PENDRAGON
PLC

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FULL YEAR RESULTS TO 31 DECEMBER 2011

Pendragon PLC, the UK's leading automotive retailer group, today reports full year results for the twelve months to 31 December 2011.

Financial Highlights

Financial Highlights – Pendragon PLC 12 Months to 31 December	**UNDERLYING* £m**		**TOTAL £m**	
	2011	**2010**	**2011**	**2010**
Revenue	3,418.2	3,534.3	3,465.8	3,575.0
Operating profit	74.4	75.1	78.0	63.2
Profit before tax	**30.8**	**25.2**	**24.0**	**11.0**
Earnings per share†	*2.3p*	*1.8p*	*3.7p*	*0.6p*
Operating margin	*2.2%*	*2.1%*	*2.3%*	*1.8%*
Net borrowings	-	-	246.8	325.5

Executive Summary

- Profit before tax £24.0 million, an increase of £13.0 million from £11.0 million in 2010.
- Operating profit £78.0 million, an increase of 23.4% from £63.2 million in 2010.
- Underlying* profit before tax of £30.8 million, an increase of 22.2% from £25.2 million in 2010.
- Basic earnings per share† 3.7p (2010 : 0.6p), underlying earnings per share† 2.3p (2010 : 1.8p).
- Net borrowings of £246.8 million, a reduction of £78.7 million compared to 31 December 2010.
- Used vehicle volume growth of 14.4% on a like for like basis#.
- Results reflect our strong focus on our strategic goals and internal operational initiatives.
- Successful recapitalisation of the Group through a £75.2 million gross Rights Issue in 2011.

* Underlying results exclude items that are unusual due to their nature, size or incidence

† Restated to reflect the impact of the bonus element of the Rights Issue

Like for like results include underlying businesses with 12 months comparative results only

Trevor Finn, Chief Executive, commented:

"Pendragon made good progress in 2011 despite turbulent economic conditions, achieving underlying profit before tax of £30.8 million, an increase of 22 per cent over the prior year and over three times the underlying profit of 2009. The Group has benefited from strong focus on maximising returns and the success of its self-help initiatives within its three key business sectors: aftersales, used and new. Encouragingly, used car performance continues to be a high point for the group and will remain a key strategic area in 2012. Our internet presence with Evanshalshaw.com and Stratstone.com is an important differentiator for Pendragon in the market and has driven our strong aftersales, used and new performance. The year ahead is set to be challenging, but given our recapitalised balance sheet, healthy cash generation, clear strategic goals and robust operational management we expect to maintain our momentum into 2012."

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CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Introduction

Pendragon is the leading automotive retailer in the UK with 235 worldwide franchise points and a further 14 dedicated used car locations. Pendragon sells and services a broad range of new and used cars and commercial vehicles in the UK, has an operation in California and a substantial presence in the UK vehicle leasing, wholesale parts and dealership management system markets.

Pendragon's core vehicle businesses operate under the brands of Stratstone (for prestige vehicles) and Evans Halshaw (for the volume brands) for the sale and servicing of new and used cars. Chatfields is Pendragon's commercial van and truck business. The Group also has a vehicle business in California together with a number of support businesses in the UK.

The Group has significantly strengthened its financial position since the half year and the Rights Issue and refinancing has generated a reduced interest cost as a result of lower average debt and improved terms. The Group has delivered a second half underlying profit before tax of £13.1 million resulting in a full year underlying profit before tax position of £30.8 million, a 22% improvement on 2010. This has been achieved by interest savings and by the Group maintaining its position in difficult trading conditions through a combination of improved business performance, continued focus on costs and operating leverage as a result of significant increases in used volume.

The Group has been right-sizing the business in the last three years as a result of the changing economic environment and has reduced the number of franchise points by 10 in 2011. All franchise points continue to be reviewed from a strategic and cost perspective. The Group is focussed on continuing to enhance earnings through its used car initiatives. The Group is pleased to report like for like used vehicle volume growth of 14.4% in 2011 and a continuation of this trend with a further like for like growth in used vehicle volume of 13.7% in January 2012.

Financial Performance Summary

The results for the twelve months ended 31 December 2011 are summarised as follows:

Financial Performance Summary – Pendragon PLC	2011 Underlying* £m	2011 Total £m	2010 Underlying* £m	2010 Total £m
Revenue	3,418.2	3,465.8	3,534.3	3,575.0
Underlying operating profit	74.4	74.4	75.1	75.1
Non-underlying operating income / (costs)	-	3.2	-	(12.2)
Operating profit before other income	**74.4**	**77.6**	**75.1**	**62.9**
Other income – gain on sales of property and businesses	-	0.4	-	0.3
Operating profit	**74.4**	**78.0**	**75.1**	**63.2**
Underlying net finance costs	(43.6)	(43.6)	(49.9)	(49.9)
Non-underlying net finance costs	-	(10.4)	-	(2.3)
Profit before tax	**30.8**	**24.0**	**25.2**	**11.0**
Tax	(5.7)	15.8	(9.1)	(5.4)
Profit after tax	**25.1**	**39.8**	**16.1**	**5.6**
Basic earnings per share†	-	3.7p	-	0.6p
Underlying basic earnings per share†	2.3p	-	1.8p	-

†*Restated to reflect the impact of the bonus element of the Rights Issue*

**Underlying results exclude items that are unusual due to their nature, size or incidence*

Revenue is down £109.2 million for the twelve months to 31 December 2011 compared to 2010. Group like for like turnover excluding support businesses has increased by £20.0 million reflecting improvements in used vehicle volume performance whereas new vehicle revenue has declined. Like for like revenue has increased by 13% in used vehicle activity and has decreased by 6% in new vehicles.

Underlying operating profit was £74.4 million in 2011 compared to £75.1 million in 2010. The underlying operating margin was 2.2% in 2011 versus 2.1% in 2010. The business continues to improve operating margins as a result of improved aftersales gross margin and our focus on costs has improved our operating cost margin. On a like for like basis our aftersales gross margin has increased from 57.4% to 59.6% in 2011, reflecting the benefit of our aftersales initiatives and our higher productivity as a result of higher used volumes. Used retail gross margin has fallen slightly from 10.5% in 2010 to 9.7% in 2011 but our significantly higher volume has compensated for this margin decline. The new car margin has strengthened in our Stratstone business but weakened in our Evans Halshaw business reflecting pressure in the volume sector of the new car market leaving the overall new car margin unchanged at 7.9%.

Underlying financing costs were £43.6 million which compares to £49.9 million in the prior year as the Group has reduced the overall level of debt through operating cashflow and due to the Rights Issue completed in August 2011. The benefit of the reduced debt and improved terms following the Rights Issue has therefore only impacted four months of the year.

