Issued: 6 August 2013 Press Release

PENDRAGON PLC INTERIM RESULTS – SIX MONTHS ENDED 30 JUNE 2013

"Positive markets and improving operational performance have enabled a strong start to 2013. A step change reduction in net debt provides a strong platform for the future of the UK's leading car retailer."

Financial Highlights £m	6 Months Ended 30 June 2013	6 Months Ended 30 June 2012#	YOY Change %
Revenue	2,015.1	1,914.1	+5%
Gross Profit	253.5	245.0	+3%
Operating Profit	40.1	38.5	+4%
Profit Before Tax	**16.7**	**21.8**	**-23%**
Underlying* Revenue	2,015.1	1,914.1	+5%
Underlying* Gross Profit	253.5	245.0	+3%
Underlying* Operating Profit	40.3	37.5	+7%
Underlying* Profit Before Tax	**23.6**	**19.1**	**+24%**
Underlying* Gross Margin (%)	12.6%	12.8%	-0.2%
Underlying* Operating Margin (%)	2.0%	2.0%	-
Net Debt	147.3	220.7	-33%
Debt : Underlying* EBITDA Ratio	1.3	2.1	-38%
Underlying* Earnings Per Share (p)	1.2	1.1	+9%

* Underlying results exclude items that have non-trading attributes due to their size, nature or incidence.

Restated to reflect the impact of the adoption of IAS 19 (2011).

NOTE: Within this document, like for like results include only current trading businesses which have a 12 month comparative history. All percentages shown are the calculated value from the table shown and may vary from the actual numbers due to rounding. Year on year percentage variances for margins show the absolute percentage movement only. All commentary versus the prior year unless stated.

Overall Highlights

- Underlying profit before tax up £4.5 million (+24%) to £23.6 million.
- Net debt down by £73.4 million (-33%) from June 2012 to £147.3 million, debt : underlying EBITDA ratio of 1.3, achieving the Group's target of 1.5 ahead of time.
- Successful completion of secured seven year £175.0 million bond and four year £145.0 million revolving credit facility in the period.
- Like for like gross profit growth across all sectors: aftersales, used and new.
- Significant website growth: visitors up by 1.3 million (+23%) to 6.9 million. Rolling 12 month website visitors now 12.2 million to Stratstone.com, Evanshalshaw.com and Quicks.co.uk.
- Used car performance continues to outperform the market: like for like used vehicle volumes up 9% versus a used market fall of 5% from the latest quarter one national data.
- Strong performance in new retail sector and aftersales recovery under way.

Trevor Finn, Chief Executive, commented:

"The Group achieved strong performance in the first half of 2013 with underlying profit up 24%. The Group has achieved like for like gross profit improvements in all motor division sectors. The Group's used results continue to outperform the market and the used market remains a key area of strategic focus. A step change reduction in debt during the period has decreased debt to below £150 million. The combination of reduced debt and the successful refinancing has ensured the Group has conservative levels of borrowing and a robust balance sheet. Positive performing markets, improving operational performance and balance sheet strength has put the Group on a solid platform for future growth."

Enquiries			
Trevor Finn	Chief Executive	Pendragon PLC	01623 725114
Tim Holden	Finance Director	Pendragon PLC	01623 725114
Gordon Simpson	Partner	RLM Finsbury	0207 2513801
Philip Walters	Associate Partner	RLM Finsbury	0207 2513801

Summary of Contents

1. Chief Executive's Operational Review

Introduction

Pendragon is the leading automotive retailer in the UK and the Group has 231 franchise points, 14 dedicated used car locations, in addition to 12 locations for its support businesses. Pendragon sells and services a broad range of new, used and commercial vehicles in the UK, has an operation in California and a substantial presence in the UK dealer management systems, vehicle leasing and wholesale parts markets.

Pendragon's core business is the sale and servicing of new and used vehicles in the UK under the brands of Stratstone.com, for prestige brands, and Evanshalshaw.com, for volume brands. The Group has a used vehicle and aftersales operation in the UK branded Quicks.co.uk, together with a franchised business in California, USA. The Group also has a number of support businesses in the UK.

Revenue and Volumes

Revenue increased by £101.0 million (a 5% increase) due mainly to new and used volume improvements in the period. Revenue increased by £139.8 million (an 8% increase) on a like for like basis. The Group improved used like for like volumes by 9% in the period and improved new retail like for like volumes by 20%.

Gross Margin

Gross margin fell by just 20 basis points in the period to 12.6%. Aftersales gross margin improved by 290 basis points, used gross margin declined by 20 basis points and new gross margin remained flat year on year.

