



**PENDRAGON
PLC**

FOR IMMEDIATE RELEASE

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PRELIMINARY RESULTS TO 31 DECEMBER 2008

Pendragon PLC, the UK's leading car retailer group, today reports preliminary results for the twelve months to 31 December 2008.

Highlights:

- Revenue £4.2 billion (2007 : £5.1 billion)
- Loss before tax and non recurring items £(29.6) million (2007 profit : £42.0 million)
- Loss before tax £(200.6) million (2007 profit : £46.5 million)
- Basic earnings per share (25.2)p (2007 : 6.5p)
- Adjusted earnings per share (3.0)p (2007: 5.0p)
- Cash generated from operations £53.6 million (2007 : £160.0 million)
- Management action taken to reduce ongoing operating costs by £60 million per annum
- New borrowing facilities of £530 million maturing 2012
- Support services division performing well

Trevor Finn, Chief Executive, commented:

“In 2008 the Group faced the most severe market conditions since the early nineties. However management reacted quickly and decisively, reducing costs and closing dealerships no longer viable, and better positioning the Group for the difficult conditions. More recently, we have renegotiated a new 3 year borrowing facility which gives us the necessary headroom to work through what we continue to expect to be continued difficult trading conditions.”

Enquiries:

Pendragon PLC	Trevor Finn, Chief Executive David Forsyth, Finance Director	Tel:	01623 725114
Finsbury	Rollo Head, Gordon Simpson	Tel:	0207 2513801

Introduction

The Group has faced the most challenging market conditions since the early nineties. The severe market conditions have resulted in the Group making an adjusted loss before tax of £29.6 million (2007 adjusted profit £42.0 million). After non recurring largely non-cash items, this increased to a loss before tax of £200.6 million for the year (2007: profit £46.5 million). Cash generated from operations was £53.6 million (2007: £160.0 million). Pendragon swiftly and decisively reduced its cost base and closed locations which ceased to be viable trading points yielding annual savings of £60 million.

Despite the severe market conditions, the Group has negotiated a new three year secured financing package with its lenders in the sum of £530 million. The principal terms of this secured financing package are as follows:

- three year financing package including the extension of the bank facilities and loan notes to April 2012
- the new bank facility has a margin of 3.25% above LIBOR, up from 0.9% above LIBOR under the previous arrangements
- warrants granted to the lender group amounting to 7.5% of the entire issued share capital
- a 1% fee on signing and a fee throughout the three year period of between 2.5% and 5.5% in total depending on certain conditions
- covenants are at levels that provide sufficient headroom and flexibility for the Group for the next three years

The implementation of the cost reduction measures, saving £60 million annually, and the Group's refinancing mean that it is now well placed to take advantage of markets when they recover and is currently trading in line with our expectations. Further information is set out below.

Financing

Over the last six months we have undertaken a rigorous review of the financing structure of the business and considered disposals of assets such as our Pinewood software company, a share placing or rights issue and a restructuring of our debt facilities. The purpose of the review was to ensure that the Group's financing structure is appropriate during a period when we expect the economic environment for trading to be difficult. We have put in place a new three year debt facility. In the light of this the Group has decided that an equity issue is not necessary.

We have successfully negotiated a new £530 million three year borrowing facility, providing us with much improved headroom on covenants and extending our refinancing timescale. The new arrangements comprise a revolving facility of £210 million repayable in three years and a term facility which is currently £210 million and amortises by £20 million in June and December each year with the balance remaining repayable in three years. We have also changed the maturity profile on our £110 million of loan notes to mature in April 2012. As expected, in order to secure this new financing deal we have had to pay considerably more in fees and increased margin than before the "credit crunch".

The new facility has three financial covenants with which the Group must comply that provide sufficient headroom and flexibility for the next three years. The first is the ratio of net debt to EBITDA and the second is fixed charge cover being the ratio of interest and rent cost to EBITDA excluding rent costs. These two are tested at June and December each year and have been set on a ratchet basis to reflect improvements in profitability and debt pay down. The third covenant is EBITDA which has been set against our downside profit projections over the next three years and is tested quarterly. The covenants are calculated after making adjustments for stocking interest and overseas businesses, certain non cash items and other adjustments to our EBITDA figure such as excluding certain fees on the new facilities. We have also negotiated new bank facilities for our overseas businesses in an amount of approximately £36 million.

Financial Performance

£m	2008 Before non- recurring	2008 Total	2007 Before non- recurring	2007 Total
Revenue	4,025.5	4,162.4	5,024.1	5,060.2
Underlying operating profit	25.8	25.8	101.3	101.3
Non recurring operating items	-	(156.7)	-	(14.0)
Operating (loss) / profit before other income	25.8	(130.9)	101.3	87.3
Other income – (loss) / gain on sale of property and businesses	-	(5.2)	-	18.5
Operating (loss) / profit	25.8	(136.1)	101.3	105.8
Finance costs	(57.6)	(57.6)	(60.1)	(60.1)
Non recurring finance costs	-	(2.9)	-	-
Share of joint venture profit / (loss)	2.2	(4.0)	0.8	0.8
(Loss) / profit before tax	(29.6)	(200.6)	42.0	46.5
Tax	10.4	40.5	(9.2)	(3.3)
Discontinued operation	-	-	-	(2.1)
(Loss) / profit after tax	(19.2)	(160.1)	32.8	41.1
Earnings per share – basic	-	(25.2)p	-	6.5p
Earnings per share – adjusted	(3.0)p	(3.0)p	5.0p	5.0p
Dividend per share	0.5p	0.5p	4.0p	4.0p

Primarily as a consequence of poor trading conditions and dealership closures, revenues fell to £4.2 billion in 2008 from £5.1 billion in 2007. Of the reduction, approximately £200 million related to businesses which we closed in the year with the balance being due mainly to the overall reduction in the new car market. Underlying operating profits were £25.8 million compared to £101.3 million in 2007 and each of our operating divisions remained profitable at this level other than Stratstone which made a small loss. The reduction in these trading profits is mainly due to a reduced volume of new car sales and lower margins in used car sales. After financing costs we made a loss before tax and non recurring items of £29.6 million compared to a profit of £42.0 million before tax and non recurring items in 2007.

Non recurring items

We have recognised a number of one off impairments and exceptional costs in 2008. These have arisen primarily due to the downturn in the UK economy. We have taken an appropriately prudent view on the valuation of assets and of potential future liabilities when assessing the level of provisions required in the current economic climate.

