

# **H.R. Owen Plc**

## **Preliminary Financial Information**

### **For the year ended 31 December 2008**

#### **Financial Highlights**

- Revenue from continuing operations down 8% to £144 million
- Group profit before tax for continuing operations of £1.4 million (2007: £3.0 million)
- Earnings per share from continuing operations 6.3 pence (2007: 11.2 pence)
- Proposed final dividend for 2008 of 2.0p per share
- Exceptional gain of £0.9 million from option fee received for the early surrender of the Group's property lease at Wandsworth, London

## Chairman's Statement

I am pleased to report to shareholders that, in December, we reached agreement to dispose of our Volvo Division to Regent Automotive, a management buy-out company. This disposal was subsequently completed in January 2009 and brought to a conclusion our downsizing programme that commenced back in 2005. At that time, the Group took the strategic decision that the business model associated with a number of its then franchises did not provide sufficiently attractive returns in high-cost conurbations such as London and that the Group should look to concentrate on its luxury and sports car franchises. As a result, during the last four years the Group has generated cash proceeds from disposals of £50 million at a profit to the book value of assets sold, cleared all bank debt and returned £12 million to shareholders by way of a return of capital.

Turning to the current year, 2008 started strongly, but the trading performance of the Group mirrored the deterioration in the economy as the year progressed. In the first half, we benefited from the effects of the downsizing programme to concentrate on our luxury brands where the market was more secure. In particular, the results were helped by new car deliveries of forward orders placed in the previous year for a number of excellent new models. In the second quarter, used car values began to weaken and we changed stock parameters to reduce the risk, which assisted the results in the second half.

In March, Bentley Motors, our largest franchisor, acquired 27.9% of the share capital, and we welcomed them as a shareholder.

In June, we opened a new stand-alone Ferrari and Maserati aftersales facility, which has proved to be a great success.

In the second half, the business environment deteriorated sharply and the credit crunch affected the delivery of new cars, even those that were forward ordered, as finance for customers became extremely difficult to obtain.

The action taken to reduce used car stocks minimised unnecessary write-offs in the period, but used car sales became considerably tougher as a result of the limited customer finance that was available. Used car values dropped significantly and new car inventories increased as sales slowed. I am pleased, however, to report that aftersales remained strong throughout the period, despite the disruption caused by the relocation or refurbishment of eight of our franchises in North London.

In October, we issued a circular to shareholders seeking permission for the early surrender of the lease at our Wandsworth Bentley service facility for a significant financial incentive. The agreement was approved by shareholders and the Group received a non-refundable option fee of £1 million, in cash, in November. The transaction completed in early 2009 with the Group receiving a further £7.5 million in cash.

In January 2009, we welcomed Debbie Hewitt to the Board as a non-executive director. Debbie has a number of non-executive directorships and her breadth of commercial experience, which includes the motor industry, will be of considerable value to the Group.

Overall, the trading results in the second half reduced the profits in the first half. However, I am sure that our decision to downsize and concentrate on luxury brands has proved to be a good strategy for the long-term profitability of the business. Although operating in challenging times, the Group is well capitalised and in a strong position to weather the current economic conditions.

**John MacArthur**  
Chairman  
24 March 2009

# Enhanced Business Review

## Results and principal activities

H.R. Owen Plc operates a number of vehicle franchises in the prestige and specialist car market for both sales and aftersales, predominantly in the London area.

In the year to 31 December 2008, revenue from continuing operations reduced to £144.5 million (2007: £156.4 million). The profit before tax for continuing operations was £1.4 million (2007: £3.0 million). Earnings per share on continuing operations were 6.3 pence (2007: 11.2 pence) and losses per share on discontinued operations were 1.3 pence (2007: 5.1 pence). A final dividend for 2007 and an interim dividend for 2008, both of 2.0 pence per share, were paid during the year. The directors are recommending the payment of a final dividend for 2008 of 2.0 pence per ordinary share, to be paid on 29 May 2009 to shareholders on the register at the close of business on 24 April 2009.

In 2008, the Group made a profit before tax and exceptional items of £0.3 million (2007: £2.2 million). These results reflect the effects of the difficult economic conditions that afflicted the UK economy as the year progressed. The Company generated an exceptional gain of £0.9 million in the year as a result of receiving an option fee, paid in cash, for the early surrender of the lease at its Bentley Aftersales facility at Wandsworth, London.

At 31 December 2008, the Group had cash balances of £1.8 million (2007: £10.1 million) and vehicle stocking loans (excluding manufacturer stocking loans) of £3.8 million (2007: £3.0 million).