Gross Profit

Gross profit increased by £8.5 million in the period due to strong performance from the new and used sectors. On a like for like basis, gross profit increased by £12.5 million, due to improvements in all sectors with aftersales increasing by 1%, used increasing by 4% and new increasing by 11%.

Operating Costs

Operating costs have increased by £5.7 million and, on a like for like basis increased by £11.4 million, some of which are not expected to recur. Of this like for like increase, approximately £4.8 million is attributable to variable costs relating to new, used and aftersales activity levels. The remaining £6.6 million largely relates to property costs including heat, light and power, in addition to salaries and redundancy costs.

Operating Profit and Margin

Operating profit increased by £1.6 million to £40.1 million and underlying operating profit increased by £2.8 million to £40.3 million. Underlying operating margin remained at 2.0% in 2013.

Net Debt and Cash Flow

The Group's net debt fell to £147.3 million at 30 June 2013 from £216.4 million at 31 December 2012 and £220.7 million at 30 June 2012. The Group has been highly focussed on cash flow management and has achieved a strengthened balance sheet. The Group is therefore well positioned for future opportunities and growth. The debt : underlying EBITDA ratio fell to 1.3 which achieves our less than 1.5 target ahead of schedule. In view of this achievement, the Board will review the appropriate measure to target next, and set the new target in the context of its audited 2013 year end results.

Strategy

The Group remains focussed on maximising returns within three key sectors, reflecting their respective level of contribution to the Group, which are: aftersales, used and new. The Group has previously communicated its "strategic pillars" to achieve success in these sectors. These strategic pillars are vital to achieving the Group's objectives in the medium term and are: number one online motor retailer, value pricing, national footprint and scale and a superior IT platform.

Dividend

The Company will pay an interim dividend of 0.1p per share. The interim dividend will be paid on 28 October 2013 to shareholders on the register at the close of business on 27 September 2013. The Board is pleased with the strong net debt performance at the half year and remains committed to a progressive dividend policy.

2. Markets and Sector Performance

Our business can be split into four key sectors, in order of profit opportunity to the Group, as follows: aftersales services, used vehicle sales, new vehicle sales and support business sectors. Our support business can be split into a further three sectors, as follows: Pinewood, Contracts and Leasing and Quickco.

Sector Financial Highlights

The following table shows the underlying results for the Group by sector for the six months ended 30 June 2013 and 30 June 2012:

Underlying Sector Results for Six Months Ended 30 June										
	Aftersales		Used		New		Trade/ Wholesale		MOTOR DIVISION* TOTAL	
£m (unless stated)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue	154.8	164.4	759.2	728.3	952.4	865.2	104.5	108.1	1,970.9	1,866.0
Gross Profit	**97.2**	**98.5**	**70.0**	**68.1**	**73.0**	**66.7**	**(2.2)**	**(3.4)**	**238.0**	**229.9**
Gross Margin (%)	62.8%	59.9%	9.2%	9.4%	7.7%	7.7%	(2.1%)	(3.1%)	12.1%	12.3%
Operating Profit	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**32.1**	**29.6**
Operating Margin (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.6%	1.6%
	Pinewood		Contracts / Leasing		Quickco		SUPPORT TOTAL		GROUP TOTAL	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue	5.0	4.9	11.6	19.1	27.6	24.1	44.2	48.1	2,015.1	1,914.1
Gross Profit	**4.1**	**3.9**	**4.0**	**4.1**	**7.4**	**7.1**	**15.5**	**15.1**	**253.5**	**245.0**
Gross Margin (%)	82.0%	79.6%	34.5%	21.5%	26.8%	29.5%	35.1%	31.3%	12.6%	12.8%
Operating Profit	**4.3**	**4.3**	**2.8**	**2.9**	**1.1**	**0.7**	**8.2**	**7.9**	**40.3**	**37.5**
Operating Margin (%)	86.0%	87.8%	24.1%	15.2%	4.0%	2.9%	18.6%	16.4%	2.0%	2.0%

* Operating costs are not split by sector in the motor division so no operating profit or operating margin is available.

Aftersales Sector

Aftersales encompasses the service, maintenance and repair of motor vehicles including bodyshop repairs and the retailing of parts and other motor related accessories. The main determinant of the aftersales market is the overall size of the car parc. The car parc represents the number of cars in use on UK roads and has typically been around 32 million vehicles in each of the last three years.

For the Group, the second determinant of the aftersales market opportunity is the age profile of the car parc. Typically, around 19% of the car parc is represented by less than three year old vehicles, around 20% is represented by 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 less than three year old vehicle market than in the greater than three year old market profile. Over the last three years the Group has also targeted the over three year old vehicle market through our Vehicle Health Check process and associated initiatives such as service plans and value pricing. 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.