Capital Structure

During the period, the Group has undertaken the refinancing of the Group which has three elements. Firstly, the Group has completed a Rights Issue that raised gross proceeds of £75.2 million (£70.8 million net of expenses). The Rights Issue was on a 9 for 8 ratio at an issue price of 10 pence per share – representing a 35.6% discount to the theoretical ex-rights price based on the closing price of the existing shares of 21.8 pence on 13 July 2011 (the day before the Rights Issue announcement). Secondly, the Group secured revised debt facilities of £360 million on more favourable terms with a maturity date of 30 June 2014. Thirdly, the Group implemented a Pension Deficit Reduction Plan that is estimated to unlock aggregate cash flow savings of £46 million in the three year period from implementation to December 2014. Under the Pension Deficit Reduction Plan the Group has provided the Pension schemes with an investment which will generate a predictable property asset-backed income for the schemes. The new arrangements enable the Group to benefit from lower annual cash contributions than the previous arrangements.

The proceeds of the Rights Issue allowed the Group to improve its level of financial indebtedness towards the previously stated long-term Debt:Underlying EBITDA ratio target of 2.0:1.0. The year end Debt:Underlying EBITDA ratio was 2.2:1.0. As a result of the acceleration in the achievement of this ratio, the Group has set a new Debt:Underlying EBITDA target of below 1.5:1.0.

The Group is also pleased to report a significant reduction in net borrowings over the prior year. Net borrowings were £246.8 million at 31 December 2011 which is a £78.7 million reduction versus 31 December 2010. The net borrowings include the effect of some further vehicle stock investment to support our strategic goals. The Group's balance sheet remains a key strategic priority and area of focus.

Operating cash inflow during the period was £97.6 million, which compares with £44.8 million in the prior year. The operating cash flow includes an outflow of working capital of £19.0 million versus an outflow of £59.6 million in the prior year. The Group continues to operate comfortably within the existing facility covenants.

Non-underlying Items

Non-underlying items primarily relate to refinancing and Pension Deficit Reduction Plan costs, start-up business costs, property disposals, VAT settlements and pension income. They are summarised as follows:

Non-underlying items – Pendragon PLC	**2011 £m**	**2010 £m**
Closed business and redundancy costs	-	(8.5)
Start-up business costs	(4.8)	(2.8)
Property impairment and net profit/loss on disposal	(0.6)	(0.6)
Refinancing and Pension Deficit Reduction Plan costs	(18.5)	-
Pension net finance income / (charge)	2.6	(2.3)
VAT settlements and provision releases	14.5	-
Total	**(6.8)**	**(14.2)**

Total net non-underlying costs before tax were £6.8 million for 2011 (2010: £14.2 million). The most significant cost included in non-underlying items was £18.5 million in relation to the refinancing of the Group in 2011 and the associated Pension Deficit Reduction Plan.

The Group is continuing to develop its new venture in the used car market, "Quicks", which has incurred start-up costs and operating losses of £4.8 million in 2011. The Quicks operation has grown to seven sites during the year from four in the prior year. The volume of used cars sold through the Quicks businesses in the year was 6,700. This represents a throughput per site of 950 which is higher than the average in our Evans Halshaw division. During 2012 we will be focussed on ensuring that the Quicks business generates improved performance. This will be achieved through:

- improved team efficacy to generate greater sales volume and profitability per car per team member
- increased brand awareness through our internet presence
- improved stock mix profile and pricing

As a consequence of the expected time it will take for the improvements necessary to reach our required standards in the Quicks business, we anticipate the operating costs invested in 2012 to be approximately £1.5 million.

The Group previously has shown closed businesses and redundancy costs within the non-underlying results. However, following the right-sizing of the Group in 2010, these items are now included within the underlying results. The closed business costs and redundancy costs in 2011 which are shown within the underlying results amount to £2.6 million (2010 : non-underlying cost of £8.5 million).

The £14.5 million VAT income relates to £9.4 million of VAT provision release and refunds and £5.1 million of interest on the VAT refunds. VAT refunds of £4.7 million, net of costs, were recognised in the year in respect of VAT overpaid on demonstrator vehicles over the period from 1973 to 1996. The amount includes associated interest received of £5.1 million which is disclosed within finance income. In addition the Group has completed discussions with HM Revenue & Customs in respect of the VAT treatment of sales of vehicles to certain disabled customers and has reversed the remainder of the provision held in respect of this matter which amounted to £4.7 million.

Dividend

No interim dividend was paid during the year and no final dividend is proposed. No dividends were paid in 2010. As indicated in 2011, it remains the Board's intention for the Company to resume paying dividends in relation to its 2012 financial year and onwards, subject to a review of the Group's position at the relevant time.

Strategy

Management's strategy is focussed on maximising the returns within three key sectors reflecting their contribution to the Group: aftersales, used and new. Within aftersales, the Group continues to roll out our Vehicle Health Check programme which encompasses a number of activities. This has assisted in stabilising profitability against a falling less than three year old car parc which is traditionally our core aftersales activity.

The Group's key strategy in 2012 is to continue to grow the used sector performance. In the last three years the Group has been highly successful at growing this sector which has been a result of our strategic pillars. The strategic pillars for Pendragon are as follows: national footprint and scale, superior IT platform, value pricing and the number one internet motor retailer.

Each of the strategic pillars has provided a core support to the growth of used car activity which has resulted in like for like growth for the Group of 14.4% in 2011 and enhanced our aftersales and new car performance. The Group recognises the importance of the internet and social media in moving the business forward. As a result of this focus, the Group has seen increased website visits to Evanshalshaw.com and Stratstone.com by 49% since 2009 and increased website visits in 2011 by 21% over the prior year. Data from Experian's Hitwise, has confirmed that our combined brands of Evanshalshaw.com and Stratstone.com are the UK's number one internet motor retailer at December 2011. The Group has also invested resource into a number of social media, iPhone and android applications to support our internet pillar.

In conjunction with this marketing strategy the Group's value pricing is of fundamental focus to the Group. Our success within this area however has been reliant upon our in-house IT platform, enabling us to have an efficient execution of reporting and operational information relating to our used car activities. Finally the business is able to capitalise on our national footprint, scale and infrastructure. We market our stock through our own and external websites and have the capability to fulfil customer requirements through 226 franchise points throughout the UK.

Our scale has provided a strategic advantage to the Group in a number of other areas. Within the new car market, our large balanced portfolio ensures that we are insulated from the product cycles of our manufacturers, hence any franchises which are impacted by lower market share year on year tend to be compensated by franchises which have increased market share year on year. We continue to work closely with our manufacturing partners to ensure we meet expectations for new car performance and can enhance our mutual profitability.

Our scale has provided the Group further advantages by being able to realise economies of scale and minimise our fixed overheads. Our scale gives an advantage in some further areas over smaller competitors through the Group's shared services centre, central marketing, IT capability and purchasing.