Non recurring items	2008 £m	2007 £m
Goodwill impairment	(58.1)	(6.8)
Impairment of Joint Venture	(6.2)	-
Fixed asset impairment and disposal (losses) / profit	(32.3)	18.5
Closed businesses and redundancy costs	(25.1)	(7.2)
Inventory write down	(24.9)	-
Refinancing related fees	(12.7)	-
VAT refund	15.1	-
VAT provision	(26.8)	-
Total	(171.0)	4.5

We are reporting net non recurring costs before tax of £171.0 million for 2008. These include £24.9 million of provisions relating to new and used car stock, £19.7 million of losses on closed businesses and £5.4 million of redundancy costs. We have impaired goodwill by £58.1 million and written off the total investment of £6.2 million in our property joint venture. We have impaired the carrying value of assets held for resale, mainly property, by £11.9 million, recorded an impairment charge for other fixed assets of £15.2 million and incurred losses on disposal of fixed assets of £5.2 million. In addition, we have incurred costs of £12.7 million relating to the refinancing of our borrowings. We have taken a cautious view relating to open VAT issues and made a provision of £26.8 million against them. During the year we received a VAT refund of £15.2 million in relation to claims which we had made for prior years. After net non recurring costs the Group made pre tax losses of £200.6 million. In 2007 the losses on closed businesses were not treated as non-recurring costs. The 2007 comparative has been disclosed as a non-recurring cost this year to ensure consistent presentation.

Dividend

An interim dividend of 0.5 pence was paid in October 2008 and no final dividend is proposed. This compares with 4.0 pence paid in respect of 2007. In the near term, management will be focussed on conservation of cash and reduction of borrowings.

Outlook

In 2008 we continued with our cost reduction programme which we embarked upon in 2007. This has yielded over £60 million of savings annually and we have closed loss making dealerships. We have put in place new loan facilities to take us through to 2012. We anticipate a stabilisation in the used car market this year which is a key area for us going forward. We expect the new car market to remain subdued for the next 12 months and then we believe a gradual improvement will be seen. We have taken actions which give us confidence that we will improve the performance of the Group in 2009 despite the difficult markets anticipated. The Group is now well placed to take advantage of markets when they recover and is currently trading in line with our expectations.

Operational Review

Our Group is structured operationally to reflect the range of business activities we undertake and we have five distinct trading divisions. The core vehicle retail business consists of two divisions, Stratstone and Evans Halshaw. Support businesses consist of leasing, parts wholesale and software.

During the year management has taken action in a number of areas to reduce the cost base of the business to reflect the downturn which has taken place in the market. The principal actions that we have taken have been to close loss making dealerships, reduce employee numbers primarily in the core business and reduce the levels of vehicle stock held by the Group. Management will continue to take action on the cost base of the business over the coming year to maintain it in line with expected activity levels. This is a dynamic area of management which is supported by our technology platform and management information systems.

The annualised estimated benefit to operating profit across the business of actions already taken to address the cost base of the business is in the region of £60 million.

In terms of dealership closures we completed the programme which we announced in 2007 and identified for closure additional businesses which had become unviable in the current economic climate. In total in the year we closed or sold 53 dealerships which had combined operating losses and closure costs of £19.7 million in 2008. We have also identified seven dealerships which will be closed in 2009. When deciding upon dealership closures management considers the level of losses which will be eliminated, the amount of business which will migrate to adjacent Group owned dealerships and the costs of closure which will primarily be stock disposal, redundancy and property costs.

In light of the falling market for new and used cars in 2008 a headcount reduction exercise was initiated early in the year. As a consequence there has been a 2,736 reduction in job roles on a like for like basis through a compulsory redundancy programme and through natural attrition and 3,712 overall including job roles relating to closed businesses. The job losses have been spread across all areas of the business. Resource levels continue to be monitored to ensure that the correct level is in place for the existing and projected activity levels. The annualised cost saving of this exercise is estimated at £49 million. The one off redundancy cost was £5.4 million.

A key dynamic in the used car market has been the unprecedented fall in wholesale used car prices. A number of industry leading sources have calculated the average fall in used cars prices during 2008 and their analyses range from a 15% to a 25% fall. The impact on the 4x4 and premium sectors has been significantly more and hence has impacted our Stratstone brand to a greater degree than our volume business, Evans Halshaw, in 2008. The trend of falling prices appears to have run its course, with a strengthening of the market in early 2009.

BCA reports a 16% fall in wholesale prices between December 2007 and December 2008.

Importantly, we have seen a recovery and stabilisation in wholesale prices in 2009, with prices rising by 15%.

In order to mitigate the impact of the falling prices in 2008 we embarked on a significant stock reduction programme. Our level of used stocks in the UK was reduced by nearly £100m in 2008 compared to the prior year, with £73m of the reduction achieved from June 2008 to December 2008. In addition, vehicles registered for our own use were reduced by £23m over the prior year. These stock

reductions have been a key area of focus for local management who have been able to increase average used car stock turn in the second half of the year.

Revenues and operating profits by division are summarised below:

£m	2008		2007	
	Revenue	Operating (loss) / profit	Revenue	Operating profit
Stratstone	1,357.7	(2.5)	1,889.2	32.3
Evans Halshaw	2,271.2	6.1	2,666.5	35.6
Chatfields	174.6	3.6	195.5	5.0
Support businesses	142.3	17.2	160.9	23.8
USA	148.9	1.4	180.3	4.6

Stratstone Our Stratstone brand is the UK's leading luxury motor car retailer with 133 franchise points. Each location sells new and used vehicles and undertakes after sales service and parts sales. Stratstone holds franchises to sell and service Aston Martin, BMW, Cadillac, Chrysler Jeep, Corvette, Dodge, Ferrari, Honda, Jaguar, Land Rover, Lotus, Maserati, Mercedes-Benz, MINI, Porsche, Saab, Smart and Volvo. Stratstone also holds six motorcycle franchises.

Nationally the market for new vehicle registrations for brands we represent in this luxury sector fell by 13.1%. The overall reduction disguises some big movements in individual brands. For example Jaguar was up 8.6% year on year, reflecting the impact of the new XF model. By contrast, Land Rover registrations were down 30.0% whilst BMW and Mercedes-Benz were down 6.9% and 9.0% respectively. In total our new car volumes were 24.6% down on 2007 on a like for like basis although our gross margins were 2.5% up on 2007. The used car market across all brands was very difficult, especially in the second half due to significant falls in wholesale prices. Like for like volumes were down by 0.2% on 2007 and gross margins down by 6.3% year on year. Our after sales activity continued to perform well and its proportion of Stratstone's total gross profit increased by 10%.