## Review of operations

H.R. Owen Plc now operates retail outlets in London, Hertfordshire and Manchester, which includes eight sales franchises and seven service franchises for its Sports Car marques, namely, Alfa Romeo, Bugatti, Ferrari, Lamborghini, Lotus and Maserati, and two sales franchises and three service franchises for Bentley and Rolls-Royce.

2008 was a difficult year for the economy, industry and car sales, but the Group benefited from being more focused, having downsized to concentrate on its luxury brands. Overall, the Group made an excellent start to the year and the first half results were good, beating internal forecasts.

Whilst the results were enhanced by supplying cars for forward orders placed in the previous year, stocks increased as new car sales slowed. Used cars also started strongly, but values began to drop sharply as the provision of customer finance became more difficult. We decided therefore to tighten our trading parameters so as to avoid unnecessary exposure to further depreciation if the credit crunch continued.

Aftersales revenues were strong in the first half, although we had planned for a period of disruption in the lead-up to June, as four service franchises were relocated to new premises and four were subject to a major refurbishment at our School Road facility.

In the second half, business was significantly affected by the worsening economic conditions. New car orders slowed sharply and stocks built to excessive levels as manufacturers wrestled with cutting back production. As the credit crunch worsened, there was an unprecedented drop in used car values, although our actions in the first half helped to protect the Group. Aftersales revenues continued strongly throughout the whole year. Trading results in the second half substantially reduced profits from the first half, but the Group performed well to remain profitable for the year at the trading level.

Bugatti, Ferrari, Lamborghini and Maserati all performed strongly during the first six months but, in the second six months, new vehicle sales slowed. However, we do hold strong forward orders for new models that were announced for each of the brands, some of which will be introduced during the next twelve months.

2008 was a difficult year for the Alfa Romeo brand as we suffered from late deliveries of the successful 8C model and the introduction of the new MiTo, which we have now received in 2009.

The period under review was an important year for our Rolls-Royce and Bentley dealerships. The Bentley Brooklands, which was a limited edition, sold out very quickly and their strong model line-up performed well until the economic cycle worked against vehicle sales in general. Rolls-Royce had a

record year as a result of important new model introductions, and the market-leading performance of our London dealership also benefited from export business assisted by sterling's depreciation.

Aftersales revenues for these brands were very strong in the second half of the year and we are sure that the increase in productive space, which was incorporated into the refurbished Rolls-Royce service operation, will quickly be utilised as London has the highest number of Rolls-Royce motor cars in the world.

### **Key events**

In March, Bentley acquired a 27.9% stake in the Company.

In June, we officially opened a new purpose-built Ferrari and Maserati facility, which is one of the largest dedicated outlets in the world, and we are pleased to report that it has performed extremely well.

In November, we announced that we had received shareholders' agreement for the early surrender of the lease for our Jack Barclay Bentley service department at Wandsworth. We received the first payment of £1 million in cash which, after associated legal and professional costs, is shown as an exceptional item in these financial statements.

In December, we announced that we had agreed terms to dispose of the Group's four Volvo franchises in London. This transaction was finalised in January 2009 and completes our disposal programme.

### **Future outlook and strategy**

Since the year-end, business has continued to be tough and our key manufacturers have taken steps to reduce unnecessary vehicle stocks. We have also continued to reduce both our new and used car inventories and are now benefiting from increased liquidity for vehicle finance, particularly from the manufacturers' captive companies.

H.R. Owen holds important leasehold facilities, many of which are in the highest cost areas of London, and we continue to review our manufacturer requirements in line with maximising these facilities to make them as cost-effective as possible. With the sale of the Volvo dealerships, the Group is now totally focused on the luxury segment of the market.

In February 2009, we completed the contract for the early surrender of the Wandsworth lease and received a further £7.5 million in cash. Separately, we also received £900,000, in cash, for a share of the development profits from our former Volvo aftersales facility in Regent's Park, but this gain will be used towards funding the cost of redeveloping our leasehold facilities at Colindale as part of the overall Volvo disposal arrangements.

On the trading side, we are expecting the announcement of several important new model introductions during the course of the year and are already holding strong forward orders. Historically, many of our customers have been from the Middle East, Russia and Eastern Europe, and emerging markets such as China and India, and in the area of export business we have benefited from the depreciation in sterling.

The economic outlook still remains poor to the end of this year, making future predictions difficult. However, we believe that, with the benefit of property-related gains, we will remain profitable in 2009. Our staff are extremely focused and we have an excellent rapport with both our customers and manufacturer partners. Although operating in difficult times, the Group has a strong capital base and is well placed to weather the current economic conditions. The recent property transactions have considerably strengthened the balance sheet and the Group currently holds substantial cash reserves, with no bank debt.