The size of the Group also drives profitable functional integration in contract hire, wholesale parts distribution and dealership management systems.

The Group continues to be highly selective about the decision to close or open new retail points. The Group closed 10 franchise points in 2011 which included the remaining two franchise points with SAAB together with some other non-core points. The Group is pleased to confirm that following the year end, it acquired the Leeds BMW and MINI business.

Our Markets

The UK is our principal market but we also have a small operation in California. The UK market splits into four key sectors in order of profit opportunity to the Group as follows: aftersales services, used vehicle sales, new vehicle sales and support businesses.

Aftersales Services Market: The determinants of the aftersales market are the overall size of the car parc, the age profile of the car parc and the demand for servicing and repair. The car parc is the number of cars in use on UK roads and this has typically been around 31 million vehicles in the last five years. The second determinant of the available market is the age profile of this car parc. Typically around 19% is represented by less than three year old vehicles, around 21% is represented by the four to six year old vehicles and the balance is greater than seven years old. Given the Group's significant new car presence it has traditionally operated more in the under three year old vehicle market than in the greater than three year old market profile. However the Group has been operating a strategy to target the older age vehicle parc which represents a significant opportunity. The demand for servicing and repair activity is less impacted by economic conditions than our other sectors, as motor vehicles require regular maintenance and repair for safety, economy and performance reasons. However, whilst the market has been impacted by reduced consumer spending, it has been reported that consumers are increasingly deferring spend on vehicles, causing increased MOT failures.

Aftersales Sector Performance: The Group's underlying aftersales gross profit reduced by £7.7 million. However on a like for like basis, gross profit reduced by just £0.8 million which is a solid performance in the context of the falling vehicle parc market. Underlying aftersales gross profit margin increased from 57.1% in 2010 to 59.6% in 2011.

Used Vehicle Sector Market: The used vehicle sector comprises the selling of vehicles from one party to another for all vehicles except newly registered vehicles. The annual number of used car transactions and thus market opportunities has historically been around 7.5 million units. However, in 2010, the used car opportunity was 6.8 million. The latest available data from Experian illustrates a used car market that has been flat for the nine months to 30 September 2011 and our expectations are that the used car market will again be around 6.8 million for the full year 2011.

Used Vehicle Sector Performance: Underlying used car gross profitability was flat year on year with like for like used gross profit increasing by 3.6%. The Group achieved significant volume growth, up 14.4% on a like for like basis which more than offset reduced margin. This volume growth has been a key performance highlight in 2011, driven by the success of our strategic focus in this area.

New Vehicle Sector Market: The new vehicle sector consists of the first registration of cars and commercial vehicles. The UK new car market is divided into retail and fleet markets. In each of the last three years the retail market represented just less than half of the total market and it operates at lower volume and higher margin compared to the fleet market. Fleet business is transacted at a higher risk and consumes higher working capital. Accordingly, the Group is highly selective about the business it conducts. Prior to the downturn in 2008 the UK new car market was approximately 2.4 million vehicles. In the last three years, registrations have averaged under 2.0 million vehicles annually. In 2009 the government launched a scrappage scheme which boosted vehicle sales during the downturn. This scheme ended in the first half of 2010.

The following table summarises the new car market and scrappage scheme in the UK for the twelve months ended 31 December 2011:

UK New Car Market	2011 ’000	2010 ’000	Variance %
Retail vehicle market	823.1	958.0	(14.1%)
Fleet vehicle market	1,118.2	1,072.8	4.2%
New vehicle market	**1,941.3**	**2,030.8**	**(4.4%)**
Scrappage vehicles	-	(107.3)	-
New vehicle market excl. scrappage	**1,941.3**	**1,923.5**	**0.9%**
Retail vehicle market excl. scrappage	823.1	850.6	(3.2%)

The UK commercial vehicle market, consisting of vans and trucks, had a market size of 303,000 new units in 2011 which was up 17.8% on 2010. The truck market increased by 24.6% in the year and the van market increased by 16.7%.

The Group has a small representation in California. The USA new car market was 12.7 million in 2011, a rise of 10.3% over 2010.

New Vehicle Sector Performance: The overall new vehicle gross profit for the Group reduced by £12.7 million in 2011, on a like for like basis the reduction in new gross profit was £7.8 million. This reduction has largely been due to the Evans Halshaw segment which has been more significantly impacted by the reduction in the new retail car market in 2011. Encouragingly, the Group maintained new car gross margin at 7.9% in 2011 despite these lower activity levels.

Operational Review

The Group is divided operationally into eight distinct trading segments. The core vehicle retail businesses consist of two segments, Stratstone and Evans Halshaw. Additionally, we have segments for our Chatfields truck business and California. Support businesses consist of the following four segments: Leasing, Quickco, Pinewood and Central.

Results By Segment And Sector

Underlying revenue, gross profit and operating profit by segment for the Group for the twelve months ended 31 December are shown below:

Segment Results – Pendragon PLC	2011 Underlying			2010 Underlying		
	Revenue £m	Gross profit £m	Operating profit £m	Revenue £m	Gross profit £m	Operating profit £m
Stratstone	1,259.3	161.8	27.8	1,317.7	178.1	29.2
Evans Halshaw	1,848.7	233.7	22.6	1,902.9	240.3	20.6
Chatfields	74.3	12.8	1.1	75.0	13.6	1.4
California	169.6	28.5	5.7	159.5	27.7	5.8
Support businesses	66.3	31.3	17.2	79.2	36.8	18.1
TOTAL	**3,418.2**	**468.1**	**74.4**	**3,534.3**	**496.5**	**75.1**

Underlying revenue, gross profit and gross margin percentage by sector for the vehicle retail business for the twelve months ended 31 December are shown below:

Sector Results – Pendragon PLC	2011 Underlying			2010 Underlying		
	Revenue £m	Gross profit £m	Gross margin %	Revenue £m	Gross profit £m	Gross margin %
Aftersales	326.6	194.6	59.6%	354.7	202.3	57.1%
Used	1,287.5	124.7	9.7%	1,189.1	124.7	10.5%
New	1,515.9	119.9	7.9%	1,678.7	132.6	7.9%
Trade/wholesale	221.9	(2.4)	(1.1%)	232.6	0.1	0.1%
TOTAL	**3,351.9**	**436.8**	**13.0%**	**3,455.1**	**459.7**	**13.3%**

Stratstone is the UK's leading prestige motor car retailer with 93 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Honda, Jaguar, Land Rover, Lotus, Maserati, Mercedes-Benz, MINI, Porsche and Smart as well as five motorcycle franchises. The results for the twelve months ended 31 December are as follows:

Underlying – Stratstone	Revenue £m	Gross profit £m	Gross margin %	Operating profit £m	Operating margin %	Total units sold '000	Gross profit per unit £
Existing	1,236.6	159.4	12.9%	29.3	2.4%	44.3	-
Disposed	22.7	2.4	10.6%	(1.5)	(6.6%)	1.0	-
TOTAL 2011	**1,259.3**	**161.8**	**12.8%**	**27.8**	**2.2%**	**45.3**	**2,072**
TOTAL 2010	1,317.7	178.1	13.5%	29.2	2.2%	46.9	2,183

The underlying results by sector for the twelve months of the year ended 31 December are as follows:

Underlying by Sector - Stratstone	2011 Revenue £m	2011 Gross profit £m	2011 Gross margin %	2010 Revenue £m	2010 Gross profit £m	2010 Gross margin %
Aftersales	113.2	68.0	60.1%	127.6	75.9	59.4%
Used	547.3	42.5	7.8%	533.4	45.5	8.5%
New	556.7	52.1	9.4%	606.7	56.0	9.2%
Trade/wholesale	42.1	(0.8)	(1.8%)	50.0	0.7	1.4%
TOTAL	**1,259.3**	**161.8**	**12.8%**	**1,317.7**	**178.1**	**13.5%**

Revenues were up by 2.6% year on year on a like for like basis assisted by strong used car volume growth. Like for like aftersales gross margins are strong at 60.4%, in line with the prior year. The aftersales sector gross profit decreased on a like for like basis by 3.8%, with retail activity falling 2.5% but warranty work falling significantly by 15.9%. Used volume increased by 12.4% on a like for like basis in Stratstone, with used retail gross profit falling by 1.2%.

The following table provides the movement in registrations nationally for the brands that Stratstone represents for the twelve months ended 31 December:

Stratstone New Car Market	2011 ’000	2010 ’000	Variance %
Retail vehicle market	180.4	197.3	(8.6%)
Fleet vehicle market	183.9	165.3	11.2%
New vehicle market	**364.3**	**362.6**	**0.5%**
Scrappage vehicles	-	(8.0)	-
New vehicle market excl. scrappage	**364.3**	**354.6**	**2.7%**
Retail vehicle market excl. scrappage	180.4	189.3	(4.7%)

Our retail performance excluding scrappage on a like for like basis, our primary area of focus, was down by 7.1% compared to a national decrease of 4.7% for the brands that Stratstone represents.

Evans Halshaw is the UK's leading volume motor car retailer, with 125 franchise points. Evans Halshaw holds franchises to retail and service Chevrolet, Citroen, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall. The results for the twelve months ended 31 December are as follows:

Underlying – Evans Halshaw	**Revenue £m**	**Gross profit £m**	**Gross margin %**	**Operating profit £m**	**Operating margin %**	**Total units sold '000**	**Gross profit per unit £**
Existing	1,830.9	231.9	12.7%	23.1	1.3%	167.9	-
Disposed	17.8	1.8	10.1%	(0.5)	(2.8%)	1.8	-
TOTAL 2011	**1,848.7**	**233.7**	**12.6%**	**22.6**	**1.2%**	**169.7**	**769**
TOTAL 2010	1,902.9	240.3	12.6%	20.6	1.1%	168.9	817

The underlying results by sector for the twelve months of the year ended 31 December are as follows:

Underlying by Sector – Evans Halshaw	**2011**			**2010**		
	Revenue £m	**Gross profit £m**	**Gross margin %**	**Revenue £m**	**Gross profit £m**	**Gross margin %**
Aftersales	161.3	103.3	64.0%	173.1	102.3	59.1%
Used	698.4	78.5	11.2%	618.5	75.9	12.3%
New	818.3	53.4	6.5%	938.5	62.7	6.7%
Trade/wholesale	170.7	(1.5)	(0.9%)	172.8	(0.6)	(0.4%)
TOTAL	**1,848.7**	**233.7**	**12.6%**	**1,902.9**	**240.3**	**12.6%**

Total revenues fell by 1.1% on a like for like basis over the prior year, largely driven by new retail and fleet activity reductions offset by significant revenue growth in used. Like for like aftersales gross profit increased by 2.4% with aftersales margin at 63.8% which is an increase from 59.2% in the prior year. Used volume increased 14.9% with used retail gross profit up by 5.3% on a like for like basis.

The following table provides the movement in registrations nationally for the brands that Evans Halshaw represents:

Evans Halshaw New Car Market	**2011 ’000**	**2010 ’000**	**Variance %**
Retail vehicle market	354.1	436.0	(18.8%)
Fleet vehicle market	603.7	591.1	2.1%
New vehicle market	**957.8**	**1,027.1**	**(6.7%)**
Scrappage vehicles	-	(56.5)	-
New vehicle market excl. scrappage	**957.8**	**970.6**	**(1.3%)**
Retail vehicle market excl. scrappage	354.1	379.5	(6.7%)

Our retail performance excluding scrappage on a like for like basis, our primary area of focus, was down by 4.5% compared to a national decrease of 6.7% for the brands that Evans Halshaw represents.

Chatfields is our commercial vans and trucks segment with eight franchise points. Chatfields holds franchises to retail and/or service Ford, DAF, Nissan and Renault. Revenues on a like for like basis are in line with the prior year largely due to an increase in used retail volume offsetting a fall in new retail and trade volumes. Gross profit on a like for like basis fell by 4.1% largely due to a fall in new gross profit. Encouragingly used volume on a like for like basis increased by 45.0%, a significant improvement over the prior year. New vehicle volumes increased by 1.6% on a like for like basis.

The results for the twelve months ended 31 December are as follows:

Underlying - Chatfields	**Revenue £m**	**Gross profit £m**	**Gross margin %**	**Operating profit £m**	**Operating margin %**	**Total units sold ‘000**	**Gross profit per unit £**
Existing	74.3	12.8	17.2%	1.1	1.5%	1.6	-
Disposed	-	-	-	-	-	-	-
TOTAL 2011	**74.3**	**12.8**	**17.2%**	**1.1**	**1.5%**	**1.6**	**1,122**
TOTAL 2010	75.0	13.6	18.2%	1.4	1.8%	1.4	1,659

The underlying results by sector for the twelve months of the year ended 31 December are as follows:

Underlying by Sector - Chatfields	2011 Revenue £m	2011 Gross profit £m	2011 Gross margin %	2010 Revenue £m	2010 Gross profit £m	2010 Gross margin %
Aftersales	28.9	11.0	37.9%	29.7	11.3	38.1%
Used	8.6	0.4	4.5%	5.3	0.4	8.2%
New	35.2	1.4	4.1%	36.1	1.8	4.9%
Trade/wholesale	1.6	(0.0)	(1.7%)	3.9	0.1	2.0%
TOTAL	**74.3**	**12.8**	**17.2%**	**75.0**	**13.6**	**18.2%**

California consists of nine franchise points in Southern California which operate Aston Martin, Jaguar and Land Rover brands. Turnover increased by 6.3% over the 2010 period largely owing to new vehicle sales resulting from strong Land Rover performance. New unit volume has increased by 12.7% and used volume has increased by 7.4% versus the prior year.