The split of activities within the Stratstone brand is detailed below to show the respective shares of revenue, gross profit and the gross margins achieved.

	2008			2007		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
New	43%	33%	10.0%	47%	36%	9.7%
Used	41%	18%	5.8%	38%	18%	6.2%
After sales	11%	53%	59.9%	10%	48%	61.9%
Trade	5%	(4%)	(9.1%)	5%	(2%)	(3.3%)
Total	100%	100%	13.0%	100%	100%	12.8%

The relative proportion of gross profit generated by activity has changed in line with the market in 2008. A higher proportion of profits have been generated by the after sales function as it is less impacted by a downturn. “Trade” represents cars sent to auction which did not fit the Group’s sales profile. Trade sales margins were down in line with the general market for used cars and increased losses were made partly as a consequence of the aggressive reduction of stock in the last quarter.

The following information relates to total units sold and gross profits per unit. Total units sold consist of both new and used cars. Gross profit per unit is the margin achieved on sales before overheads and includes income from finance and insurance products.

£m	Revenue	Gross profit	Gross margin %	Underlying operating (loss) / profit	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	1,336.7	175.4	13.1%	(0.1)	0.0%	53.5	
Disposed	21.0	1.4	6.9%	(2.4)	(11.3%)	1.4	
Total 2008	1,357.7	176.8	13.0%	(2.5)	(0.2%)	54.9	1,527
Total 2007	1,889.2	241.3	12.8%	32.3	1.7%	70.0	1,803

Revenue at our existing dealerships was down year on year by £335.1 million mainly due to a reduction in the volume of new cars sold. The gross margin was up due to after sales activity representing a larger proportion of total Stratstone gross profits than in 2007.

The impact of the reduction in volume of new cars sold was £27.5 million. Only our Jaguar brand contributed more unit sales this year than last. Land Rover was hardest hit with a unit sales reduction of 40.6% on 2007. However, manufacturer incentives meant that profit per unit for new cars was in line with the previous year. Used car volumes were down with a profit impact of £5.3 million and profit per unit was down significantly resulting in lower profits by £7.2 million. After sales revenues and profits for retail customers were marginally behind last year as consumers initially delayed the servicing of their vehicles at the height of the economic slowdown. Within the overall after sales performance retail service sales were marginally down, by 2%, which again demonstrates the resilience of our after sales business in periods of economic decline. The reductions in profits were mitigated by reducing the operating costs in the division by £29.6 million, principally consisting of lower advertising costs and fewer team members.

29 dealerships were closed or sold during the year and incurred operating losses of £2.4 million. This included seven Volvo dealerships, three BMW/MINI dealerships in the less profitable Home Counties area and other individual loss making dealerships.

Evans Halshaw Our Evans Halshaw brand is the UK's leading volume motor car retailer, with 138 franchise points. Evans Halshaw holds franchises to sell and service Chevrolet, Citroen, Fiat, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall.

Nationally the market for new vehicle registrations for brands we represent in this volume sector fell by 11.9%. The overall reduction disguises some big movements in individual brands. For example Ford and Vauxhall were down 7.6% and 9.8% respectively whilst Renault was down by 29.4%. In total our new car volumes were 9.7% down on 2007 on a like for like basis and our gross margins were 4.5% down on 2007 on a like for like basis. The used car market across all brands was more competitive. Like for like volumes were down by 13.2% on 2007 and gross margins down by 9.0% year on year, reflecting the significant reduction in used car prices during 2008. After sales revenues and profits for

retail customers were marginally behind last year as consumers initially delayed the servicing of their vehicles at the height of the economic slowdown.

	2008			2007		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
New	61%	27%	5.2%	59%	26%	5.5%
Used	24%	30%	14.1%	26%	33%	15.6%
After sales	10%	44%	53.1%	9%	41%	55.9%
Trade	5%	(1%)	(3.4%)	6%	(1%)	(1.7%)
Total	100%	100%	11.6%	100%	100%	12.4%

Difficult market conditions caused new and used margins to fall and increased the losses we suffered on trade cars, which represent cars sent to auction which do not fit the Group's sales profile.

After sales increased its proportion of the total gross profit and revenue. Motor vehicles are regularly serviced and repaired to ensure safety and performance standards and, importantly, to protect their resale value. After sales therefore plays an important role in mitigating the effect of the economic cycle.

£m	Revenue	Gross profit	Gross margin %	Underlying operating (loss) / profit	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	2,246.6	260.5	11.6%	6.7	0.3%	217.3	
Disposed	24.6	2.6	10.9%	(0.6)	(2.2%)	2.6	
Total 2008	2,271.2	263.1	11.6%	6.1	0.3%	219.9	664
Total 2007	2,666.5	331.8	12.4%	35.6	1.3%	254.6	765

Revenue at our existing dealerships was down year on year by £294.0 million, mainly due to a reduction in the volume of new cars sold. The gross margin was down primarily due to the impact of falling used car prices.

The impact of the reduction in volume of new cars sold was £10.9 million. All our brands were impacted in line with the market. However, the market deterioration in our key Ford and Vauxhall franchises was less than in franchises such as Citroen and Renault. A reduction in profit per unit for new cars impacted profits by £4.0 million which is a relatively small amount due to incentives from manufacturers which helped maintain new car margins. Used car volumes were down with a profit impact of £16.9 million. Profit per unit was down significantly due to wholesale price reductions resulting in profit lower by £15.3 million.

After sales revenues and profits for retail customers were marginally behind last year as consumers initially delayed the servicing of their vehicles at the height of the economic slowdown. However, our retail service sales were marginally down by 3% on the prior year which illustrates the resilience of our after sales business in the economic slowdown. This was mitigated by a £1.6m improvement in warranty service sales. Internal work fell as a result of lower used volumes, particularly in the second half of the year. The reductions in profits were mitigated by reducing the operating costs in the division by £39.2 million which consisted principally of lower advertising costs and fewer team members.

22 dealerships were closed during the year and incurred operating losses of £0.6 million. The closed dealers were largely in the non core franchises and other individual loss making dealerships.

Chatfields Under our Chatfields brand we sell and service commercial vans and trucks in the UK with 21 franchise points. Chatfields holds franchises to sell and service Iveco, DAF and LDV.