## 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 current economic uncertainties, particularly in financial markets, produce risks to the Group. In particular, the ability of customers to obtain credit to facilitate vehicle purchases has been significantly affected by the tightening of credit markets in the UK and elsewhere. Furthermore, 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.

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

## Key performance indicators ("KPIs")

The Group monitors performance by reference to five KPIs. Performance, during the current and prior year, is set out in the table below.

<b>Continuing operations:</b>	<b>2008</b>	<b>2007</b>
Segment profit percentage:		
- Sales	<b>6.1%</b>	<b>8.4%</b>
- Aftersales	<b>21.8%</b>	<b>16.2%</b>
New vehicle volumes	<b>720</b>	<b>800</b>
Used vehicle volumes	<b>348</b>	<b>495</b>
Aftersales labour efficiency	<b>77%</b>	<b>77%</b>

Segment profit percentage for vehicle sales fell from 2007 levels as the UK new vehicle market contracted sharply and used car values dropped substantially, particularly in the final quarter of the year. Profit percentages achieved for aftersales improved in the year as the Group reaped continuing benefits from recent investment in facilities and IT systems. Aftersales labour efficiency, defined as the hours sold by the Group's technicians as a percentage of their total hours worked, remained unchanged in the year.

**Nick Lancaster**

Chief Executive

24 March 2009

## Unaudited Consolidated Profit and Loss Account for the year ended 31 December 2008

	2008 £'000	2007 £'000
<b>Continuing operations</b>		
Revenue	144,450	156,369
Cost of sales	(120,715)	(130,751)
<b>Gross profit</b>	<b>23,735</b>	<b>25,618</b>
Other income	89	60
Distribution costs	(11,331)	(10,744)
Administrative expenses	(11,166)	(10,946)
<b>Operating profit before exceptional items</b>	<b>1,327</b>	<b>3,988</b>
Exceptional gain from option fee for early surrender of property lease	878	—
Exceptional costs of return of capital to shareholders	—	(402)
<b>Operating profit</b>	<b>2,205</b>	<b>3,586</b>
Interest payable and similar charges	(1,591)	(1,452)
Interest receivable	825	903
<b>Profit before taxation</b>	<b>1,439</b>	<b>3,037</b>
Taxation credit/(charge)	40	(398)
<b>Profit for the year from continuing operations</b>	<b>1,479</b>	<b>2,639</b>
<b>Discontinued operations</b>		
Loss for the year from discontinued operations	(306)	(1,205)
<b>Profit for the year</b>	<b>1,173</b>	<b>1,434</b>
<b>Earnings per share:</b>		
— Basic and diluted (pence per ordinary share)	5.0p	6.1p
<b>Earnings per share from continuing operations</b>		
— Basic and diluted (pence per ordinary share)	6.3p	11.2p

## Unaudited consolidated Statement of Recognised Income and Expense for the year ended 31 December 2008

	2008 £'000	2007 £'000
<b>Profit for the financial year</b>	<b>1,173</b>	<b>1,434</b>
Actuarial (losses)/gains recognised in defined benefit pension scheme	(260)	349
Deferred taxation thereon	73	(98)
Tax benefit on special pension contributions		
— deferred tax	(70)	(71)
— current tax	71	71
Impact of change in UK tax rate on deferred tax	—	5
<b>Net (losses)/gains recognised directly in equity reserves</b>	<b>(186)</b>	<b>256</b>
<b>Total recognised income for the year</b>	<b>987</b>	<b>1,690</b>

## Unaudited Consolidated Balance Sheet as at 31 December 2008

	2008 £'000	2007 £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	2,020	2,020
Property, plant and equipment	5,511	4,838
Deferred tax assets	340	383
	<b>7,871</b>	<b>7,241</b>
<b>Current assets</b>		
Inventories	26,649	29,827
Trade and other receivables	6,748	8,485
Current tax assets	196	242
Cash and cash equivalents	1,758	10,144
	<b>35,351</b>	<b>48,698</b>
Assets classified as held for sale	6,082	—
<b>Total current assets</b>	<b>41,433</b>	<b>48,698</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Financial liabilities – borrowings	(17,194)	(17,289)
Trade and other payables	(16,519)	(30,150)
	<b>(33,713)</b>	<b>(47,439)</b>
Liabilities classified as held for sale	(6,870)	—
<b>Total current liabilities</b>	<b>(40,583)</b>	<b>(47,439)</b>
<b>Net current assets</b>	<b>850</b>	<b>1,259</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	(219)	(56)
Retirement benefit liability	(316)	(315)
<b>Total non-current liabilities</b>	<b>(535)</b>	<b>(371)</b>
<b>Net assets</b>	<b>8,186</b>	<b>8,129</b>
<b>Shareholders' equity</b>		
Called-up share capital	11,806	11,806
Profit and loss deficit	(3,620)	(3,677)
<b>Total equity</b>	<b>8,186</b>	<b>8,129</b>

