

# **H.R. Owen Plc**

## **Interim Financial Information**

**For the six months ended  
30 June 2010**

### **HIGHLIGHTS**

- Profit before tax from continuing operations, before exceptional items, of £1.5 million (2009: loss of £1.0 million);
- Profit before tax of £0.7 million (2009: £6.5 million);
- Basic earnings per share of 2.0 pence (2009: 19.6 pence);
- Interim dividend declared of 2.0 pence per ordinary share (2009: 2.0 pence per ordinary share);
- Cash balances at 30 June 2010 of £11.5 million (31 December 2009: £15.1 million).

## Chairman's Statement

I am pleased to report that the Group has returned to profitable trading in the six months to 30 June 2010 and that performance has been ahead of internal expectations for both our Sales and Aftersales operations, despite the challenging economic climate.

Profits, before tax and exceptional items, for the period were £1.5 million compared to a loss to 30 June 2009 of £1.0 million. Profit before tax for the period for the Group was £0.7 million (2009: £6.5 million, which included an exceptional gain of £7.5 million) representing earnings per share after tax of 2.0 pence (2009: 19.6 pence). Turnover for the period was £80.7 million compared to £62.2 million for the first half of 2009, an increase of 30%.

On 28 May 2010, the Company paid the final dividend in respect of the year ended 31 December 2009 of 2.0 pence per ordinary share. The directors have declared an interim dividend for the six months ended 30 June 2010 of 2.0 pence per ordinary share (2009: 2.0 pence per ordinary share) which is expected to be paid on 22 October 2010 to shareholders on the register at the close of business on 24 September 2010.

Overall, there was a cash outflow in the period of £3.6 million (2009: inflow of £9.3 million). However, given that the 2009 year-end cash position was temporarily boosted by £6.6 million of advanced customer deposits, this represents a good cash performance. The Group finished the period with a strong balance sheet including cash balances of £11.5 million (31 December 2009: £15.1 million) and, as for 30 June 2009, excluding manufacturer stocking loans of £11.7 million (2009: £8.4 million) had no net debt.

In the first six months of the year, when the Group traditionally delivers proportionally its best performance, new car volumes increased to 300 cars compared to 242 cars delivered to 30 June 2009. Results were boosted by strong deliveries of the recently introduced Rolls-Royce Ghost and Ferrari California. In addition Bentley new car volumes were also ahead of those achieved in the first half of 2009. Used car volumes increased to 284 cars from 251 cars delivered in 2009. Margins on both new and used cars were also better than in the prior year.

Our Aftersales operations started the year slowly as results were adversely affected by the severe winter weather experienced but noticeably improved in the second quarter to finish the half year ahead of both the comparable prior year period and our internal expectations.

Capital expenditure in the six months was £1.2 million (2009: £1.0 million), primarily associated with fixed assets acquired as part of the purchase of an Audi Aftersales business in Wandsworth, London on 29 June 2010. As a result of the early surrender of the lease for the Group's Bentley aftersales facility at Nine Elms, London, in 2008 we will be required to vacate these premises no later than March 2012. Our intention is that we will relocate the Bentley Aftersales business into the new Wandsworth premises, alongside the existing Audi business. Agreement for this relocation has already been received from both manufacturers and we expect that the relocation will occur in early 2011. By utilising the available space to house an existing operation, the transaction is forecast to be earnings enhancing from 2011.

During the first six months of 2010 we have initiated a restructuring of the Company's Board. In May Nick Lancaster, Ramon Pajares, Tony Smith and Nick Mason resigned and I would like to thank them for their contribution. Adrian Martin joined the Board as a non-executive director and brings with him substantial audit and corporate finance experience as well as non-executive experience obtained at other listed companies. The search for a new Chief Executive is progressing as planned and we hope to be able to make an appointment in the near future. The strategy review initiated earlier this year has commenced and will be completed subsequent to the appointment of a Chief Executive.