The results for the twelve months ended 31 December are as follows:

Underlying - California	Revenue £m	Gross profit £m	Gross margin %	Operating profit £m	Operating margin %	Total units sold '000	Gross profit per unit £
Existing	**169.6**	**28.5**	**16.8%**	**5.7**	**3.4%**	**3.9**	**-**
Disposed	-	-	-	-	-	-	-
TOTAL 2011	**169.6**	**28.5**	**16.8%**	**5.7**	**3.4%**	**3.9**	**4,158**
TOTAL 2010	159.5	27.7	17.4%	5.8	3.7%	3.5	4,221

The underlying results by sector for the twelve months of the year ended 31 December are as follows:

Underlying by Sector - California	2011			2010		
	Revenue £m	Gross profit £m	Gross margin %	Revenue £m	Gross profit £m	Gross margin %
Aftersales	23.2	12.4	53.4%	24.3	12.9	53.1%
Used	33.1	3.4	10.2%	31.9	2.8	8.8%
New	105.8	12.8	12.1%	97.4	12.1	12.4%
Trade/wholesale	7.5	(0.1)	(0.9%)	5.9	(0.1)	(1.0%)
TOTAL	**169.6**	**28.5**	**16.8%**	**159.5**	**27.7**	**17.4%**

Support Businesses

Our Support businesses provide a broad range of services both to the Pendragon Group and to external customers. The services are provided by a number of specialist businesses which consist of contract hire and leasing, dealership management systems and wholesale parts distribution. The underlying results for the twelve months ended 31 December are summarised as follows:

Underlying – Support Businesses	Revenue £m	Gross profit £m	Gross margin %	Operating profit £m	Operating margin %
TOTAL 2011	**66.3**	**31.3**	**47.2%**	**17.2**	**25.9%**
TOTAL 2010	79.2	36.8	46.5%	18.1	22.9%

Contract Hire Market: We operate a contract hire and leasing business in the UK. Profits are generated during the lease and when we sell the used car after it is returned to us at the end of the lease period. Profitability of our leasing business has remained at normal levels, reflecting the stabilisation of the used car market.

Contract Hire Performance: The contract hire and leasing business generated an operating profit of £6.5 million compared to £7.5 million in the prior period due to lower volume of profit on end of lease disposals as the fleet size has reduced. The fleet size stood at 9,800 at 31 December 2011 compared to 10,100 at 31 December 2010. This trend is expected to continue in 2012 but then stabilise in future years. The underlying results for the twelve months ended 31 December are shown below:

Underlying - Contracts	Revenue £m	Gross profit £m	Gross margin %	Operating profit £m	Operating margin %	Fleet size '000
TOTAL 2011	**38.1**	**9.8**	**25.6%**	**6.5**	**17.2%**	**9.8**
TOTAL 2010	44.9	9.9	22.1%	7.5	16.7%	10.1

Dealer Management Systems Market: In the UK, the market for dealer management software systems is served by three main suppliers and the market opportunity is determined by the number of franchise points. We operate extensively in the UK under the 'Pinewood Technologies' brand.

Dealer Management Systems Performance: Operating profit for the period is broadly in line with the prior year at £8.8 million. The underlying results for the twelve months ended 31 December are shown below:

Underlying - Pinewood	Revenue £m	Gross profit £m	Gross margin %	Operating profit £m	Operating margin %
TOTAL 2011	**22.9**	**16.4**	**71.7%**	**8.8**	**38.4%**
TOTAL 2010	23.8	16.1	67.8%	9.1	38.4%

Parts Wholesale Market: The market consists of wholesale motor vehicle parts suppliers who supply to franchised and non-franchised retailers. The market is scale driven but is highly fragmented owing to the large number of suppliers.

Parts Wholesale Performance: Quickco, our independent genuine parts wholesale business, improved with operating profit increasing to £1.9 million from £1.5 million in the prior year. The underlying results for the twelve months ended 31 December are shown below:

Underlying - Quickco	Revenue £m	Gross profit £m	Gross margin %	Operating profit £m	Operating margin %
TOTAL 2011	**61.5**	**14.1**	**22.9%**	**1.9**	**3.0%**
TOTAL 2010	61.9	14.4	23.3%	1.5	2.4%

Balance Sheet and Cashflow

Cash flow

The cash flows of the business for the twelve months ended 31 December are summarised as follows:

Summary cash flow – Pendragon PLC	**2011 £m**	**2010 £m**
Underlying operating profit	**74.4**	**75.1**
Depreciation and amortisation	37.2	40.0
Non-underlying cashflow	4.2	(11.3)
Underlying working capital movement	(19.0)	(59.6)
Other items	0.8	0.6
Operating cash flow	**97.6**	**44.8**
Net underlying interest paid	(48.2)	(36.9)
Net non-underlying interest paid	(8.3)	-
Tax paid	(1.5)	(1.4)
Replacement capital expenditure	(21.2)	(13.3)
Free cash flow	**18.4**	**(6.8)**
Acquisitions	(6.8)	(6.5)
Disposals	4.2	9.0
Other	(7.9)	(5.8)
Net proceeds of rights issue	70.8	-
Reduction / (increase) in net debt	**78.7**	**(10.1)**

Operating cash flow was £97.6 million, which compares with £44.8 million generated in 2010. The operating cash flow includes an outflow of underlying working capital of £19.0 million versus an outflow of £59.6 million in the prior year. Non-underlying interest costs of £8.3 million principally comprise of refinancing costs.

Replacement capital expenditure was £8.7 million in respect of plant & machinery and fixtures & fittings. Business disposals raised £0.9 million in 2011 (2010 : £4.9 million) with a £0.2 million loss on sale (2010 : £nil). Surplus property disposals raised £3.3 million (2010 : £4.1 million) with a £0.6 million profit on sale (2010 : £0.3 million).

The net proceeds of the Rights Issue was £70.8 million (gross proceeds of £75.2 million).

The Group continues to operate comfortably within its banking covenants.