The market for new truck sales in 2008 was up by 13.1% overall whereas the van market was down by 14.3%. The van market has been affected by the economic downturn as customers defer purchases and the general economy slows.

Nearly three quarters of gross profits in this division are derived from the after sales activity. This tends to be a higher proportion than in the motor car divisions because of the shorter service intervals

required for commercial vehicles and the operation of overnight servicing in many of the locations. Gross margins for new vehicles were in line with 2007 and used margins were significantly down.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Total 2008	174.6	23.9	13.7%	3.6	2.1%	4.1	1,497
Total 2007	195.5	26.4	13.5%	5.0	2.6%	5.2	1,519

The operating profit is down £1.4 million. This is mainly due to the reduction in new van volumes. The results for the trucks division have been satisfactory although the market for new and used trucks has weakened significantly and we expect it to remain subdued for the next 18 months. However, the after sales business is likely to continue to be resilient.

Leasing In 2008 we consolidated the three separate brands of Pendragon Contracts, Bramall Contracts and Vardy Contract Motoring under the umbrella brand of Pendragon Contracts Limited. The leasing business offers a range of products and services mainly to the small corporate and fleet market for fleet sizes of up to 1,000 vehicles.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Fleet numbers 000's
Total 2008	39.6	11.2	28.4%	8.7	21.9%	15.5
Total 2007	47.2	13.0	27.5%	10.3	21.7%	17.6

The fleet size reduced due to greater price competition within the contract hire sector in the second half of 2008. The impact of lower used car values in the latter stages of 2008 significantly reduced our underlying profits from vehicle disposals.

Quickco Under our Quickco brand we operate an independent genuine parts wholesale business serving wholesale and dealer customers throughout the UK. Quickco operates seven different manufacturer franchises, from ten depots across the country, with a fleet of 190 vans making in excess of 60,000 deliveries per month on a next day or same day basis.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %
Total 2008	76.8	16.5	21.4%	1.5	1.9%
Total 2007	81.1	20.2	24.9%	5.4	6.6%

Currently 70% of revenues come from Ford related business. In 2008 Ford rolled out a new distribution network for their OEM parts named 3D and this reduced the profit of the Quickco division in 2008. Looking forward, we have replaced an element of the lost Ford income by expanding our product range and have built on our other franchise relationships.

Pinewood Pinewood is one of three main Dealer Management System (DMS) suppliers in the UK and its Pinnacle product has pioneered the delivery of Software as a Service (SaaS) in the motor industry. Pinewood's main product is 'Pinnacle', a browser based, web delivered DMS which manages and reports on most aspects of a franchised motor dealer's business.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %
Total 2008	25.9	15.9	61.4%	7.0	27.0%
Total 2007	32.5	17.3	53.0%	8.1	25.0%

The rollout of the Pinnacle DMS system into the Evans Halshaw and Stratstone dealers was completed early 2008. The proportion of Pinnacle DMS profit generated from Pendragon dealers has reduced to around 50% of total DMS revenues as sales to external dealers has continued to increase. At the end of 2008 Pinnacle systems were supplied to around 14% of UK franchised car dealerships.

California At the end of the year the division consisted of nine franchises in Southern California which operate Jaguar, Land Rover and Aston Martin brands.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	147.0	25.8	17.6%	1.6	1.1%	4.4	
Disposed	1.9	0.3	13.9%	(0.2)	(10.7%)	0.2	
Total 2008	148.9	26.1	17.5%	1.4	1.0%	4.6	2,670
Total 2007	180.3	28.8	16.0%	4.6	2.6%	6.0	2,497

The reduction in revenue is attributed both to market conditions adversely affecting unit sales and to the reduced number of locations. In 2008, we sold our remaining Saab dealership in Santa Monica and we closed the loss making Saturn store.

The reduction in gross profit is the net effect of lower vehicle sales and the increase in after sales margins at Newport Beach following the completion of the development project in the summer of 2008. Our new car volumes have declined by 35% in the year although margins have been maintained as a result of the new Jaguar XF model. The business has also been disrupted during 2008 by the redevelopment of the Newport Beach dealership which brings the redevelopments to a close.

Property

Our property portfolio is an important aspect of our business which we seek to utilise in the most cost effective manner. We operate from both leasehold and freehold properties. In addition, through strategic investment choices and the decision to close some dealerships, we have a number of vacant property assets which are held for sale. At the year end we held £175.0 million of properties on the balance sheet plus £37.3 million of properties held for sale.

Regarding our investment in our joint venture property company, we have written the value down from £6.2 million to £nil. This is as a consequence of falling property values and the joint venture company

being in breach of its banking covenants. The structure is non recourse to the Group and therefore we have no obligations to the joint venture other than as tenants to pay the rents and as service provider, to manage the property portfolio.

In 2008 we disposed of eight properties which were operationally surplus to requirements. This resulted in proceeds of £13.3 million and losses of £6.1million, which includes write offs of leasehold improvements for which no proceeds were received. Given the rapid decline in the commercial property market, we have reviewed all of our property assets which are held for sale and we have decided to record an impairment charge of £11.9 million against these assets. We have sold one property for £1.9 million since the year end at approximately book value and currently have surplus properties under offer with estimated proceeds of £4.9 million and a book value of £3.7 million.

An impairment review has also been undertaken on our operational freehold property assets as part of the assessment of all fixed asset values. An impairment charge of £8.9 million has been recorded in this respect.

Cash flow

Our borrowings as at 31 December 2008 were £357.3 million compared to £332.0 million at the end of 2007 mainly due to the decrease in profitability of the Group. We reviewed our cash management processes during the year and initiated a wide range of debt management actions which are continuing in 2009. These have included new procedures on vehicle stock management, eliminating discretionary capital expenditure, more rigorous debt collection processes and a reduction in the amount of fleet business.

We have seen the impact of the “credit crunch” through changed behaviour from both our suppliers and customers as everybody tries to conserve cash. This has manifested itself in shorter credit terms offered to us and a need for us to consider risk more carefully when dealing on credit terms with customers.