Aftersales Sector Performance

The Group's like for like retail labour sales are flat year on year as the less than three year old car parc has plateaued. The rate of decline of warranty work has also decreased, falling by less than 5% in the period. On a like for like basis, aftersales gross profit increased by £1.1 million, with gross margin increasing from 60.5% in 2012 to 62.7% in 2013, illustrating the recovery within this sector.

Used Vehicle Sector

The used vehicle sector comprises the selling of vehicles from one party to another for all vehicles except newly registered vehicles. In 2012, the UK used vehicle market was approximately 6.7 million units, with around half of these transactions being completed by franchise dealers and the balance being completed by independent dealers and private individuals.

The latest market data from Experian, to quarter one 2013, illustrated that 1.7 million used cars were sold in the UK which represents a 5% decrease on 2012. Nationally, the Ford Focus was the highest selling used car in the quarter, followed by the Ford Fiesta and Vauxhall Corsa.

Used Vehicle Sector Performance

The Group continues to achieve significant year on year growth in the key used vehicle sector with like for like used vehicle volumes increasing by 9%. Over a four year period the Group has increased like for like used volume by 65% which is equivalent to a constant annual growth rate of 13%. Gross margin fell marginally in the period by 20 basis points to 9.2%.

New Vehicle Sector

The new vehicle sector consists of the first registration of cars and commercial vehicles. In the first half of 2013, the UK car market increased by 10% over the prior year and had a market size of 1.164 million units. The new car market was 2.045 million units in 2012 and the Society of Motor Manufacturers and Traders ("SMMT") is currently expecting that the new car market will grow by 8% in 2013 to 2.216 million units.

The UK new car market is primarily divided into retail and fleet markets. The retail market is the direct selling of vehicle units to individual consumers and operates at a higher margin than the fleet market. The retail market is the key market opportunity for the Group and represents just under half of the total UK market. The fleet market represents selling of multiple vehicles to businesses and is predominantly transacted at a lower margin and consumes higher levels of working capital than retail.

The following table summarises the UK new car vehicle market separating the retail and fleet components for the six months ended 30 June 2013 and 30 June 2012:

New Car Vehicle Registrations for Six Months Ended 30 June				
'000	30 June 2013	30 June 2012	Change	Change %
UK Retail Market	557.5	476.3	81.2	+17.1%
UK Fleet Market	606.1	581.4	24.7	+4.3%
UK New Market	**1,163.6**	**1,057.7**	**105.9**	**+10.0%**
Group Represented* UK Retail Market	376.8	314.6	62.2	+19.8%
Group Represented* UK Fleet Market	435.1	417.2	17.9	+4.3%
Group Represented* UK New Market	**811.9**	**731.8**	**80.1**	**+10.9%**

*Group represented is defined as national registrations for the brands that the Group represents.

The UK commercial vehicle market, consisting of light commercial vehicles and trucks, had a market size of 154,497 new units in the first half of 2013, an increase of 8% over the prior year. The SMMT's expectations for 2013 are that the light commercial vehicle market will increase by 9% to 261,680 units from 239,641 in 2012.

The Group has a small representation in California. The USA new car market was 14.4 million in 2012 which was an increase of 13% over 2011. The National Automobile Dealers' Association expects that this will grow to over 15.4 million vehicles in 2013.

New Vehicle Sector Performance

Like for like, our UK retail car volume increased by 21% year on year which outperformed the UK market. New vehicle gross profit increased by £7.2 million on a like for like basis and by £6.3 million on an underlying basis. Overall new vehicle margin was maintained in the period.

Support Businesses Sectors

The support businesses operate in the following markets, sectors and segments: Dealer management systems markets (Pinewood), Contract hire and leasing markets (Contracts and Leasing) and Parts wholesale (Quickco). An overview of these markets and the Group's performance within them is shown below.

Dealer Management Systems Market

In the UK, the market for dealer management 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 (Pinewood Segment)

Pinewood operating profit for the period was £4.3 million which is in line with the prior year. Pinewood provides the Group with a very stable income stream.

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.

Contract Hire Performance (Leasing Segment)

The contract hire and leasing business generated an operating profit of £2.8 million compared to £2.9 million in the prior period. The fleet size stood at 10,000 at 30 June 2013 compared to 9,700 at 31 December 2012.

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 Segment)

Quickco, our independent genuine parts wholesale business, generated an operating profit of £1.1 million in the period versus £0.7 million in the prior year, resulting from revenue and operating margin improvements.