Net Debt and Financing

Our net borrowings as at 31 December 2011 were £246.8 million compared to £325.5 million at the end of 2010. The Group views its financial capital resources as primarily comprising share capital, loan notes, bank loans, vehicle stocking credit lines and operating cashflow. The Group is also responsible for funding the pension deficit and thus the total financial resources required by the Group to fund itself at 31 December comprise:

Net Debt and Funding – Pendragon PLC	**2011 £m**	**2010 £m**
Bank	245.2	323.0
Finance leases	1.6	2.5
Net debt	**246.8**	**325.5**
Stock finance	129.1	128.8
Manufacturer finance arm	399.1	338.5
Pension deficit	8.0	69.7
Total funding	**783.0**	**862.5**

The Board's policy is to maintain a strong capital base to maintain market confidence and to sustain the development of the business, whilst maximising the return to shareholders. The Group's key measure of return to shareholders is underlying earnings per share. The Group's strategy will be to maintain facilities appropriate to the working capital requirements of the Group whilst reducing debt towards a revised long-term Debt:Underlying EBITDA target of 1.5:1.0.

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 franchise points, we have a number of vacant property assets which are held for sale. At 31 December 2011 we held £173.8 million (2010 : £177.1 million) of property assets on the balance sheet as well as £29.0 million of properties held for sale.

In 2011 we disposed of three freehold properties which were operationally surplus to requirements. This resulted in proceeds of £3.3 million and profit of £0.6 million on disposal.

Regarding our investment in our joint venture property company, the value of this investment continues to be fully impaired. The restructuring of the joint venture was completed during the year. 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 rent.

Risks and Uncertainties

We set out in our 2011 annual report the Board's policy of continuous identification and review of risks which may cause our actual future Group results to differ materially from expected results. The principal risks identified were: business strategy delivery, funding and liquidity, adverse economic and business conditions, used vehicle prices, legislative changes in vehicle taxation, regulatory compliance, vehicle manufacturer dependencies and marketing programmes, levels of new vehicle production, franchise agreements, reliance on certain management and employees, failure of information systems, reliance on the use of significant estimates and competition and market challenges. These are set out in the 2011 annual report. The Board has recently reviewed the risk factors and confirms that they should remain valid for the rest of the year. For the remainder of the year the Board considers the main areas of risk and uncertainty that could impact profitability to be used vehicle prices and economic and business conditions.

Outlook

Strong progress has been made by the Group in 2011 despite the turbulent economic conditions. The used sector has been a key performance highlight for the Group for the year. This will remain our key strategic area of focus and we expect this momentum to continue during 2012. Aftersales is still impacted by the reduced market opportunity in the less than three year old vehicles group, but we will continue to roll out our aftersales initiatives to assist our performance. We again expect the new prestige sector to perform well in 2012 with the new volume retail sector being more adversely impacted by economic conditions, at least in the first half of 2012. Given our recent performance, strong cost control, lower finance costs and clear strategic goals we expect to maintain our momentum into 2012.

TREVOR FINN
Chief Executive
21 February 2012

Consolidated Income Statement

Year ended 31 December 2011

	Underlying £m	Non-underlying £m	**2011 £m**	Underlying £m	Non-underlying £m	2010 £m
Revenue	3,418.2	47.6	**3,465.8**	3,534.3	40.7	**3,575.0**
Cost of sales	(2,950.1)	(45.1)	**(2,995.2)**	(3,037.8)	(37.8)	**(3,075.6)**
Gross profit	468.1	2.5	**470.6**	496.5	2.9	**499.4**
Operating expenses	(393.7)	0.7	**(393.0)**	(421.4)	(15.1)	**(436.5)**
Operating profit before other income	74.4	3.2	**77.6**	75.1	(12.2)	**62.9**
Other income – gains on the sale of businesses and property	-	0.4	**0.4**	-	0.3	**0.3**
Operating profit	74.4	3.6	**78.0**	75.1	(11.9)	**63.2**
Finance expense (note 4)	(44.2)	(38.8)	**(83.0)**	(50.8)	(21.2)	**(72.0)**
Finance income (note 5)	0.6	28.4	**29.0**	0.9	18.9	**19.8**
Net finance costs	(43.6)	(10.4)	**(54.0)**	(49.9)	(2.3)	**(52.2)**
Profit before taxation	30.8	(6.8)	**24.0**	25.2	(14.2)	**11.0**
Income tax credit / (expense)	(5.7)	21.5	**15.8**	(9.1)	3.7	**(5.4)**
Profit for the year attributable to shareholders of the parent	25.1	14.7	**39.8**	16.1	(10.5)	**5.6**
Earnings per share (note 3)						
Basic earnings per share *			**3.7p**			**0.6p**
Diluted earnings per share *			**3.6p**			**0.6p**

Non GAAP measure (note 3)						
Underlying basic earnings per share *	2.3p			1.8p		
Underlying diluted earnings per share *	2.2p			1.7p		

* Restated to reflect the impact of the bonus element of the Rights Issue

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011 **£m**	2010 £m
Profit for the year	**39.8**	5.6
Other comprehensive income:		
Foreign currency translation differences of foreign operations	**0.2**	0.1
Defined benefit plan actuarial gains and losses	**(2.7)**	19.9
Income tax relating to defined benefit plan actuarial gains and losses	**0.7**	(5.6)
Adjustment in respect of minimum funding requirement on defined benefit plans	**16.5**	(21.3)
Income tax relating to adjustment in respect of minimum funding requirement on defined benefit plans	**(4.4)**	6.0
Other comprehensive income for the year, net of tax	**10.3**	(0.9)
Total comprehensive income for the year attributable to the shareholders of the parent	**50.1**	4.7

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	**Total £m**
Balance at 1 January 2011	33.4	56.8	2.5	12.6	(0.5)	6.4	-	**111.2**
Total comprehensive income for 2011								
Profit for the year	-	-	-	-	-	39.8	-	**39.8**
Other comprehensive income for the year, net of tax	-	-	-	-	0.2	10.1	-	**10.3**
Total comprehensive income for the year attributable to the shareholders of the parent	-	-	-	-	0.2	49.9	-	**50.1**
Issue of ordinary shares	37.6	-	-	-	-	-	-	**37.6**
Rights Issue	-	-	-	33.2	-	-	-	**33.2**
Transfer to retained earnings	-	-	-	(33.2)	-	33.2	-	-
Investment in Pension partnership by Pension Schemes	-	-	-	-	-	-	34.3	**34.3**
Share based payments	-	-	-	-	-	0.8	-	**0.8**
Balance at 31 December 2011	71.0	56.8	2.5	12.6	(0.3)	90.3	34.3	**267.2**
Balance at 1 January 2010	33.1	56.8	2.5	12.6	(0.6)	1.5	-	**105.9**
Total comprehensive income for 2010								
Profit for the year	-	-	-	-	-	5.6	-	**5.6**
Other comprehensive income for the year, net of tax	-	-	-	-	0.1	(1.0)	-	**(0.9)**
Total comprehensive income for the year attributable to the shareholders of the parent	-	-	-	-	0.1	4.6	-	**4.7**
Issue of ordinary shares	0.3	-	-	-	-	(0.3)	-	**-**
Share based payments	-	-	-	-	-	0.6	-	**0.6**
Balance at 31 December 2010	33.4	56.8	2.5	12.6	(0.5)	6.4	-	**111.2**