The cash flows of the business are summarised as follows:

£m	2008	2007
Cash generated from operations	53.6	160.0
Net interest paid	(64.1)	(63.2)
Tax	15.0	(4.8)
Replacement capital expenditure	(18.3)	(59.7)
Free cash flow	(13.8)	32.3
Acquisitions	(14.5)	(34.2)
Disposals	21.0	68.8
Dividend	(15.9)	(25.4)
Other	(2.1)	(3.8)
(Increase) / reduction in net debt	(25.3)	37.7

Cash flow generated from operations was £53.6million, which compares with £160.0 million generated in 2007. This is made up of two key components: operating profit and working capital movements. The operating profit element after adding back depreciation, intangible charges and property profits was £22.3 million, down £130.3million from the £152.6 million in 2007. This includes the impact of a reduction in adjusted operating profit of £75.5 million and £52.8 million of non recurring costs in 2008 compared to £7.2 million in 2007. In respect of working capital there was a net reduction of £31.3 million in 2008, and this is stated after £19.0 million cash payments made to reduce the deficit in our pension schemes. In 2007 we reduced working capital by £7.4 million.

Net interest paid includes the benefit of £8.3 million interest received in connection with a VAT refund in relation to demonstrator vehicles which is treated as an exceptional, non recurring interest item in the income statement. The small increase in underlying net interest charge reflects the impact of the slightly higher borrowing levels during the year.

Replacement capital expenditure was £18.3 million which includes plant and machinery, fixtures and fittings and motor vehicles (2007: £59.7 million). Expenditure on plant and machinery and fixtures and fittings was £2.5 million (2007: £15.8 million). The balance of the expenditure of £15.8 million

(2007 £43.9 million) is in respect of motor vehicles used either for our contract hire fleet or for service loan cars for our customers.

Refunds of taxation payments made in advance in previous periods were £15.0 million in comparison to taxation payments made in 2007 of £4.8 million.

Business disposals raised £7.7 million in 2008 (2007: £20.6 million), which related to the sale of five dealerships and the Extra Leasing business. Surplus property disposals raised £13.3 million (2007: £48.2 million).

Year end financing

As part of our cost reduction programme in 2008 we targeted the reduction of vehicle stocks during the second half of the year to reduce holding costs and trade losses. We were very successful in reducing used car stock and vehicles registered for our own use which generally speaking is not funded by manufacturer related finance companies. This category of stock was reduced by £102 million in the second half of the year. New vehicle stocks are traditionally harder to control as stock levels are often linked to manufacturer sales targets. Last year order commitments were made well in advance of the serious downturn in the market in the second half with the consequence that overall new car stock held by the Group increased in the second half. Actions in conjunction with vehicle manufacturers have been taken during the second half of 2008 and are continuing in 2009 to address the overall new stock position.

When considering vehicle stocks from a funding risk view point we split the funding into that which is funded by the manufacturer through their related finance arm and that funded by ourselves through stock finance facilities and bank borrowings. Financing for stock other than through bank borrowings is shown in trade creditors in the balance sheet. The breakdown of funding at the year end was as follows:

Funded by:	2008	£m	2007	£m
Stock finance	134.1		246.0	
Bank	349.4		322.3	
Non manufacturer funding	483.5		568.3	
Manufacturer finance arm	486.4		413.7	
Total funding	969.9		982.0	

Our current non manufacturer stock finance facility is from Lombard. Manufacturers' finance arms tend to vary the level of finance facilities offered dependent on the amount of stocks their manufacturer wishes to put into the network and this varies depending on the time of year and the level of production. Although stock financed by the manufacturers' finance arms has increased during the year as a consequence of falling demand and continuing supply prior to manufacturers reducing production, we are now seeing manufacturer financed stocks reducing as supply is constrained.

VAT

In common with other companies in the industry, the Group is in discussion with HM Revenue and Customs over a number of issues arising from recent developments in case law, the treatment of partial exemption within our finance and insurance operations and the VAT treatment of sales of vehicles to certain disabled customers.

Additional amounts of VAT receivable and payable may be recognised in future periods in relation to these outstanding matters, and although these amounts, if any, could potentially be significant, it is difficult at present to quantify them. However, in light of the uncertainty surrounding possible future payments we have decided to make a provision of £26.8 million which is shown under non recurring items in this year's accounts.

TREVOR FINN
CHIEF EXECUTIVE
30 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Loss before non- recurring £m	Non- recurring £m	2008 £m	Profit before non- recurring £m	Non- recurring £m	2007 £m
Revenue	4,025.5	136.9	4,162.4	5,024.1	36.1	5,060.2
Cost of sales	(3,495.8)	(123.4)	(3,619.2)	(4,354.5)	(33.0)	(4,387.5)
Gross profit	529.7	13.5	543.2	669.6	3.1	672.7
Operating expenses	(503.9)	(170.2)	(674.1)	(568.3)	(17.1)	(585.4)
Operating (loss) / profit before other income	25.8	(156.7)	(130.9)	101.3	(14.0)	87.3
Other income – (losses) / gains on the sale of businesses and property	-	(5.2)	(5.2)	-	18.5	18.5
Operating (loss) / profit	25.8	(161.9)	(136.1)	101.3	4.5	105.8
Finance expense (note 5)	(83.0)	(11.2)	(94.2)	(83.5)	-	(83.5)
Finance income (note 6)	25.4	8.3	33.7	23.4	-	23.4
Net finance costs	(57.6)	(2.9)	(60.5)	(60.1)	-	(60.1)
Share of (loss) / profit before tax from joint venture	2.2	(6.2)	(4.0)	1.2	-	1.2
Share of income tax expense from joint venture	-	-	-	(0.4)	-	(0.4)
Share of post tax profit from joint venture	2.2	(6.2)	(4.0)	0.8	-	0.8
(Loss) / profit before taxation	(29.6)	(171.0)	(200.6)	42.0	4.5	46.5
Income tax expense (note 8)	10.4	30.1	40.5	(9.2)	5.9	(3.3)
(Loss) / profit from continuing operations	(19.2)	(140.9)	(160.1)	32.8	10.4	43.2
Discontinued operation						
Loss from discontinued operation (net of income tax)			-			(2.1)
(Loss) / profit for the year attributable to equity shareholders of the company			(160.1)			41.1
Earnings per share (note 4)						
Basic			(25.2)p			6.5p
Diluted			(25.2)p			6.4p
Earnings per share continuing operations (note 4)						
Basic			(25.2)p			6.8p
Diluted			(25.2)p			6.7p