3. Segmental Performance

The Group is divided operationally into eight segments. The core vehicle and aftersales businesses consist of four segments, Stratstone, Evans Halshaw, California and Quicks – representing the motor division. The remaining four segments are the support businesses which are detailed in section 2 above, together with the central segment.

Segmental Financial Highlights

The following table shows the revenue, gross profit, operating costs and operating profit by segment for the Group's motor division for each of the six month periods ended 30 June 2013 and 30 June 2012. As detailed in the 2012 annual report, the Group has revised its reporting segments. The table therefore shows the new reporting segments and their comparative 2012 figures for the six months ended 30 June:

Motor Division Segment Results for Six Months Ended 30 June										
£m	Stratstone		Evans Halshaw		Quicks		California		Motor Division	
(unless stated)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue:										
Aftersales	68.7	72.1	72.5	78.6	1.4	1.8	12.2	11.9	154.8	164.4
Used	299.1	307.5	414.3	381.5	22.9	19.8	22.9	19.5	759.2	728.3
New	372.5	362.1	522.8	454.1	-	-	57.1	49.0	952.4	865.2
Trade/Wholesale	24.4	27.5	74.4	75.1	1.3	1.6	4.4	3.9	104.5	108.1
Revenue	**764.7**	**769.2**	**1,084.0**	**989.3**	**25.6**	**23.2**	**96.6**	**84.3**	**1,970.9**	**1,866.0**
Gross Profit:										
Aftersales	39.5	40.8	51.0	51.4	0.2	(0.1)	6.5	6.4	97.2	98.5
Used	20.4	21.1	44.5	43.5	2.9	1.7	2.2	1.8	70.0	68.1
New	32.8	31.7	32.8	28.8	-	-	7.4	6.2	73.0	66.7
Trade/Wholesale	(0.9)	(1.8)	(1.1)	(1.3)	(0.2)	(0.3)	0.0	0.0	(2.2)	(3.4)
Gross Profit	**91.8**	**91.8**	**127.2**	**122.4**	**2.9**	**1.3**	**16.1**	**14.4**	**238.0**	**229.9**
Operating Costs	**(77.0)**	**(77.5)**	**(112.0)**	**(107.2)**	**(3.8)**	**(3.8)**	**(13.1)**	**(11.8)**	**(205.9)**	**(200.3)**
Operating Profit	**14.8**	**14.3**	**15.2**	**15.2**	**(0.9)**	**(2.5)**	**3.0**	**2.6**	**32.1**	**29.6**
Metrics:										
Gross Margin %	12.0%	11.9%	11.7%	12.4%	11.3%	5.6%	16.7%	17.1%	12.1%	12.3%
Units Sold ('000)	27.5	28.0	104.4	91.6	3.9	3.4	2.2	2.1	138.0	125.1

Stratstone (Stratstone.com)

Stratstone is one of the UK's leading prestige motor car retailers, with 90 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Honda, Jaguar, Land Rover, Lotus, Maserati, Mercedes-Benz, MINI, Morgan, Porsche and Smart as well as five motorcycle franchises. This segment also contains the retail and service outlets for DAF, Nissan and Renault commercial vehicles under the Chatfields brand name.

Operating profit in the Stratstone division is up £0.5 million to £14.8 million in the period. The increase in operating profit is largely a result of improved performance in the new sector together with a reduction in operating costs. On a like for like basis, Stratstone improved new car profitability by 6% and aftersales profitability by 1%. The aftersales improvement indicates the first signs of a recovery in the less than three year old category. On a like for like basis, new retail units increased by 14%, due to strong retail performance from the BMW, Jaguar and Land Rover franchises, at an equivalent gross margin to the prior year. The used department increased volume by 2% on a like for like basis following a strong comparator period in 2012 with used margin broadly in line with the prior year.

Evans Halshaw (Evanshalshaw.com)

Evans Halshaw is the UK's leading volume motor car retailer, with 132 franchise points. Evans Halshaw holds franchises to retail and service Chevrolet, Citroen, Dacia, Ford, Hyundai, Kia, Nissan, Peugeot, Renault, SEAT and Vauxhall.

Gross profit in Evans Halshaw increased by £4.8 million in the period which is chiefly due to improvements in the new and used vehicle sectors. New vehicle gross profit increased by £4.0 million in the period and used gross profit increased by £1.0 million in the period. On a like for like basis, new retail volumes increased by 24% in the period, due to strong performances from Ford, Vauxhall, Renault and Hyundai. Within the used vehicle sector, Evans Halshaw increased like for like volumes by 10%. Aftersales gross profit was in line with the prior year on a like for like basis, a further indication that the less than three year old car parc is entering a recovery phase.