Consolidated Balance Sheet

At 31 December 2011

	2011	2010
	£m	£m
Non-current assets		
Property, plant and equipment	**299.4**	284.5
Goodwill	**367.7**	367.7
Other intangible assets	**3.8**	3.5
Derivative financial instruments	**21.5**	27.0
Deferred tax assets	**13.7**	0.1
Total non-current assets	**706.1**	682.8
Current assets		
Inventories	**565.4**	492.8
Trade and other receivables	**101.3**	110.2
Cash and cash equivalents	**101.4**	91.2
Non-current assets classified as held for sale	**29.0**	25.1
Total current assets	**797.1**	719.3
Total assets	**1,503.2**	1,402.1
Current liabilities		
Interest bearing loans and borrowings	**(64.3)**	(67.4)
Trade and other payables	**(799.7)**	(714.4)
Deferred income	**(0.2)**	(0.1)
Current tax payable	**(25.0)**	(25.0)
Provisions	**(4.8)**	(10.9)
Total current liabilities	**(894.0)**	(817.8)
Non-current liabilities		
Interest bearing loans and borrowings	**(305.4)**	(376.3)
Deferred income	**(18.7)**	(18.9)
Retirement benefit obligations	**(8.0)**	(69.7)
Provisions	**(9.9)**	(8.2)
Total non-current liabilities	**(342.0)**	(473.1)
Total liabilities	**(1,236.0)**	(1,290.9)
Net assets	**267.2**	111.2
Capital and reserves		
Called up share capital	**71.0**	33.4
Share premium account	**56.8**	56.8
Capital redemption reserve	**2.5**	2.5
Other reserves	**12.6**	12.6
Translation reserve	**(0.3)**	(0.5)
Retained earnings	**90.3**	6.4
	232.9	111.2
Non-controlling interests	**34.3**	-
Total equity attributable to equity shareholders of the Company	**267.2**	111.2

Registered Company Number: 2304195

Consolidated Cash Flow Statement

Year ended 31 December 2011

	2011	2010
	£m	£m
Cash flows from operating activities		
Profit for the year	**39.8**	5.6
Adjustment for taxation	**(15.8)**	5.4
Adjustment for net financing expense	**54.0**	52.2
	78.0	63.2
Depreciation and amortisation	**37.2**	40.0
Share based payments	**0.8**	0.6
Profit on sale of businesses and property	**(0.4)**	(0.3)
Impairment of property, plant and equipment	**0.1**	-
Impairment of assets held for sale	**0.9**	0.9
Changes in inventories	**(57.9)**	(41.1)
Changes in trade and other receivables	**8.2**	(3.1)
Changes in trade and other payables	**77.2**	1.9
Changes in retirement benefit obligations	**(10.8)**	(15.8)
Changes in provisions	**(4.4)**	(1.5)
Cash generated from operations	**128.9**	44.8
Taxation paid	**(1.5)**	(1.4)
Interest received	**5.7**	0.9
Interest paid	**(49.2)**	(37.8)
Net cash from operating activities	**83.9**	6.5
Cash flows from investing activities		
Proceeds from sale of businesses	**0.9**	4.9
Purchase of property, plant, equipment and intangible assets	**(128.0)**	(99.3)
Proceeds from sale of property, plant and equipment	**72.0**	83.6
Net cash used in investing activities	**(55.1)**	(10.8)
Cash flows from financing activities		
Proceeds on issue of shares (net of costs paid)	**70.8**	-
Payment of capital element of finance lease rentals	**(0.9)**	(2.3)
Repayment of bank loans	**(77.5)**	(40.0)
Proceeds from issue of loans	**2.1**	50.0
Payment of transaction costs related to loans and borrowings	**(13.0)**	-
Distribution to non-controlling interests	**(0.2)**	-
Net cash (outflow) / inflow from financing activities	**(18.7)**	7.7
Net increase in cash and cash equivalents	**10.1**	3.4
Cash and cash equivalents at 1 January	**91.2**	86.8
Effects of exchange rate changes on cash held	**0.1**	1.0
Cash and cash equivalents at 31 December	**101.4**	91.2

Reconciliation of net cash flow to movement in net debt

	2011	2010
	£m	£m
Net increase in cash and cash equivalents	**10.1**	3.4
Payment of capital element of finance lease rentals	**0.9**	2.3
Repayment of bank loans	**77.5**	40.0
Proceeds from issue of loans	**(2.1)**	(50.0)
Non-cash movements	**(7.7)**	(5.8)
Decrease / (increase) in net debt in the year	**78.7**	(10.1)
Opening net debt	**(325.5)**	(315.4)
Closing net debt	**(246.8)**	(325.5)

Notes to the Financial Statements

1. Basis of preparation

The Group summary financial statements have been prepared and approved by the directors in accordance with international accounting standards, being the International Financial Reporting Standards as adopted by the EU ("adopted IFRSs").

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.

In August 2011, a Rights Issue raising net proceeds of £70.8m which was used to repay existing debt and the Group's financing facilities were extended until June 2014 on improved terms. Current forecasts and projections taking account of potential changes in market circumstances show that the Group should be able to operate within the level of the current facilities.

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.

Non-underlying items are presented in the consolidated income statement being those items that are unusual because of their size, nature or incidence. The directors consider that these items should be disclosed separately to enable a full understanding of the Group's results.

2. Non-underlying items

	2011 £m	2010 £m
Within Turnover		
Turnover from closed businesses	**-**	26.0
Turnover from start up businesses	**47.6**	14.7
	47.6	40.7
Within cost of sales		
Cost of sales of closed businesses	**-**	(23.7)
Cost of sales of start up businesses	**(45.1)**	(14.1)
	(45.1)	(37.8)
Within operating expenses:		
Operating expenses and closure costs incurred on closed businesses	**-**	(8.9)
Operating expenses incurred in start up businesses	**(6.9)**	(3.4)
Impairment of property, plant and equipment	**(0.1)**	-
Impairment of assets held for sale	**(0.9)**	(0.9)
Redundancy costs	**-**	(1.9)
Professional fees	**(0.8)**	-
VAT assessment refunds and provision reversal	**9.4**	-
	0.7	(15.1)
Within other income – gains on the sale of businesses and property:		
Losses on the sale of businesses	**(0.2)**	-
Gains on the sale of property	**0.6**	0.3
	0.4	0.3

	2011 £m	2010 £m
Within finance expense:		
Interest on pension scheme obligations	**(20.7)**	(21.2)
Interest charge in start up business	**(0.4)**	-
Refinancing fees and costs	**(17.7)**	-
	(38.8)	(21.2)
Within finance income:		
Interest on pension scheme assets	**23.3**	18.9
Interest on VAT refunds	**5.1**	-
	28.4	18.9
Total non-underlying items (before tax)	**(6.8)**	(14.2)

The following amounts have been presented as non-underlying items in the financial statements:

Group tangible fixed assets and assets held for sale have been reviewed for possible impairments in the light of economic conditions. As a result of this review there was an impairment charge against tangible fixed assets of £0.1m during the year (2010: £nil). A £0.9m charge was recognised against assets held for sale (2010: £0.9m).