The UK economy continues to show significant signs of weakness and the Board therefore remains cautious about the trading outlook for the Group over the coming months. Despite this, the Group has a strong balance sheet, excellent luxury brands and a depth of experience across the management team and is therefore well placed to take advantage of future market opportunities.

**J Walden**  
**Chairman**

26 August 2010

# **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 2010, which comprises the consolidated income statement, consolidated statement of other comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in shareholders' equity 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 2010 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**

26 August 2010

## **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 2010

	Notes	Unaudited 6 months ended 30 June 2010 £'000	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
<b>Continuing operations</b>				
Revenue	4	<b>80,714</b>	62,179	125,406
Cost of sales		<b>(67,687)</b>	(52,098)	(104,035)
<b>Gross profit</b>		<b>13,027</b>	10,081	21,371
Other income – pre-exceptional	5	<b>21</b>	836	1,118
Exceptional gain from early surrender of property lease	6	<b>—</b>	7,485	7,485
Total other income		<b>21</b>	8,321	8,603
Distribution costs		<b>(5,551)</b>	(5,636)	(10,448)
Administrative expenses – pre-exceptional		<b>(5,862)</b>	(6,140)	(13,150)
Exceptional costs from Board restructuring	6	<b>(743)</b>	—	—
Total administrative expenses		<b>(6,605)</b>	(6,140)	(13,150)
<b>Operating profit</b>		<b>892</b>	6,626	6,376
Interest payable and similar charges		<b>(456)</b>	(436)	(839)
Interest receivable		<b>290</b>	275	620
<b>Profit before taxation</b>		<b>726</b>	6,465	6,157
Taxation charge	7	<b>(257)</b>	(1,836)	(1,347)
<b>Profit for the period</b>		<b>469</b>	4,629	4,810
<b>Earnings per share:</b>				
— Basic (pence per ordinary share)	3	<b>2.0p</b>	19.6p	20.4p
— Diluted (pence per ordinary share)		<b>1.9p</b>	19.6p	19.5p

The notes on pages 10 to 19 form an integral part of this condensed set of financial statements.

## H.R. Owen Plc

### Consolidated statement of other comprehensive income for the six months ended 30 June 2010

	Unaudited 6 months ended 30 June 2010 £'000	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
<b>Profit for the period</b>	<b>469</b>	4,629	4,810
<b>Other comprehensive income</b>			
Actuarial losses recognised in defined benefit pension scheme	(518)	—	(183)
Deferred taxation thereon	145	—	51
Tax benefit on special pension contributions			
- deferred tax	(7)	(63)	(69)
- current tax	7	63	69
<b>Net losses recognised directly in equity reserves</b>	<b>(373)</b>	—	(132)
<b>Total comprehensive income for the period</b>	<b>96</b>	4,629	4,678

# H.R. Owen Plc

## Consolidated balance sheet as at 30 June 2010

	Notes	Unaudited 6 months ended 30 June 2010 £'000	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		2,020	2,020	2,020
Property, plant and equipment	10	6,170	5,931	5,533
Deferred tax assets		360	267	232
		<b>8,550</b>	8,218	7,785
<b>Current assets</b>				
Inventories		23,577	18,816	26,073
Trade and other receivables		6,084	5,685	6,999
Cash and cash equivalents		11,482	11,032	15,072
<b>Total current assets</b>		<b>41,143</b>	35,533	48,144
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities – borrowings		(14,665)	(11,405)	(13,439)
Current tax liabilities		(249)	(426)	(9)
Trade and other payables		(20,663)	(17,390)	(28,446)
<b>Total current liabilities</b>		<b>(35,577)</b>	(29,221)	(41,894)
<b>Net current assets</b>		<b>5,566</b>	6,312	6,250
<b>Non-current liabilities</b>				
Deferred tax liabilities		(1,975)	(2,132)	(1,975)
Retirement benefit liability	14	(458)	(55)	(1)
<b>Total non-current liabilities</b>		<b>(2,433)</b>	(2,187)	(1,976)
<b>Net assets</b>		<b>11,683</b>	12,343	12,059
<b>Shareholders' equity</b>				
Called-up share capital	9	11,806	11,806	11,806
Profit and loss (deficit)/reserve		(123)	537	253
<b>Total equity</b>		<b>11,683</b>	12,343	12,059