## Unaudited Consolidated Cash Flow Statement for the year ended 31 December 2008

	2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>		
Cash (consumed by)/generated from operations	(5,686)	11,736
Interest received	731	831
Interest paid	(1,646)	(2,267)
Tax recovered /(paid)	366	(1,268)
<b>Net cash (consumed by)/generated from operating activities</b>	<b>(6,235)</b>	9,032
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	77	—
Purchase of property, plant and equipment	(2,034)	(538)
Purchase of new dealership	—	(327)
Cash flows consumed by investing activities from continuing operations	(1,957)	(865)
Purchase of property, plant and equipment – discontinued operations	(48)	(379)
Proceeds from sale of property, plant and equipment – discontinued operations	6	168
Proceeds from sale of dealerships – discontinued operations	—	4,963
<b>Net cash (consumed by)/generated from investing activities</b>	<b>(1,999)</b>	3,887
<b>Cash flows from financing activities</b>		
Return of capital to shareholders	—	(12,208)
Payment of dividends to shareholders	(944)	—
Repayment of other loans	(15)	(1,474)
Cash flows consumed by financing activities from continuing operations	(959)	(13,682)
Receipt of other loans – discontinued operations	807	—
<b>Net cash consumed by financing activities</b>	<b>(152)</b>	(13,682)
<b>Decrease in cash and cash equivalents</b>	<b>(8,386)</b>	(763)
Cash and cash equivalents at 1 January	10,144	10,907
<b>Cash and cash equivalents at 31 December</b>	<b>1,758</b>	10,144

## Explanatory notes to the Financial Information

### Basis of preparation and statement of compliance

The financial information in this announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts of the Group, on which the auditors will report, will be delivered to the Registrar of Companies. The financial information has been prepared under International Financial Reporting Standards (“IFRSs”) as adopted by the European Union and the Listing Rules of the Financial Services Authority. The comparative figures for the year to 31 December 2007 have been extracted from, but do not constitute, the Group’s statutory financial statements for that financial year. Those financial statements have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under s.237(2) or (3) of the Companies Act 1985.

The accounting policies adopted are consistent with those applied in the 2007 Annual Report and Accounts.

### Earnings per share

	2008 Pence per ordinary share	2007 Pence per ordinary share
<b>Earnings per share from continuing operations</b>		
— Basic and diluted	6.3	11.2
<b>Losses per share from discontinued operations</b>		
— Basic and diluted	(1.3)	(5.1)
<b>Earnings per share</b>		
— Basic and diluted	5.0	6.1

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 year. 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 2008, the performance criteria for the vesting of these options had not been met and consequently the shares in question are excluded from the diluted earnings per share calculation.

The calculation of earnings per share from continuing operations is based on the profit after taxation of £1,479,000 (2007: £2,639,000) and the weighted average number of shares in issue during the period of 23,611,742 (2007: 23,611,742). The calculation of earnings per share from the Group’s discontinued operations is based on a loss after taxation of £306,000 (2007: £1,205,000).

### Dividends

	2008 £’000	2007 £’000
Final dividend paid for the year ended 31 December 2007 of 2.0p (2007: Nil) per ordinary £1 share	472	—
Interim dividend paid for the year ended 31 December 2008 of 2.0p (2007: Nil) per ordinary £1 share	472	—
	<b>944</b>	—

The directors are recommending the payment of a final dividend for the year ended 31 December 2008 of 2.0 pence per ordinary share, to be paid on 29 May 2009, to shareholders on the register at the close of business on 24 April 2009.

**Exceptional income/(charge)**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Gain from option fee for early surrender of lease	<b>878</b>	—
Professional fees on return of capital to shareholders	—	(402)
<b>Exceptional income/(charge)</b>	<b>878</b>	(402)

In October 2008 the Group, through its Jack Barclay subsidiary, entered into an agreement with Ipress Limited whereby the latter was granted an option to require the early surrender of Jack Barclay's lease at Wandsworth, London in return for the payment by Ipress of a non-refundable option fee of £1 million. The Group incurred legal and other professional fees of £472,000 of which £350,000 were borne by Ipress. Accordingly, the Group recognised an exceptional gain of £878,000 in the year. Due to the availability of capital losses within the H.R. Owen Group, the Group does not anticipate incurring a tax charge on this gain.

