFRIC 12, ‘Service concession arrangements’;
- b) IFRIC 14, ‘IAS19 – the limit on a defined benefit asset, minimum funding requirements and their interaction’.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- a) IFRS 8, ‘Operating segments’ (effective from 1 January 2009). The standard has been endorsed by the EU. IFRS 8 replaces IAS 14 and requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail;
- b) IAS 23 (amendment), ‘Borrowing costs’ - The Group will apply IAS 23 (Amended) from 1 January 2009 but the standard is currently not applicable to the Group as there are no qualifying assets;
- c) IFRS 2 (amendment) ‘Share-based payment’ (effective from 1 January 2009). Management is assessing the impact of changes to the vesting conditions and cancellations on the Group’s Share Option Plan;
- d) IAS 1 (amendment), ‘Presentation of financial statements’ (effective from 1 January 2009);
- e) IAS 32 (amendment), ‘Financial instruments: presentation’, and consequential amendments to IAS 1, ‘Presentation of financial statements’ (effective from 1 January 2009). This is not relevant to the Group, as the Group does not have any puttable instruments;
- f) IFRIC 11, ‘IFRS 2 – Group and treasury share transactions’. The expected impact is still being assessed in detail but is not expected to be significant;
- g) IFRIC 13, ‘Customer loyalty programmes’ (effective from 1 July 2008). IFRIC 13 is not relevant to the Group or Company’s operations because none of the Group’s companies operate any loyalty programmes.

### **Principal risks and uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. These risks are formally reviewed by the Board and, where appropriate, monitored and mitigated by suitable processes.

The main risks relate to the close contractual relationships the Group has with a number of vehicle manufacturers, and in particular its reliance on their continuing to supply a suitable mix of popular vehicle models at competitive prices. If this supply ceases, is restricted or over-supplied for any reason, then clearly the impact on the Group's performance, especially in relation to new cars, could have an adverse effect on profitability.

Other risks relate to possible future changes to the legislative framework governing the sale of new cars in the UK, and the competition provided by the growing number of internet-based brokers and sellers. In the area of aftersales, any improvement in the reliability and durability of cars will reduce their need for servicing and repairs, and the threat of increased competition from the independent service and repair sector is now a permanent feature of the market.

Any business associated with the sale of cars is of course vulnerable to outside factors, both political and economic. Interest rate changes, the ability of our customers to obtain credit to facilitate vehicle purchases, increasing fuel costs, congestion charging, and broader environmental concerns could all have an impact on a consumer's decision whether or not to buy a particular new or used car.

The current economic uncertainties, particularly in financial markets, also produce risks to the Group. In particular, movements in discount rates in the future may impact upon the financial position of the Group's defined benefit pension scheme.

### **2. Dividends**

On 29 May 2008 the final dividend declared for the year ended 31 December 2007 of 2.0 pence per ordinary share, amounting to £472,000, was paid to shareholders. An interim dividend of 2.0 pence per ordinary share (2007: Nil pence per ordinary share) has been declared on 28 August 2008 for the six months ended 30 June 2008 and is expected to be paid on 24 October 2008 to shareholders on the register at the close of business on 26 September 2008. This interim dividend has not been recognised as a liability in this interim financial information but will be recognised in shareholders' equity in the annual financial statements for the year ending 31 December 2008.

### **3. Earnings/(losses) per share**

The calculation of earnings per share from continuing operations is based on the profit after taxation of £1,310,000 (2007: £769,000) and the weighted average number of shares in issue during the period of 23,611,742 (2007: 23,611,742). The calculation of losses per share from the Group's discontinued operations for the prior period is based on a loss after taxation of £187,000.

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has a single class of dilutive potential ordinary shares being share options granted to employees under the Group's long-term incentive plan. At 30 June 2008, the performance criteria for the vesting of the awards under the incentive scheme had not been met and consequently the shares in question are excluded from the diluted earnings per share calculation.