## H.R. Owen Plc

### Consolidated statement of changes in shareholders' equity for the six months ended 30 June 2010

	Unaudited Share capital £'000	Unaudited Profit and loss reserve/(deficit) £'000	Unaudited Total equity £'000
At 1 January 2009	11,806	(3,620)	8,186
Net profit	—	4,629	4,629
Corporation tax benefit on special pension contributions			
- deferred tax	—	(63)	(63)
- current tax	—	63	63
Total recognised in other comprehensive income		4,629	
Dividends paid		(472)	(472)
At 1 July 2009	11,806	537	12,343
Net profit	—	181	181
Actuarial losses recognised in defined benefit pension scheme	—	(183)	(183)
Deferred tax thereon	—	51	51
Corporation tax benefit on special pension contributions			
- deferred tax	—	(6)	(6)
- current tax	—	6	6
Total recognised in other comprehensive income		49	
Dividends paid	—	(472)	(472)
Share options: - value of employee services	—	139	139
<b>At 1 January 2010</b>	<b>11,806</b>	<b>253</b>	<b>12,059</b>
Net profit	—	469	469
Actuarial losses recognised in defined benefit pension scheme	—	(518)	(518)
Deferred tax thereon	—	145	145
Corporation tax benefit on special pension contributions			
- deferred tax	—	(7)	(7)
- current tax	—	7	7
Total recognised in other comprehensive income		96	
Dividends paid	—	(472)	(472)
<b>At 30 June 2010</b>	<b>11,806</b>	<b>(123)</b>	<b>11,683</b>

## H.R. Owen Plc

### Consolidated cash flow statement for the six months ended 30 June 2010

	Notes	Unaudited 6 months ended 30 June 2010 £'000	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
<b>Cash flows from operating activities</b>				
Cash (absorbed by)/generated from operations	15	(1,495)	10,404	15,240
Interest received		290	275	620
Interest paid		(456)	(436)	(839)
Tax recovered		—	773	773
<b>Net cash (absorbed by)/generated from operating activities</b>		<b>(1,661)</b>	11,016	15,794
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		—	—	15
Purchase of property, plant and equipment		(225)	(978)	(1,248)
Purchase of business	11	(1,244)	—	—
Proceeds from sale of dealerships – discontinued operations		—	183	186
<b>Net cash consumed by investing activities</b>		<b>(1,469)</b>	(795)	(1,047)
<b>Cash flows from financing activities</b>				
Payments of dividends to shareholders		(472)	(472)	(944)
Receipt/(repayment) of other loans		12	(475)	(489)
<b>Net cash consumed by financing activities</b>		<b>(460)</b>	(947)	(1,433)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(3,590)</b>	9,274	13,314
Cash and cash equivalents at 1 January		15,072	1,758	1,758
<b>Cash and cash equivalents at 30 June</b>		<b>11,482</b>	11,032	15,072

# H.R. Owen Plc

## Notes to the interim statement for the six months ended 30 June 2010

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

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the board of directors on 23 March 2010 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 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited. The condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

### Company details

The Company’s registered address is Melton Court, Old Brompton Road, London SW7 3TD. The Company is a public limited company and is incorporated and domiciled in England and Wales. The Company’s registration number at Companies House is 1753134.

### Accounting policies

Except as described below 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 2009, as described in the Group’s Annual Report & Accounts on pages 32 to 36 of those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- a) IFRS 3 (revised), ‘Business combinations’, and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’, and IAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The impact of adopting IFRS 3 (Business Combinations) is not material to the financial statements but has resulted in costs incurred on acquisitions being expensed. There has been no impact of IAS 27 (revised), IAS 28 (revised) or IAS 31 (revised) on the current period.