Quicks (Quicks.co.uk)

The Quicks business is our dedicated used car operation, encompassing the sale of used motor vehicles, together with associated aftersales activities. The business has significantly improved performance over the prior year, with a £1.6 million decrease in operating losses. The improvement in profitability is due to a £1.6 million increase in gross profit as a result of stronger used volume and used margin. The operation currently has seven sites and sold just under 3,900 used vehicles in the first half of the year.

California

California consists of nine franchise points in Southern California which represent the Aston Martin, Jaguar and Land Rover brands. Operating profit increased by £0.4 million in the period due to improvements in the new and used vehicle sectors. New gross profit improved by £1.2 million and used gross profit increased by £0.4 million in the period. Gross margin improved in all sectors in the business, however overall gross margin fell due to the increased mix of revenue from the new and used vehicle sectors.

Support Businesses

Our Support businesses provide a broad range of services both to the Group and to external customers. The services are provided by a number of specialist businesses which consist of contract hire and leasing, dealer management systems and wholesale parts distribution.

Commentary on the markets and performance of each of the Support businesses can be found in section 2 in the 'Markets and Sector Performance' section.

4. Financial Review

Non-underlying Items

Non-underlying items in 2013 relate to refinancing costs, property impairments and associated profits and losses on the disposal of businesses and property, pension net finance expense and income from VAT settlements. The non-underlying items for the six months ended 30 June are as follows:

Non-underlying Items £m	Six Months Ended 30 June 2013	Six Months Ended 30 June 2012
Refinancing costs	(8.0)	-
Property Impairments and Profit/(Loss) on Disposals	(1.2)	0.2
Pension Net Finance Expense	(0.6)	(0.2)
VAT Settlements	2.9	2.7
Total	**(6.9)**	**2.7**

Refinancing costs of £8.0 million were incurred in the period in relation to the raising of new debt facilities and the settlement of existing debt.

In the period, the Group received £1.0 million of VAT refunds in respect of VAT overpaid on demonstrator vehicles from 1973 to 1996 together with associated interest of £1.9 million.

Assets held for sale impairments of £0.7 million were charged in the period, together with a £0.5 million charge for tangible fixed assets.

Underlying Finance Costs

Underlying finance costs were £16.7 million compared to £18.4 million in the prior year. The Group's average level of debt has fallen during the period, which has assisted with this underlying finance cost saving of £1.7 million in the period.

Net Debt and Cash Flow

The Group's net debt at 30 June 2013 was £147.3 million, which is a reduction of £69.1 million from 31 December 2012. The Group's net debt was £220.7 million at 30 June 2012. This has been achieved through working capital reduction and operating cash flow improvement. The Group's reduction in debt was assisted by receipts of £9.0 million from the disposal of seven motor dealerships, £3.5 million of property sales and a further £2.9 million of VAT refunds in the period offset by £10.2 million of refinancing costs. At 30 June 2013 the debt : underlying EBITDA ratio was 1.3. The debt : underlying EBITDA ratio is comprised as follows:

Debt : Underlying EBITDA Ratio **£m**	**Twelve Months Ended 30 June 2013**	**Twelve Months Ended 30 June 2012**	**YOY Change %**
Underlying Operating Profit	74.6	69.4	+7%
Depreciation & Amortisation	38.9	38.0	+2%
Underlying EBITDA	**113.5**	**107.4**	**+6%**
Net Debt (see note 16)	**147.3**	**220.7**	**-33%**
Debt : Underlying EBITDA Ratio	**1.3**	**2.1**	**-38%**

The Group had previously set a debt : underlying EBITDA ratio of less than 1.5 times. As result of the progress of the Group and the achievement of this target, the Board will set a revised target in the context of the audited 2013 year end results.

Refinancing and Covenants

The debt refinancing of the Group was successfully completed in the period. This has considerably extended the maturity of the Group's debt, eliminated more costly and restrictive legacy debt and therefore places the Group's finances in a stronger position for the future.

The refinancing consists of a new £175 million 6.875% seven year secured bond expiring May 2020 and a new £145 million four year secured revolving credit facility provided by four banks expiring June 2017. The margin on the new bank facility will initially be 3.5%, but will reduce progressively as the ratio of net debt to underlying EBITDA (after stocking interest) falls.

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, including the decision to close some franchise points, we have a number of vacant property assets which are held for sale. At 30 June 2013 the Group held for sale £17.6 million (2012 : £26.9 million) of property, plant and equipment.