Consolidated Balance Sheet

At 31 December 2008

		restated * 2007 £m
	2008 £m	
Non-current assets		
Property, plant and equipment	336.3	385.1
Goodwill	372.2	427.2
Other intangible assets	2.4	2.1
Derivative financial instruments	38.5	-
Deferred tax assets	25.1	-
Investment in joint venture	-	4.0
Total non-current assets	774.5	818.4
Current assets		
Inventories	655.8	786.5
Trade and other receivables	133.6	205.9
Cash and cash equivalents	154.6	52.6
Non-current assets classified as held for sale	37.3	59.7
Total current assets	981.3	1,104.7
Total assets	1,755.8	1,923.1
Current liabilities		
Interest bearing loans and borrowings	(82.2)	(81.8)
Trade and other payables	(922.5)	(1,081.2)
Deferred income	-	(0.9)
Current tax payable	(19.8)	(13.5)
Provisions	(33.4)	(3.5)
Total current liabilities	(1,057.9)	(1,180.9)
Non-current liabilities		
Interest bearing loans and borrowings	(468.2)	(297.2)
Derivative financial instruments	-	(5.6)
Deferred income	(19.7)	(20.2)
Deferred tax liabilities	(29.1)	(44.0)
Retirement benefit obligations	(65.4)	(58.8)
Provisions	(6.6)	(9.2)
Total non-current liabilities	(589.0)	(435.0)
Total liabilities	(1,646.9)	(1,615.9)
Net assets	108.9	307.2
Capital and reserves		
Called up share capital	32.8	32.8
Share premium account	56.8	56.8
Capital redemption reserve	2.5	2.5
Other reserves	12.6	12.6
Translation reserve	(1.7)	(0.4)
Retained earnings	5.9	202.9
Total equity attributable to equity shareholders of the company	108.9	307.2

* Restated following change of accounting policy as outlined in note 9 below.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	2008 £m	2007 £m
Cash flows from operating activities		
(Loss) / profit for the year	(160.1)	41.1
Adjustment for loss / (income) from joint venture	4.0	(0.8)
Adjustment for taxation	(40.5)	3.3
Adjustment for net financing expense	60.5	60.9
	(136.1)	104.5
Depreciation and amortisation	56.3	59.3
Share based payments	0.2	-
Loss / (profit) on sale of businesses and property	5.2	(18.0)
Impairment of property, plant and equipment	15.2	-
Impairment of assets held for sale	11.9	-
Goodwill impairment	58.1	6.8
Changes in inventories	77.0	80.1
Changes in trade and other receivables	68.1	55.0
Changes in trade and other payables	(110.6)	(109.6)
Changes in retirement benefit obligations	(19.0)	(18.9)
Changes in provisions	27.3	0.8
Cash generated from operations	53.6	160.0
Taxation refunds received / (taxation paid)	15.0	(4.8)
Interest received	11.0	1.3
Interest paid	(75.1)	(64.5)
Net cash from operating activities	4.5	92.0
Cash flows from investing activities		
Business acquisitions, net of cash acquired	-	(16.3)
Proceeds from sale of businesses, net of cash disposed	7.7	20.6
Purchase of investment in joint venture	-	(0.2)
Purchase of property, plant and equipment	(150.1)	(163.8)
Proceeds from sale of property, plant and equipment	130.6	134.6
Payments for investments	-	(1.2)
Receipts from sales of investments	0.1	1.0
Net cash used in investing activities	(11.7)	(25.3)
Cash flows from financing activities		
Payment of capital element of finance lease rentals	(4.1)	(5.4)
Repayment of unsecured bank loans	(44.0)	(20.0)
Repayment of loan notes	-	(7.8)
Proceeds from issue of unsecured loans	169.4	25.0
Dividends paid to shareholders	(15.9)	(25.4)
Net cash inflow / (outflow) from financing activities	105.4	(33.6)
Effects of exchange rate changes on cash held	3.8	(0.2)
Net increase in cash and cash equivalents	102.0	32.9
Cash and cash equivalents at 1 January	52.6	19.7
Cash and cash equivalents at 31 December	154.6	52.6

Consolidated Statement of Recognised Income and Expense

Year ended 31 December 2008

	2008	restated *
	£m	2007 £m
Foreign exchange translation differences	(1.3)	(0.1)
Defined benefit plan actuarial gains and losses	(71.7)	28.3
Adjustment in respect of minimum funding requirement on defined benefit plans	42.1	(32.5)
Tax on income and expense recognised directly in equity	8.3	0.4
Income and expense recognised directly in equity	(22.6)	(3.9)
(Loss) / profit for the year	(160.1)	41.1
Total recognised income and expense for the period attributable to equity holders of the company	(182.7)	37.2

* Restated following change of accounting policy as outlined in note 9 below.

Notes to the Financial Statements

1. Basis of preparation

The summary financial statements are presented in millions of UK pounds, rounded to the nearest £0.1million. They have been prepared under the historical cost convention except for certain financial instruments which are stated at their fair value. In addition non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The summary financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

On 30 April 2009, the group concluded facility negotiations with its lenders, as set out below. The Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of committed available borrowing facilities. The assessment included a detailed review of financial forecasts, financial instruments and hedging arrangements for the 14 months from the balance sheet date and a review of group cash flow projections to December 2012. Recognising that a number of industries and especially the automotive sector continue to be affected by a sharp decline in demand, the Directors considered a range of potential scenarios within the key markets the Group serves and how these might impact on the Group's cash flow, facility headroom and banking covenants. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences. The Group's forecasts and projections, taking account of reasonably possible scenarios, show that the Group should be able to operate within the level of its borrowing facilities for the foreseeable future.

Having undertaken this work, the directors are of the opinion that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

The preparation of summary financial statements in conformity with adopted IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the summary financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Dividends

	2008	2007
	£m	£m
Ordinary Shares		
Final dividend in respect of 2007 of 2.00p per share (2006 : 2.00p)	12.7	12.7
Interim dividend in respect of 2008 of 0.50p per share (2007 : 2.00p)	3.2	12.7
	15.9	25.4

The Board are not recommending a final dividend for 2008.

3. Non-recurring items

	2008 £m	2007 £m
Within operating expenses:		
Goodwill impairment	(58.1)	(6.8)
Impairment of property, plant and equipment	(15.2)	-
Impairment of assets held for sale	(11.9)	-
Losses incurred on closed businesses	(19.7)	(7.2)
Redundancy costs	(5.4)	-
Exceptional VAT refund	6.8	-
Inventory write down	(24.9)	-
Professional fees	(1.5)	-
VAT assessment provision	(26.8)	-
	(156.7)	(14.0)
Within other income - (losses) / gains on the sale of businesses and property:		
(Loss) / profit on business and property disposals	(5.2)	18.5
Refinancing related professional costs and bank waiver fees	(11.2)	-
Within finance income:		
Interest received on VAT refund	8.3	-
Within share of (loss) / profit before tax from joint venture		
Impairment of investment in joint venture	(6.2)	-

The following amounts have been presented as non-recurring items in these financial statements:

Goodwill impaired during the year was £58.1m (2007 : £6.8m).