The following standards, amendments and interpretations to existing standards are effective in 2010 but are not relevant to the Group:

- a) IFRIC 12, ‘Service Concession arrangements’, effective for annual periods beginning on or after 30 March 2009.
- b) IFRIC 16, ‘Hedges of a net investment in a foreign operation’, effective for annual periods beginning on or after 1 July 2009.
- c) IFRIC 17, ‘Distributions of non-cash assets to owners’, effective for annual periods beginning on or after 1 July 2009.
- d) IFRIC 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009.
- e) ‘Additional exemptions for first-time adopters’ (Amendment to IFRS 1), effective for annual periods beginning on or after 1 January 2010.

- f) Improvements to International Financial Reporting Standards 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- a) IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2013.
- b) 'Classification of rights issues' (Amendment to IAS 32), effective for annual periods beginning on or after 1 February 2010.
- c) 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), effective for annual periods beginning on or after 1 January 2011.  
IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010.

#### **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.

Any business associated with the sale of cars is of course vulnerable to outside factors, both political and economic. Interest rate changes, consumer confidence, 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.

Other 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.

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, also pose risks to the Group. 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. Movements in future discount rates, as a result of the Bank of England's programme of quantitative easing and other factors, may impact upon the financial position of the Group's defined benefit pension scheme

#### **Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 3. Details of the Group's liquidity position and borrowing facilities are described in the Group's Annual Report & Accounts in Note 16 of those annual financial statements, and the Group's objectives, policies and processes for managing its capital are set out in the Directors' Report. Its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk are set out in Note 18 of those annual financial statements. The directors believe that the Group remains well placed to manage its business risks successfully despite the uncertain economic outlook.

Therefore, at the time of preparation of this half-yearly financial report, after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's half-yearly financial report.

## **2. Dividends**

On 28 May 2010 the final dividend declared for the year ended 31 December 2009 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 (2009: 2.0 pence per ordinary share) has been declared on 26 August 2010 for the six months ended 30 June 2010 and is expected to be paid on 22 October 2010 to shareholders on the register at the close of business on 24 September 2010. 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 2010.

## **3. Earnings per share**

The calculation of earnings per share is based on the profit after taxation of £469,000 (2009: £4,629,000) and the weighted average number of shares in issue during the period of 23,611,742 (2009: 23,611,742).

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. At 31 December 2009 and at 30 June 2010, the performance criteria for the vesting of these options had been met. At 31 December 2009 there were an additional 1,073,330 ordinary shares which were exercisable whilst at 30 June 2010 there were 528,887 ordinary shares which were exercisable, the reduction in the period arising from the lapse of share options for Mr Lancaster. Accordingly, the fully diluted earnings per share for 2010 was 1.9 pence per ordinary share (year ended 31 December 2009: 19.5 pence per ordinary share).

## **4. Segmental reporting**

The chief operating decision-maker has been identified as the board of directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from both a product and manufacturer perspective. From a product perspective, management assesses the performance of car sales (both new and used) and aftersales (including servicing, parts and bodyshop).

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit, defined as gross profit less directly attributable expenses. This measurement basis excludes the effects of non-recurring income and expenditure from the operating segments, such as exceptional gains on lease disposals and redundancy costs. Interest income and expense are not included in the result for each operating segment that is reviewed by the Board. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the financial statements.

For 2010, the Group was 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. 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.