### **4. Shares and share options**

At 30 June 2008 the issued share capital of the Company was 23,611,742 ordinary shares of 50 pence. No new shares were issued in the period. The Company has cumulative grants of 1,563,328 share options to directors and certain senior executives as at 30 June 2008. For the six months ended 30 June 2008 an accounting charge of £14,000 (2007: £26,000) has been taken against results in respect of the grant of these options. No new options have been granted during the period under review.

## 5. Segmental reporting

| Six months ended<br>30 June 2008 | Sales<br>£'000 | Aftersales<br>£'000 | Unallocated<br>£'000 | Group<br>£'000 |
|----------------------------------|----------------|---------------------|----------------------|----------------|
| <b>Continuing operations</b>     |                |                     |                      |                |
| Revenue                          | 80,912         | 14,998              | —                    | 95,910         |
| Segment result                   | 5,590          | 3,385               | (6,748)              | 2,227          |
| Interest expense                 |                |                     |                      | (783)          |
| Interest income                  |                |                     |                      | 382            |
| <b>Profit before tax</b>         |                |                     |                      | <b>1,826</b>   |
| Taxation                         |                |                     |                      | (516)          |
| <b>Profit for the period</b>     |                |                     |                      | <b>1,310</b>   |

At 30 June 2008, the Group is organised into two main business segments: the sale of new and used motor vehicles and an aftersales operation consisting of the servicing of vehicles, sales of parts and bodyshop repairs. The Group's dealerships operate predominantly from sites where vehicle sales and aftersales share the same premises. Therefore, unallocated costs represents shared property costs and depreciation of fixed assets in addition to background support services such as finance, IT, marketing and corporate expenses which cannot be directly attributed to either business segment.

The Group operates from a single geographical area, namely the United Kingdom.

| Six months ended<br>30 June 2007                        | Sales<br>£'000 | Aftersales<br>£'000 | Unallocated<br>£'000 | Group<br>£'000 |
|---|----------------|---------------------|----------------------|----------------|
| <b>Continuing operations</b>                            |                |                     |                      |                |
| Revenue   | 80,176         | 14,761              | —                    | 94,937         |
| Segment result  | 6,013          | 3,018               | (6,817)              | 2,214          |
| Exceptional costs of return of capital                  |                |                     |                      | (402)          |
| Interest expense  |                |                     |                      | (790)          |
| Interest income   |                |                     |                      | 403            |
| <b>Profit before tax</b>                                |                |                     |                      | <b>1,425</b>   |
| Taxation  |                |                     |                      | (656)          |
| <b>Profit for the period from continuing operations</b> |                |                     |                      | <b>769</b>     |
| <b>Discontinued operations</b>                          |                |                     |                      |                |
| Revenue   | 37,477         | 5,508               | —                    | 42,985         |
| Segment result  | 1,949          | 962                 | (2,792)              | 119            |
| Interest expense  |                |                     |                      | (306)          |
| <b>Loss before tax</b>                                  |                |                     |                      | <b>(187)</b>   |
| Taxation  |                |                     |                      | —              |
| <b>Loss for the period from discontinued operations</b> |                |                     |                      | <b>(187)</b>   |

## **6. Corporation tax**

The corporation tax charge is recognised based on management's best estimate of the weighted average annual corporation tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December is 28.3% (the estimated tax rate for the six months ended 30 June 2007 was 53.0%). This reduction is mainly due to the exceptional charge in the prior period associated with the costs of the return of capital to shareholders which was not an allowable expense for corporation tax purposes.

## **7. Discontinued businesses**

In the Group's published interim financial information for the six months ended 30 June 2007, the results of the Volvo Division were shown within discontinued operations as, at that time, disposal of the Division was considered likely. These negotiations did not result in a sale and, accordingly, the results of the Volvo Division were shown within continuing operations for the full year to 31 December 2007. The Group has announced that it is continuing to negotiate the sale of its Volvo Division to its divisional management, but that this transaction continues to be delayed by complex property issues. Given the degree of uncertainty over the timing of this disposal, the results of the Volvo Division have been included within continuing operations. Accordingly, the comparative figures for the six months ended 30 June 2007 have been restated for this reclassification.