Group tangible fixed assets and assets held for sale have been reviewed for possible impairments in the light of economic conditions, in particular the significant fall in commercial property prices. As a result of this review, an impairment charge of £8.9m has been recognised against tangible fixed assets (2007: £nil) and £11.9m against assets held for sale (2007: £nil).

Losses incurred on the closure of business amounted to £19.7m (2007: £7.2m). These costs include wind down expenses, losses on assets, redundancy and vacant property occupancy costs.

The Group also undertook a significant programme of redundancies in its core businesses in light of market conditions as a result of the current economic situation, resulting in non-recurring payments of £5.4m (2007: £nil).

A VAT refund of £6.8m net of costs in respect of VAT overpaid on demonstrator vehicles over the period 1973 to 1996 was received during the year. Associated interest received of £8.3m is disclosed within finance income.

The Group is in continuing discussions with HM Revenue and Customs over the treatment of partial exemption within our finance and insurance operations and the VAT treatment of sales of vehicles to certain disabled customers. We have received VAT assessments in respect of these issues. Whilst we are continuing to defend our position vigorously, we have recognised a provision of £26.8m for our best estimate of amounts payable in respect of these two issues, including potential interest and penalties.

During 2008, particularly the second half of the year, values of used cars fell dramatically resulting in certain stock suffering an exceptional loss in value compared to its realisable value. In addition, given the dramatic fall in demand for certain types of new cars which resulted in significantly higher stock levels, the cost of this stock was higher than its realisable value. This fall in value is unprecedented and is not expected to recur. A stock provision of £24.9m has therefore been recognised in respect of these issues and presented as a non-recurring item. These conditions have also had a knock on impact in our Contract Hire business where the repurchase commitments in respect of vehicles at the end of the contract life has resulted in the need for an impairment provision of £6.3m in respect of the vehicles which are classified in fixed assets.

During 2008 as previously announced we investigated the potential disposal of Pinewood. This disposal process did not proceed to completion and the professional costs of £1.5m of the exercise have been written off as a non-recurring item.

Other income, being the profit on disposal of businesses and property comprises £0.9m profit on the disposal of motor vehicle dealerships (2007 : £1.1m) and a £6.1m loss on sale of properties (2007 : £17.4 m profit).

During the year the Group has incurred a fee of £2.9m in respect of deferral of covenant measurements at the year end as part of the bank refinancing negotiations. Under IAS 39, this amount should be treated as modification of terms of the loan and as such be amortised over the life of the loan using the effective interest rate method. Management consider there is no future economic benefit derived from this payment as it related only to the deferral of covenant measurements at December 2008 and as such have recorded this amount directly in the income statement as a non-recurring item. In addition the non-recurring professional fees and costs of £8.3m in respect of the refinancing of the Group have been expensed in the year and presented as a non-recurring item.

4. Earnings per share

	2008	2008	2007	2007
	Earnings per share pence	Earnings Total £m	Earnings per share pence	Earnings Total £m
Basic earnings per share- continuing operations	(25.2)	(160.1)	6.8	43.2
Basic earnings per share- discontinued operations	-	-	(0.3)	(2.1)
Basic earnings per share	(25.2)	(160.1)	6.5	41.1
Adjusting items:				
Goodwill impairment	9.1	58.1	1.1	6.8
Impairment of investment in joint venture	1.0	6.2	-	-
Impairment of property, plant and equipment	2.4	15.2	-	-
Impairment of assets held for sale	1.9	11.9	-	-
Losses incurred on closed businesses	3.1	19.7	1.1	7.2
Redundancy costs	0.9	5.4	-	-
Exceptional VAT refund	(1.1)	(6.8)	-	-
Loss / (profit) on business and property disposals	0.8	5.2	(2.8)	(18.0)
Refinancing related professional costs and bank waiver fees	1.8	11.2	-	-
Professional fees	0.2	1.5	-	-
VAT assessment provision	4.2	26.8	-	-
Inventory and repurchase commitment write down	3.9	24.9	-	-
Interest received on VAT refund	(1.3)	(8.3)	-	-
Exceptional deferred tax credit (note 9)	-	-	(1.2)	(7.7)
Tax effect of adjusting items	(4.7)	(30.1)	0.3	1.8
Adjusted earnings per share	(3.0)	(19.2)	5.0	31.2
Diluted earnings per share- continuing operations	(25.2)	(160.1)	6.7	43.2
Diluted earnings per share- total	(25.2)	(160.1)	6.4	41.1
Diluted earnings per share- adjusted	(3.0)	(19.2)	5.0	31.2

The calculation of basic, adjusted and diluted earnings per share is based on the following number of shares in issue (millions).

	2008	2007
	number	number
Weighted average number of ordinary shares in issue	636.1	635.2
Weighted average number of dilutive shares under option	-	6.6
Weighted average number of shares in issue taking account of applicable outstanding share options	636.1	641.8

The directors consider that the adjusted earnings per share figure provides a better measure of comparative performance.

5. Finance expense	2008	2007
	£m	£m
Recognised in profit and loss		
Interest payable on bank borrowings	20.4	19.1
Interest payable on loan notes	9.6	9.4
Debt issuance costs	0.9	1.1
Refinancing related professional costs and bank waiver fees	11.2	-
Vehicle stocking plan interest	28.5	32.9
Interest payable on finance leases	0.5	0.6
Interest on pension scheme obligations	18.7	17.9
Less : interest capitalised	(0.1)	(0.1)
Total interest expense	89.7	80.9
Fair value losses – interest rate swaps	0.1	0.1
Unwinding of discounts in contract hire residual values	4.4	2.5
Total finance expense	94.2	83.5

6. Finance income	2008	2007
	£m	£m
Recognised in profit and loss		
Interest receivable on bank deposits	2.7	1.3
Interest on pension scheme assets	22.7	22.1
Exceptional interest income on VAT refund	8.3	-
Total finance income	33.7	23.4

7. Analysis of net debt	2008	2007
	£m	£m
Cash and cash equivalents	154.6	52.6
Short-term borrowings	(78.9)	(79.1)
Long-term borrowings	(463.6)	(290.2)
Derivative financial instruments	38.5	(5.6)
Obligations under finance leases	(7.9)	(9.7)
	(357.3)	(332.0)

8. Tax

The overall effective tax rate for the year was 20.2% (2007: 7.4%). The unusually low tax rate in 2007 was due to certain one off tax credits and the changes that arise with the Finance Act 2007, which gave a one off reduction in 2007 to our deferred tax liability due to the removal of balancing adjustments on the disposal of industrial buildings and the reduction in the tax rate from April 2008 onwards from 30% to 28%. The amount of this reduction was £7.7 million and due to its one off nature is deemed non-recurring and is excluded from the adjusted earnings per share calculations.