<b>Six months ended 30 June 2010</b>	<b>Sales £'000</b>	<b>Aftersales £'000</b>	<b>Unallocated £'000</b>	<b>Group £'000</b>
Revenue – external customers	68,061	12,653	—	80,714
Segment result	4,758	2,729	(5,852)	1,635
Exceptional costs of Board restructuring				(743)
Interest expense				(456)
Interest income				290
<b>Profit before tax</b>				<b>726</b>
Taxation				(257)
<b>Profit for the period</b>				<b>469</b>
Inventories	19,700	3,877	—	23,577
Other segment assets	536	1,993	15,037	17,566
Unallocated assets				
— property, plant and equipment			6,169	6,169
— intangible assets			2,020	2,020
— tax			361	361
<b>Total assets</b>				<b>49,693</b>
Inventory stocking loans	(13,555)	(1,110)	—	(14,665)
Other segment liabilities	(13,474)	(882)	(6,765)	(21,121)
Unallocated liabilities				
— Tax and other non-current liabilities			(2,224)	(2,224)
<b>Total liabilities</b>				<b>(38,010)</b>
<b>Net assets</b>				<b>11,683</b>

The segmental loss of £5,852,000 which cannot be allocated to either Car Sales or Aftersales segments includes depreciation charges of £578,000. Similarly, Unallocated property, plant and equipment of £6,169,000 includes capital expenditure of £1,224,000.

<b>Six months ended 30 June 2009</b>	<b>Sales £'000</b>	<b>Aftersales £'000</b>	<b>Unallocated £'000</b>	<b>Group £'000</b>
Revenue – external customers	49,997	12,182	—	62,179
Segment result	2,169	2,347	(5,375)	(859)
Exceptional gain from early surrender of lease			7,485	7,485
Interest expense				(436)
Interest income				275
<b>Profit before tax</b>				6,465
Taxation				(1,836)
<b>Profit for the period</b>				4,629
Inventories	15,241	3,575	—	18,816
Other segment assets	444	1,495	14,778	16,717
Unallocated assets				
— property, plant and equipment			5,931	5,931
— intangible assets			2,020	2,020
— tax			267	267
<b>Total assets</b>				43,751
Inventory stocking loans	(10,317)	(1,088)	—	(11,405)
Other segment liabilities	(10,035)	(565)	(6,845)	(17,445)
Unallocated liabilities				
— Tax and other non-current liabilities			(2,558)	(2,558)
<b>Total liabilities</b>				(31,408)
<b>Net assets</b>				12,343

The segmental loss of £5,375,000 which cannot be allocated to either Car Sales or Aftersales segments includes depreciation charges of £561,000. Unallocated property, plant and equipment of £5,931,000 includes capital expenditure of £978,000.

<b>Year ended 31 December 2009</b>	<b>Sales £'000</b>	<b>Aftersales £'000</b>	<b>Unallocated £'000</b>	<b>Group £'000</b>
<b>Continuing operations</b>				
Revenue – external customers	101,298	24,108	—	125,406
Segment result	5,709	5,087	(11,905)	(1,109)
Exceptional gain from early surrender of lease				7,485
Interest expense				(839)
Interest income				620
<b>Profit before tax</b>				<b>6,157</b>
Taxation				(1,347)
<b>Profit for the year from continuing operations</b>				<b>4,810</b>
Inventories	23,590	2,483	—	26,073
Other segment assets	1,417	2,256	18,398	22,071
Unallocated assets				
— property, plant and equipment			5,533	5,533
— intangible assets			2,020	2,020
— tax			232	232
<b>Total assets</b>				<b>55,929</b>
Inventory stocking loans	(13,080)	(359)	—	(13,439)
Other segment liabilities	(18,187)	(198)	(10,061)	(28,446)
Unallocated liabilities				
— Tax and other non-current liabilities			(1,985)	(1,985)
<b>Total liabilities</b>				<b>(43,870)</b>
<b>Net assets</b>				<b>12,059</b>

The segmental loss of £11,905,000 which cannot be allocated to either Car Sales or Aftersales segments includes depreciation charges of £1,226,000. Unallocated property, plant and equipment of £5,533,000 includes capital expenditure of £1,248,000.