Risks and Uncertainties

The Board maintains a 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: delivery of business strategy, funding and liquidity, pensions, adverse economic and business conditions, used vehicle price movements, legislative changes in relation to vehicle taxation, regulatory compliance risk, vehicle manufacturer dependencies and marketing programmes, levels of new vehicle production, tenure of franchise agreements, reliance on certain management and key team members, failure of information systems, reliance on the use of significant estimates and competition and market challenges. The Board has recently reviewed the risk factors and confirms that they should remain valid for the rest 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.

5. Outlook

The Group has performed well in the first half of the year, assisted by strong underlying operational performance and recovering market sectors. The Group has achieved further growth in the key used vehicle market, with like for like unit sales increasing by 65% since 2009, and expects some further growth in the remaining period of the year. The Group has benefited from strong first half growth in the new vehicle market, particularly the new retail vehicle market, and it is expected that this will continue to grow in the second half of the year. The aftersales sector is expected to improve steadily, with the less than three year old segment having the benefit of recent growth in the new car market. The Group remains committed to managing its balance sheet and capital structure. The successful refinancing in the period and reduction in net debt has established a strong position for the future. The positive markets, improving operational performance and balance sheet strength put the Group on a solid platform for the future. The Group continues to perform in line with our expectations for the full year.

TREVOR FINN
Chief Executive
6 August 2013

6. Detailed Financials

Condensed Consolidated Income Statement for the six months ended 30 June

£m

	Notes	Underlying	Non-Underlying	**2013**	Underlying	Non-Underlying	Restated* 2012
Revenue		2,015.1	-	**2,015.1**	1,914.1	-	1,914.1
Cost of sales		(1,761.6)	-	**(1,761.6)**	(1,669.1)	-	(1,669.1)
Gross profit		253.5	-	**253.5**	245.0	-	245.0
Operating expenses		(213.2)	(0.2)	**(213.4)**	(207.5)	0.8	(206.7)
Operating profit before other income		40.3	(0.2)	**40.1**	37.5	0.8	38.3
Other income – gains / (losses) on sale of businesses and property		-	-	**-**	-	0.2	0.2
Operating profit		40.3	(0.2)	**40.1**	37.5	1.0	38.5
Finance expense	8	(16.9)	(8.6)	**(25.5)**	(18.7)	(0.2)	(18.9)
Finance income	9	0.2	1.9	**2.1**	0.3	1.9	2.2
Net finance costs		(16.7)	(6.7)	**(23.4)**	(18.4)	1.7	(16.7)
Profit before taxation		23.6	(6.9)	**16.7**	19.1	2.7	21.8
Income tax expense	10	(6.2)	2.0	**(4.2)**	(4.0)	(0.7)	(4.7)
Profit for the period		17.4	(4.9)	**12.5**	15.1	2.0	17.1
Profit for the period attributable to:							
Equity shareholders of the parent		17.4	(5.9)	**11.5**	15.1	1.0	16.1
Non-controlling interests (pension related)		-	1.0	**1.0**	-	1.0	1.0
		17.4	(4.9)	**12.5**	15.1	2.0	17.1
Earnings per share							
Basic earnings per share	12			**0.8p**			1.1p
Diluted earnings per share	12			**0.8p**			1.1p
Non GAAP measure							
Underlying basic earnings per share	12	1.2p			1.1p		
Underlying diluted earnings per share	12	1.2p			1.1p		

All amounts are unaudited

* See note 3 for details of restatement

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June

£m	2013	Restated* 2012
Profit for the period	**12.5**	17.1
Other comprehensive income:		
Foreign currency translation differences of foreign operations	**(0.1)**	0.1
Defined benefit plan remeasurement gains and losses	**24.1**	(6.7)
Income tax relating to defined benefit plan remeasurement gains and losses	**(5.5)**	1.6
Adjustment in respect of minimum funding requirement on defined benefit plans	**-**	3.4
Income tax relating to adjustment in respect of minimum funding requirement on defined benefit plans	**-**	(0.8)
Other comprehensive income for the period, net of tax	**18.5**	(2.4)
Total comprehensive income for the period	**31.0**	14.7
Total comprehensive income for the period attributable to:		
Equity shareholders of the parent	**30.0**	13.7
Non-controlling interests (pension related)	**1.0**	1.0
	31.0	14.7