9. Pension Funds

The net liability for defined benefit obligations has increased from £58.8 million at 31 December 2007 to £65.4 million at 31 December 2008. The increase of £6.6 million comprises of contributions of £19.0 million, a credit to the income statement of £4.0 million and a net actuarial loss of £71.7 million and a £42.1 million adjustment in respect of the minimum funding requirement and non-recognition of surplus (see below). The net actuarial loss has arisen due in part to changes in the principal assumptions used in the valuation of the scheme's assets and liabilities and also the change in value of the assets held over the year. The main assumptions subject to change are the discount rate 6.3% (2007: 6.0%) and inflation rate 3.0% (2007: 3.2%).

IFRIC 14 'IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' has been applied for the first time this year in the financial statements and represents a change in accounting policy. IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. The adoption of IFRIC 14 required retrospective recognition and comparatives have been restated accordingly. The impact of this restatement on these financial statements is in reducing the reported net assets in 2007 by £32.4 million, being a £45.0 million increase in the retirement benefit obligation and a £12.6 million reduction of the deferred tax liability. There was no impact upon the consolidated income statement but there was a reduction in 2007 of £23.6 million to recognised income and expense in the consolidated statement of recognised income and expense.

10. Post balance sheet events

Due to the abnormal trading conditions experienced in the year, covenants due to be measured at 31 December 2008 in relation to the £510 million credit facility and USD and GBP loan notes were deferred at a cost of £2.9 million. The full £2.9 million should under IAS 39 be capitalised and amortised over the remaining life of the loan using the effective interest rate method, but has been expensed in the current year income statement given the refinancing activities undertaken as described below.

The Group has since been refinanced and on the 30 April 2009 new loan agreements restructuring the existing loans and loan notes have been made as follows:

Term loan	Expiry date	£m
	June 2009	20.0
	December 2009	20.0
	June 2010	20.0
	December 2010	20.0
	June 2011	20.0
	December 2011	20.0
	April 2012	90.0
Total term loan		210.0
Revolving credit facility		210.0
		420.0

Loan notes	Expiry date	Fair value at 31 December 2008	Fair value net of swaps at 31 December 2008
5.65% USD 110 million loan notes 2011	April 2012	79.2	57.6
5.95% USD 67 million loan notes 2014	February 2014	51.0	35.5
5.95% GBP 17 million loan notes 2014	February 2014	18.5	17.1
		148.7	110.2

The holders of the 2014 loan notes have an option to require repayment in April 2012.

Terms of refinancing

Margin

Term loan and revolving credit facility: 3.25%, an increase of 2.35% over the margin currently payable.

USD denominated loan notes: a new coupon of 9.310%

GBP denominated loan notes: a new coupon of 9.834%

Both of these new coupon rates reflect a blended increase in margin over that currently payable of 2.50% after taking into account the new maturities.

A commitment fee in respect of undrawn amounts is payable at 1.625% of the undrawn amounts.

Restructuring fee

1% of the total commitments (term loan, revolving credit facility and loan notes).

Warrants

5% of the issued share capital at 30 April 2009 plus a further 2.5% consequent on shareholder approval (or the cash equivalent of such 2.5% payable on the earlier of maturity or repayment of facilities).

Success and stabilisation fee

At each anniversary of the facility agreements, 1% of the commitments at that date, payable in cash or shares of the Company, or 1.25% if settlement is deferred.

At repayment or maturity, 1% of the commitments at that date pro-rata for the period of time elapsed between the final anniversary and the date of repayment or maturity, payable in cash or shares of the Company.

At maturity or repayment, 2.50% of the commitments at that date, payable in cash or shares of the Company.

The estimated cost of the restructuring fee, warrants and success and stabilisation fee will be capitalised from April 2009 as part of the facility balance and are to be amortised over the life of the loan using the effective interest rate. Total estimated fees capitalised at April 2009 are £35m.

Covenants

The new facilities are subject to covenants with respect to debt/EBITDA, absolute EBITDA and fixed charge cover.

Security

The Group has granted security over certain of its assets, not subject to any other arrangements, mainly comprising property, debtors and certain vehicle stocks. If security over these assets had been granted at 31 December 2008, the balance sheet value of those assets would have been £540 million.

Professional fees and other items expensed

Total professional fees of the refinancing were £8.3 million which have been expensed in 2008 as a non-recurring item. Existing loan arrangements which were in place as at 31 December 2008 have been extinguished in full as part of this refinancing exercising. The effect of this on the 2009 financial statements will be to recognise a loss in the income statement in respect of all previously unamortised fees, amounting to £1.5m.

Financing of overseas businesses

Current bank borrowings shown above include a £25 million facility to finance our property holding company in the Netherlands and a USD 20 million facility used to fund our US businesses. As part of the refinancing, the following facilities have been agreed:

	Currency	Amount	Expiry date	Margin
Netherlands	Floating GBP	£23.5m	Earlier of April 2012 or on demand	3.25%
USA	Floating USD	\$18.0m	Earlier of July 2010 or on demand	3.50%

The refinanced Netherlands facility results in an increased margin over that currently payable of 1.75%. An arrangement fee of 1% of the commitment is also payable at April 2009 together with a fee of 5% of the average outstanding commitment over the term, payable at maturity or repayment of the facility.

The refinanced USA facility results in an increase in margin over that currently payable of 1.25%. An arrangement fee of 1% of the commitment is also payable at April 2009.

Both facilities are not subject to covenants but security over assets has been granted, mainly comprising property, debtors and certain vehicle stocks (included within the £540 million quoted above).

11. **Annual report**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007. Statutory accounts for 2007 have been delivered to the registrar of companies, and those for 2008 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Full financial statements for the year ended 31 December 2008 will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 26 June 2009 will be delivered to the registrar.

Copies of this announcement are available from Pendragon PLC, Loxley House, 2 Oakwood Court, Little Oak Drive, Annesley, Nottinghamshire NG15 0DR.