## 5. Other income

	<b>Unaudited 6 months ended 30 June 2010 £'000</b>	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Development gain on leasehold properties	—	815	820
Pension curtailment gain	—	—	256
Other miscellaneous income	<b>21</b>	21	42
<b>Total other income</b>	<b>21</b>	836	1,118

In the prior year, in March 2009, the Group realised a development gain on two property leases relating to adjoining sites at Regent's Park in London, which had been previously used as an aftersales facility. Under the terms of the leases, the Group surrendered the leases early in return for a payment, in cash, of £900,000, of which £65,000 was due to a third party. In addition the Group incurred legal and other professional costs of £15,000. As a result of the closure of the site, nine employees chose not to transfer to other sites and were made redundant resulting in a charge to administrative expenses for the Group of £105,000. Property related costs for the premises such as rent, rates and security from 1 January 2009 to the end of the lease on 7 March 2009 and other costs associated with the closure of the site and its return to the landlord in accordance with the terms of the leases of £410,000 have been charged against administrative expenses.

## 6. Exceptional income/(costs)

	<b>Unaudited 6 months ended 30 June 2010 £'000</b>	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Exceptional costs of Board restructuring	<b>(743)</b>	—	—
Exceptional gain from early surrender of lease	—	7,485	7,485

In May 2010 the Company announced the departure of its Chief Executive, Mr N Lancaster, and under the terms of a Compromise Agreement, Mr Lancaster received total compensation of £700,000. The total cost to the Company of the departure arrangements, including employers' National Insurance, was £743,000 which was settled in cash.

In the prior year, in February 2009, Ipress exercised their option for the early surrender of the Wandsworth lease and, as a consequence, Jack Barclay received a cash consideration of £7,500,000. The Group incurred additional legal and other professional fees of £15,000 and, accordingly, the Group recognised an exceptional gain of £7,485,000 in the year. This gain, and the related gain recognised in 2008, has been categorised as Other Income, although disclosed separately, within the financial statements. Under the terms of the agreement, the Group is required to vacate its Wandsworth premises no later than 25 March 2012 but had the option to move to alternative premises, supplied by Ipress free of rent, for a further two years to 25 March 2014. If the Group chose not take up this offer of alternative premises it would receive an additional cash consideration of £1,000,000, payable on the date that the Group confirmed in writing to Ipress that the offer of alternative premises would not be taken up. Subsequent to the balance sheet date, in July 2010, the Company provided this notice to Ipress Limited and claimed the remaining £1 million of consideration.

## 7. Income tax

The income 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 2010 is 33.1% (the estimated tax rate for the six months ended 30 June 2009 was 28.4%).

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these interim financial statements. The impact of the proposed changes to the UK corporation tax rates are not material to the deferred tax balances.

## 8. Discontinued businesses

In the prior year, the Group completed the sale of its Volvo Division to its divisional management with effect from 2 January 2009 for a cash consideration of £183,000. Due to the timing of this disposal, the comparative figures in the income statement for the six months ended 30 June 2009 do not include any income or expenses arising from discontinued operations.

## 9. Shares and share options

At 30 June 2010 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 528,887 share options to directors and certain senior executives as at 30 June 2010 for which the performance target for these share options to become exercisable has been met. No new options have been granted during the period under review whilst 544,443 share options lapsed during the period. The comparative figures for the year ended 31 December 2009 include an accounting charge of £139,000 taken against results in respect of the grant of these options.

## 10. Fixed asset movements

In the six month period under review, the Group acquired fixed assets of £1,224,000 (2009: £978,000). Included in this amount is capital expenditure in respect of improvements to leasehold premises in the period which amounted to £883,000 (2009: £875,000). Depreciation charges for the six months ended 30 June 2010 were £578,000 (2009: £561,000). The Group disposed of fixed assets with a net book value of £9,000 (2009: £154,000).

## 11. Acquisition of business

With effect from 29 June 2010 the Group acquired the assets and trade of an Audi Aftersales business based in Wandsworth, London from The Dutton-Forshaw Motor Company Limited for a cash consideration of £1,244,000. This payment did not include any amount in respect of goodwill. Acquisition costs of £35,000 have been recognised in the income statement in the period.