* See note 3 for details of restatement

Consolidated Statement of Changes in Equity for the six months ended 30 June

£m

	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Non-controlling interests	Total
Balance at 1 January 2013	71.8	56.8	15.1	(0.4)	98.3	33.8	**275.4**
Total comprehensive income for 2013							
Profit for the period	-	-	-	-	11.5	1.0	**12.5**
Other comprehensive income for the period, net of tax	-	-	-	(0.1)	18.6	-	**18.5**
Total comprehensive income for the period	-	-	-	(0.1)	30.1	1.0	**31.0**
Issue of ordinary shares	0.1	-	-	-	(0.1)	-	**-**
Dividends paid	-	-	-	-	(1.4)	-	**(1.4)**
Distribution from Pension Partnership to pension scheme	-	-	-	-	-	(1.3)	**(1.3)**
Share based payments	-	-	-	-	0.8	-	**0.8**
Balance at 30 June 2013	**71.9**	**56.8**	**15.1**	**(0.5)**	**127.7**	**33.5**	**304.5**
Balance at 1 January 2012	71.0	56.8	15.1	(0.3)	90.3	34.3	**267.2**
Total comprehensive income for 2012							
Profit for the period (restated*)	-	-	-	-	16.1	1.0	**17.1**
Other comprehensive income for the period, net of tax (restated*)	-	-	-	0.1	(2.5)	-	**(2.4)**
Total comprehensive income for the period	-	-	-	0.1	13.6	1.0	**14.7**
Issue of ordinary shares	0.2	-	-	-	(0.2)	-	**-**
Distribution from Pension Partnership to pension scheme	-	-	-	-	-	(1.2)	**(1.2)**
Share based payments	-	-	-	-	0.4	-	**0.4**
Balance at 30 June 2012	**71.2**	**56.8**	**15.1**	**(0.2)**	**104.1**	**34.1**	**281.1**

* See note 3 for details of restatement

Condensed Consolidated Balance Sheet

£m	Notes	**30 June 2013**	30 June 2012	31 December 2012
Non-current assets				
Property, plant and equipment		**284.5**	290.4	290.3
Goodwill		**365.6**	368.7	368.2
Other intangible assets		**4.6**	3.9	4.4
Derivative financial instruments		**-**	8.6	14.2
Deferred tax assets		**4.7**	12.5	10.4
Total non-current assets		**659.4**	684.1	687.5
Current assets				
Inventories		**617.2**	523.5	590.0
Trade and other receivables		**136.8**	126.6	97.4
Derivative financial instruments		**-**	10.4	-
Cash and cash equivalents	15	**66.6**	95.7	58.0
Non-current assets classified as held for sale	14	**17.6**	26.9	23.6
Total current assets		**838.2**	783.1	769.0
Total assets		**1,497.6**	1,467.2	1,456.5
Current liabilities				
Interest bearing loans and borrowings		**-**	(61.3)	(60.4)
Trade and other payables		**(844.7)**	(713.1)	(739.8)
Deferred income	18	**(24.6)**	(22.0)	(23.0)
Current tax payable		**(29.7)**	(26.4)	(25.5)
Provisions	17	**(2.4)**	(2.9)	(2.4)
Total current liabilities		**(901.4)**	(825.7)	(851.1)
Non-current liabilities				
Interest bearing loans and borrowings		**(213.9)**	(274.1)	(228.2)
Trade and other payables		**(25.2)**	(24.2)	(23.7)
Deferred income	18	**(43.0)**	(45.2)	(44.8)
Retirement benefit obligations		**(6.3)**	(11.5)	(29.8)
Provisions	17	**(3.3)**	(5.4)	(3.5)
Total non-current liabilities		**(291.7)**	(360.4)	(330.0)
Total liabilities		**(1,193.1)**	(1,186.1)	(1,181.1)
Net assets		**304.5**	281.1	275.4
Capital and reserves				
Called up share capital		**71.9**	71.2	71.8
Share premium account		**56.8**	56.8	56.8
Capital redemption reserve		**2.5**	2.5	2.5
Other reserves		**12.6**	12.6	12.6
Translation reserve		**(0.5)**	(0.2)	(0.4)
Retained earnings		**127.7**	104.1	98.3
Total equity attributable to equity shareholders of the Company		**271.0**	247.0	241.6
Non-controlling interests		**33.5**	34.1	33.8
Total equity		**304.5**	281.1	275.4