In the previous financial year, in March 2007, the Company's shareholders passed a resolution at an Extraordinary General Meeting to approve the reduction in the nominal value of the Company's shares from £1 to 50 pence and to return this capital to shareholders. This payment, amounting to £11.8 million, was duly made to shareholders on 10 April 2007. Professional fees and other costs associated with this exercise amounted to £402.

**Discontinued operations**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Revenue	<b>29,595</b>	116,017
Cost of sales	<b>(23,305)</b>	(96,840)
<b>Gross profit</b>	<b>6,290</b>	19,177
Other income	<b>43</b>	—
Distribution costs	<b>(3,354)</b>	(10,761)
Administrative expenses	<b>(3,136)</b>	(8,427)
<b>Operating loss before exceptional items</b>	<b>(157)</b>	(11)
Exceptional loss on disposal of businesses	—	(306)
<b>Operating loss</b>	<b>(157)</b>	(317)
Interest payable and similar charges	<b>(149)</b>	(888)
<b>Loss before taxation</b>	<b>(306)</b>	(1,205)
Taxation	—	—
<b>Loss for the year from discontinued operations</b>	<b>(306)</b>	(1,205)

The following businesses ("the Disposal Group") have been treated as discontinued operations:

- The Volvo businesses comprising four dealerships in London which were held for resale at year-end and were subsequently sold to Regent Automotive Limited in January 2009;
- The BMW and MINI businesses comprising two dealerships in Chiswick and Heathrow, London which were sold to Marsh Wall Limited in December 2007;
- Residual issues in connection with the businesses sold in 2006 to Lookers Southern Limited, Citygate Automotive Limited, Spire Automotive Limited and Wayside Limited.

In the Group's published interim results for the six months ended 30 June 2008, the results of the Volvo London Division were shown within continuing operations as, at that time, disposal of the Division was not considered sufficiently certain.

The business disposals outlined above were all asset disposals, with the relevant Group subsidiary company being retained within the H.R. Owen Group, in certain cases becoming non-trading as a result of the disposal. Capital gains realised on the disposals have been negated by trading and capital losses arising in the current and previous years in the various Group subsidiaries. As a result, no tax is payable on any capital gains achieved on these business disposals. Finally, the trading results of the disposed of businesses produces an overall taxable loss so there is no tax charge or credit in the discontinued result.

The assets and liabilities of the Volvo Division held for resale at 31 December 2008 were:

	<b>£'000</b>
Intangible fixed assets	—
Property, plant and equipment	202
Inventories	4,880
Receivables	1,000
Manufacturers' vehicle stocking loans	(658)
Used vehicle stocking loans	(807)
Trade and other payables	(5,405)
<b>Net book value of assets and liabilities held for resale</b>	<b>(788)</b>

## Cash flows from operating activities

Reconciliation of net profit to net cash flows from operating activities:

	2008 £'000	2007 £'000
<b>Continuing operations</b>		
Net profit	1,479	2,639
Adjustments for:		
Tax (credit)/charge	(40)	398
Depreciation charge	979	869
Loss on disposal of property, plant and equipment	45	—
Exceptional costs of return of capital to shareholders	—	402
Impairment of goodwill	—	193
Share option charge	14	26
Interest income	(731)	(831)
Interest expense	1,497	1,379
Changes in working capital (excluding the effects of discontinued operations):		
Decrease/(increase) in inventories	784	(1,154)
Decrease/(increase) in trade and other receivables	1,563	(234)
(Decrease)/increase in payables	(11,374)	(467)
Excess of pension contributions over current service cost	(237)	(277)
<b>Cash (consumed by)/generated from continuing operations</b>	<b>(6,021)</b>	<b>2,943</b>
<b>Discontinued operations:</b>		
Net loss	(306)	(1,205)
Depreciation charge	99	648
Profit/(loss) on disposal of property, plant and equipment	2	(105)
Exceptional loss on disposal of business	—	306
Interest expense	149	888
Decrease in inventories	382	6,677
(Increase)/decrease in trade and other receivables	(828)	738
Increase in payables	837	846
<b>Cash generated from discontinued operations</b>	<b>335</b>	<b>8,793</b>
<b>Total cash (consumed by)/generated from operations</b>	<b>(5,686)</b>	<b>11,736</b>

### Approval of the Financial Statements

The results for the year ended 31 December 2008 were approved by the board of directors on 24 March 2009.

For further information, contact:

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24 March 2009