Details of the assets and liabilities purchased as a result of this transaction are shown below.

	Assets purchased £'000
<b>Net book value and fair value of assets purchased during 2010:</b>	
Intangible fixed assets	—
Property, plant and equipment	1,000
Inventories	149
Receivables – prepayments at fair value	95
<b>Net book value of purchased assets</b>	<b>1,244</b>
Consideration paid	1,244
<b>Goodwill arising on acquisition</b>	<b>—</b>

The acquired business contributed revenues of £5,000 and a net trading loss of £7,000 to the Group for the period from 29 June to 30 June 2010. The Group does not have access to the complete trading results of the business for the pre-acquisition period to 28 June 2010 and it is therefore impracticable to disclose revenue and trading results for that period.

## **12. Related-party transactions**

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 Wandsworth and North Acton in London. Bentley Motors Limited holds shares in H.R. Owen Plc equivalent to 27.9% of the Company's issued share capital and has therefore been deemed to be a related party. During the six months ended 30 June 2010, the Group purchased vehicles and parts from Bentley Motors Limited totalling £15.8 million (2009: £10.2 million). At 30 June 2010 an amount of £0.7 million (31 December 2009: £0.4 million) was owed by the Group to Bentley Motors Limited.

As part of his departure arrangements in May 2010 Mr Lancaster purchased two cars from the Company for £39,929. The values for the cars concerned were estimated by the Company to be their open market value at the time of their sale.

## **13. Post Balance Sheet events**

On 20 July 2010, the Group appointed Mr Martin as a non-executive director of H.R. Owen Plc.

As outlined in Note 6, on 21 July 2010, Jack Barclay Limited provided notice to Ipress under the agreement for the early surrender of its property lease at Nine Elms that it would not require the use of the alternative premises and accordingly claimed the remaining £1 million of consideration.

## **14. 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 next actuarial assessment is currently being carried out with an effective date of 5 April 2010. Preliminary results of this actuarial assessment are expected to be available before year-end and will be incorporated into the full year results for the year ending 31 December 2010.

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 all three payments, each of £200,000, have been made to the Scheme. A further payment, also of £200,000, will be made on or before 31 December 2010 if the current actuarial assessment being carried out indicates that the Scheme is still operating in a deficit position. 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.

In the prior year, in January 2009 the Group sold its Volvo London operations to its divisional management. As a result of the transfer of employees to the Purchaser, and the subsequent redundancy of certain employees who chose not to transfer to the Purchaser, twenty-two of the forty-three active members of the Group's defined benefit pension scheme became deferred members. The change of status of these members resulted in a curtailment gain arising of £256,000 which was credited to Other income in the results for the year ended 31 December 2009.

## 15. Cash flows from operating activities

	Unaudited 6 months ended 30 June 2010 £'000	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Profit for the period from continuing operations	469	4,629	4,810
Adjustments for:			
Tax charge	257	1,836	1,347
Depreciation charge	578	561	1,226
Loss on disposal of property, plant and equipment	9	45	34
Share option charge	—	—	139
Net interest expense	166	161	219
Changes in working capital (excluding the effects of discontinued operations):			
Decrease in inventories	2,156	4,063	85
Decrease in trade and other receivables	1,010	1,921	604
(Decrease)/increase in payables	(6,139)	(2,573)	6,980
Excess of pension contributions over current service cost	(1)	(239)	(204)
<b>Total cash (absorbed by)/generated from operations</b>	<b>(1,495)</b>	10,404	15,240

## 16. 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 revenue in the first six months of the year and this trend is expected to continue in this, and future, years.

## 17. 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 management report 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 2009. Since the publication of the 2009 Annual Report & Accounts Mr Lancaster has resigned as Chief Executive and Mr Pajares, Mr Smith and Mr Mason have resigned as non-executive directors. On 20 July 2010 Mr Martin joined the Board as a non-executive director.

By order of the Board:

**J Walden**  
Chairman

**M Warren**  
Finance Director

26 August 2010