In the prior period, on 14 December 2007, the Group sold its BMW and MINI businesses in Chiswick, and Heathrow, London comprising two BMW and two MINI dealerships to Marsh Wall Limited for a cash consideration, after disposal costs, of £5.0 million. This payment did not include any amount in respect of goodwill. Accordingly, the results from discontinued operations in the prior period represent the results of these BMW and MINI operations at Chiswick and Heathrow.

## **8. Fixed asset movements**

In the six month period under review, the Group acquired fixed assets of £1,718,000 (2007: £343,000). Capital expenditure in respect of improvements to leasehold premises in the period amounted to £996,000 (2007: £112,000) and related primarily to the fit-out of the Group's new Ferrari and Maserati aftersales facility at Acton, London. Depreciation charges for the six months ended 30 June 2008 were £535,000 (2007: £776,000). The Group disposed of fixed assets with a net book value of £60,000 (2007: £61,000) during the period under review.

## **9. Retirement benefit liability**

The Group operates the H.R. Owen London Defined Benefit Pension Scheme, a defined benefit pension scheme, which operates on a pre-funded basis. The funding policy is to contribute such variable amounts as, on the advice of the Scheme's actuary, will achieve a 100% funding level on a projected salary basis. Actuarial assessments covering expense and contributions are carried out by independent qualified actuaries, with the last such review being carried out as at 5 April 2007.

The Scheme currently operates in a deficit position and, as a result, H.R. Owen Plc agreed with the Scheme's trustees that the Group would make an additional annual contribution of £200,000 in May 2007, and in May of each of the subsequent two years. To date two payments, each of £200,000, have been made to the Scheme. H.R. Owen Plc also makes additional monthly contributions of £4,000 to the Scheme, with these additional monthly contributions continuing whilst the Scheme remains in a deficit position.

## **10. Related-party transactions**

On 18 March 2008 the Company was notified that Bentley Motors Limited had acquired shares in H.R. Owen Plc equivalent to 27.9% of the Company's issued share capital. Accordingly, from 18 March 2008 to 30 June 2008 Bentley Motors Limited has been deemed to be a related party. H.R. Owen Plc operates a Bentley franchise for new and used car sales, through its Jack Barclay Limited subsidiary, from its Berkeley Square showroom in London. The Group also operates two Bentley aftersales franchises from its service and bodyshop facilities at Nine Elms and North Acton in London. During that period, the Group purchased vehicles and parts from Bentley Motors Limited totalling £8.2 million. At 30 June 2008 an amount of £1.1 million was owed by the Group to Bentley Motors Limited.

## 11. Statement of changes in shareholders' equity for the six months ended 30 June 2008

|   | Unaudited<br>Share<br>capital<br>£'000 | Unaudited<br>Share<br>Premium<br>£'000 | Unaudited<br>Profit<br>and loss<br>deficit<br>£'000 | Unaudited<br>Total<br>equity<br>£'000 |
|---|--|--|---|---------------------------------------|
| At 1 January 2007   | 23,612                                 | 14,270                                 | (19,663)  | 18,219                                |
| Net profit  | —                                      | —                                      | 1,434   | 1,434                                 |
| Actuarial gains recognised in defined<br>benefit pension scheme | —                                      | —                                      | 349   | 349                                   |
| Deferred tax thereon  | —                                      | —                                      | (98)  | (98)                                  |
| Corporation tax benefit on special<br>pension contributions     |  |  |   |                                       |
| - deferred tax  | —                                      | —                                      | (71)  | (71)                                  |
| - current tax   | —                                      | —                                      | 71  | 71                                    |
| Impact of change in UK tax rate                                 | —                                      | —                                      | 5   | 5                                     |
| Reduction in nominal share capital                              | (11,806)                               | —                                      |   | (11,806)                              |
| Cancellation of share premium account                           | —                                      | (14,270)                               | 14,270  | —                                     |
| Share options:  |  |  |   |                                       |
| - value of employee services                                    | —                                      | —                                      | 26  | 26                                    |
| At 1 January 2008   | 11,806                                 | —                                      | (3,677)   | 8,129                                 |
| Net profit  | —                                      | —                                      | 1,310   | 1,310                                 |
| Corporation tax benefit on special<br>pension contributions     |  |  |   |                                       |
| - deferred tax  | —                                      | —                                      | (63)  | (63)                                  |
| - current tax   | —                                      | —                                      | 63  | 63                                    |
| Share options:  |  |  |   |                                       |
| - value of employee services                                    | —                                      | —                                      | 14  | 14                                    |
| Dividends   | —                                      | —                                      | (472)   | (472)                                 |
| <b>At 30 June 2008</b>  | <b>11,806</b>                          | <b>—</b>                               | <b>(2,825)</b>                                      | <b>8,981</b>                          |