During the previous three years the Group has undertaken a programme of business closures incurring losses in the process which were deemed non-underlying. The closure programme was fundamentally completed in 2010, therefore subsequent closure activity has been deemed to be part of the ongoing underlying business and as such no non-underlying losses are reported in 2011. During the prior year the Group recognised losses of £6.6m which included wind down expenses, losses on assets, redundancy and vacant property occupancy costs on businesses closed during that year. On the same basis the cost included in the 2011 income statement as an underlying item in relation to ongoing closure costs was £1.6m.

During the previous year the Group set up a new business of Used Car Supermarkets operating under the Quicks brand. During the current year further sites were added as the Group seeks to build and establish the Quicks brand. As this business establishes itself the initial costs and subsequent trading losses incurred as the Group develops and promotes the brand amounted to £4.8m (2010: £2.8m) which are presented as non-underlying.

The Group undertook in the prior year a programme of redundancies in its core businesses in light of market conditions as a result of the current economic situation, resulting in non-underlying costs of £1.9m in 2010. Further redundancies on a smaller scale took place in 2011 and as such the related costs of £1.0m are included as an underlying item in 2011.

The net financing return on pension obligations in respect of the defined benefit schemes closed to future accrual is shown as a non-underlying item due to the volatility of this amount. Net income of £2.6m has been recognised during the year (2010: net cost £2.3m).

Other income, being the profit on disposal of businesses and property, comprises a £0.6m profit on sale of properties (2010: £0.3m) and a £0.2m loss on the disposal of motor vehicle dealerships (2010: £nil).

Upon the successful completion of the refinancing of the Group during the year a net loss of £17.7m was recorded, comprising of refinancing related costs.

In conjunction with the re-financing the Group entered into a Pension Deficit Reduction Plan. The Group has incurred professional fees of £0.8m in setting up this arrangement which because of their one-off nature are presented as non-underlying.

A VAT refund of £4.7m, net of costs, was recognised in the year in respect of VAT overpaid on demonstrator vehicles over the period from 1973 to 1996. Associated interest received of £5.1m is disclosed within finance income. In addition the Group has completed discussions with HM Revenue & Customs in respect of the VAT treatment of sales of vehicles to certain disabled customers and has reversed the remainder of the provision held in respect of this matter which amounted to £4.7m.

The current tax credit in relation to the non-underlying items was £21.5m (2010: £3.7m). This comprises a tax credit of £1.5m in respect of net non-underlying expenses of £6.8m plus an additional non-underlying deferred tax credit of £20.0m has been recognised during the year, relating to the release of provisions no longer required in respect of tax deferred on the original disposal of properties to the Company's property joint venture. An asset disposal programme conducted by the joint venture resulted in crystallisation of tax liabilities in a depressed property sector at amounts significantly lower than the values tax were originally deferred on.

3. **Earnings per share**

	2011 Earnings per share Pence	2011 Earnings Total £m	Restated * 2010 Earnings per share Pence	2010 Earnings Total £m
Basic earnings per share	**3.7**	**39.8**	0.6	5.6
Adjusting items:				
Non-underlying items (see note 2)	**0.6**	**6.8**	1.6	14.2
Tax effect of non-underlying items	**(2.0)**	**(21.5)**	(0.4)	(3.7)
Underlying earnings per share (Non GAAP measure)	**2.3**	**25.1**	1.8	16.1
Diluted earnings per share	**3.6**	**39.8**	0.6	5.6
Diluted earnings per share- adjusted (Non GAAP measure)	**2.2**	**25.1**	1.7	16.1

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

	2011 Number	Restated * 2010 Number
Weighted average number of ordinary shares in issue	**1,085.6**	902.5
Weighted average number of dilutive shares under option	**30.1**	42.3
Weighted average number of shares in issue taking account of applicable outstanding share options	**1,115.7**	944.8
Non-dilutive shares under option	**57.3**	48.0

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

* Restated to reflect the impact of the bonus element of the Rights Issue

4. **Finance expense**

Recognised in profit and loss	2011 £m	2010 £m
Interest payable on bank borrowings and loan notes	**29.0**	39.0
Refinancing fees and costs (non-underlying)	**17.7**	-
Vehicle stocking plan interest	**13.8**	9.6
Interest payable on finance leases	**0.1**	0.3
Interest on pension scheme obligations (non-underlying)	**20.7**	21.2
Less : interest capitalised	**(0.1)**	(0.1)
Total interest expense	**81.2**	70.0
Net fair value expense in respect of hedging relationships	**0.2**	0.4
Unwinding of discounts in contract hire residual values	**1.6**	1.6
Total finance expense	**83.0**	72.0

5. **Finance income**

Recognised in profit and loss	2011 £m	2010 £m
Interest receivable on bank deposits	**0.6**	0.9
Interest on VAT refunds (non-underlying)	**5.1**	-
Interest on pension scheme assets (non-underlying)	**23.3**	18.9
Total finance income	**29.0**	19.8

6. **Net Borrowings**

	2011	2010
	£m	£m
Cash and cash equivalents	**101.4**	91.2
Current interest bearing loans and borrowings	**(64.3)**	(67.4)
Non-current interest bearing loans and borrowings	**(305.4)**	(376.3)
Derivative financial instruments	**21.5**	27.0
	(246.8)	(325.5)

7. **Pension Funds**

The net liability for defined benefit obligations has decreased from £69.7 million at 31 December 2010 to £8.0 million at 31 December 2011. The decrease of £61.7 million comprises contributions of £45.3 million (which includes £34.5 million in respect of a transfer of properties into a Central Asset Reserve as part of the Pension Deficit Reduction Plan), net interest income in the income statement of £2.6 million, a net actuarial loss of £2.7 million and a £16.5 million credit adjustment in respect of the minimum funding requirement and non-recognition of surplus. The net actuarial gain 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 of 4.85% (2010: 5.40%) ,inflation rate (RPI) of 3.00% (2010: 3.50%) and inflation rate (CPI) of 2.20% (2010: 3.00%).

8. **Annual report**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2011 or 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Full financial statements for the year ended 31 December 2011 are published on the Group's website at www.pendragonplc.com and will be posted to shareholders and after adoption at the Annual General Meeting on 10 May 2012 they 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.