## 12. Cash flows from operating activities

|  | Unaudited<br>6 months<br>ended<br>30 June<br>2008<br>£'000 | Unaudited<br>6 months<br>ended<br>30 June<br>2007<br>£'000 | Audited<br>Year ended<br>31 December<br>2007<br>£'000 |
|--|--|--|---|
| <b>Continuing operations</b>   |  |  |   |
| Profit after tax   | 1,310  | 769  | 2,440   |
| Adjustments for:   |  |  |   |
| Tax charge   | 516  | 656  | 398   |
| Depreciation charge  | 535  | 423  | 911   |
| Loss on disposal of property, plant and equipment                              | 60   | —  | —   |
| Exceptional costs of return of capital to shareholders                         | —  | 402  | 402   |
| Impairment of goodwill   | —  | —  | 193   |
| Share option charge  | 14   | 26   | 26  |
| Net interest expense   | 401  | 387  | 768   |
| Changes in working capital (excluding the effects of discontinued operations): |  |  |   |
| Decrease in inventories  | 473  | 1,887  | 354   |
| Decrease/(increase) in trade and other receivables                             | 583  | 21   | (991)   |
| (Decrease)/increase in payables  | (3,520)  | 2,885  | 4,523   |
| Excess of pension contributions over current service cost                      | (256)  | (204)  | (277)   |
| <b>Cash generated from continuing operations</b>                               | <b>116</b>   | <b>7,252</b>   | <b>8,747</b>  |
| <b>Discontinued operations</b>   |  |  |   |
| Net loss   | —  | (187)  | (1,006)   |
| Depreciation charge  | —  | 353  | 606   |
| Profit on disposal of property, plant and equipment                            | —  | (75)   | (105)   |
| Exceptional loss on disposal of business                                       | —  | —  | 306   |
| Net interest expense   | —  | 306  | 668   |
| (Increase)/decrease in inventories   | —  | (1,013)  | 5,169   |
| (Increase)/decrease in trade and other receivables                             | —  | (3,277)  | 1,495   |
| Increase/(decrease) in payables  | —  | 3,121  | (4,144)   |
| <b>Cash (consumed by)/generated from discontinued operations</b>               | <b>—</b>   | <b>(772)</b>   | <b>2,989</b>  |
| <b>Total cash generated from operations</b>                                    | <b>116</b>   | <b>6,480</b>   | <b>11,736</b>   |

### **13. Seasonality**

The Group's sales of new cars are subject to significant monthly fluctuations as a result of the bi-annual registration plate change which occurs in the months of March and September in the United Kingdom. As a result of these fluctuations, the Group has historically made the majority of its profits in the first six months of the year and this trend is expected to continue in this, and future, years.

### **14. Responsibility statement**

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim business review includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of H.R. Owen Plc are listed in the Annual Report & Accounts for the year ended 31 December 2007. With the exception of the resignation in the period under review of Mr J L Robertson as a non-executive director on 13 May 2008 there have been no changes.

Copies of this interim financial information are available to the public at the registered office of the Company at 75 Kinnerton Street, London SW1X 8ED or by download from the company's website at [www.hrowen.co.uk](http://www.hrowen.co.uk).

This condensed consolidated interim financial information was approved by the Board of directors on 28 August 2008.

**N R Lancaster**  
**Chief Executive**

**M Warren**  
**Finance Director**