All amounts are unaudited

Condensed Consolidated Cash Flow Statement

£m

	Notes	For the six months ended 30 June 2013	For the six months ended 30 June 2012	For the 12 months ended 31 December 2012
Cash flows from operating activities				
Profit for the period		**12.5**	17.1	26.1
Adjustment for net financing expense		**23.4**	16.7	33.9
Adjustment for taxation		**4.2**	4.7	7.9
		40.1	38.5	67.9
Depreciation and amortisation		**8.9**	9.4	19.2
Share based payments		**0.8**	0.4	0.9
Losses on settlements or curtailments in pension schemes		**-**	-	0.6
Profit on sale of businesses and property		**-**	(0.2)	(0.4)
Impairment of property, plant and equipment		**0.5**	-	-
Impairment of assets held for sale		**0.7**	-	5.4
Reversal of impairment of assets held for sale		**-**	-	(1.3)
Changes in inventories	20	**(24.4)**	41.6	(11.6)
Changes in trade and other receivables		**(39.7)**	(26.0)	4.1
Changes in trade and other payables		**105.4**	(2.4)	14.1
Changes in retirement benefit obligations		**-**	-	(0.2)
Changes in provisions		**(0.2)**	(0.6)	(3.0)
Movement in contract hire vehicle balances	19	**(5.9)**	(11.0)	(17.9)
Cash generated from operations		**86.2**	49.7	77.8
Interest paid		**(19.1)**	(20.8)	(37.4)
Interest received		**2.1**	2.2	2.4
Taxation received / (paid)		**0.2**	(1.3)	0.4
Net cash from operating activities		**69.4**	29.8	43.2
Cash flows from investing activities				
Business acquisitions, net of cash acquired		**-**	(2.6)	(2.6)
Proceeds from sale of businesses		**9.0**	-	1.9
Purchase of property, plant and equipment		**(27.5)**	(34.6)	(68.4)
Proceeds from sale of property, plant and equipment		**27.2**	34.7	58.8
Net cash from / (used) in investing activities		**8.7**	(2.5)	(10.3)
Cash flows from financing activities				
Dividends paid to shareholders		**(1.4)**	-	-
Payment of capital element of finance lease rentals		**-**	-	(0.1)
Repayment of bank loans		**(272.2)**	(38.3)	(79.2)
Proceeds from issue of bond and loans		**215.6**	6.6	6.6
Payment of transaction costs related to bonds and loans		**(10.2)**	-	-
Distribution from Pension Partnership to pension scheme		**(1.3)**	(1.2)	(2.5)
Net cash outflow from financing activities		**(69.5)**	(32.9)	(75.2)
Net increase / (decrease) in cash and cash equivalents		**8.6**	(5.6)	(42.3)

Condensed Consolidated Cash Flow Statement (continued)

£m

	Notes	**For the six months ended 30 June 2013**	For the six months ended 30 June 2012	For the 12 months ended 31 December 2012
Net increase / (decrease) in cash and cash equivalents		**8.6**	(5.6)	(42.3)
Opening cash and cash equivalents		**58.0**	101.4	101.4
Effects of exchange rate changes on cash held		**-**	(0.1)	(1.1)
Closing cash and cash equivalents	15	**66.6**	95.7	58.0

Reconciliation of net cash flow to movement in net debt

£m

	For the six months ended 30 June 2013	For the six months ended 30 June 2012	For the 12 months ended 31 December 2012
Net increase / (decrease) in cash and cash equivalents	**8.6**	(5.6)	(42.3)
Payment of capital element of finance lease rentals	**-**	-	0.1
Repayment of bank loans	**272.2**	38.3	79.2
Proceeds from issue of bond and loans (net of directly attributable transaction costs)	**(211.7)**	(6.6)	(6.6)
Decrease in net debt in the period	**69.1**	26.1	30.4
Opening net debt	**(216.4)**	(246.8)	(246.8)
Closing net debt	**(147.3)**	(220.7)	(216.4)

Note: The reconciliation of net cash flow to movement in net debt is not a primary statement and does not form part of the consolidated cash flow statement but forms part of the notes to the financial statements.

Notes

1 Basis of preparation

Pendragon PLC is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities.

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

The condensed set of financial statements for the six months ended 30 June 2013 are unaudited but have been reviewed by the auditors. The independent review report is set out below.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012, which are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

These condensed consolidated interim financial statements were approved by the board of directors on 6 August 2013.

3 Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2012, except as explained below.

Adoption of new and revised standards

The following standards and interpretations are applicable to the Group and have been adopted in 2013 as they are mandatory for the year ended 31 December 2013.

• Amendments to IAS 1: Presentation of Items of Other Comprehensive Income: The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The adoption of this standard has had no significant impact.

• Amendments to IAS 19 Employee Benefits: The amendments require immediate recognition of actuarial gains and losses in other comprehensive income and eliminate the corridor method. The principal amendment that will affect most entities with a defined benefit plan is the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit obligation. The new standard requires retrospective application and will impact the Group's Income Statement and Statement of Comprehensive Income as a result of the changes in assessing the return on pension scheme assets. A prior year restatement has been made to reflect these changes, which is explained in further detail below.

• IFRS 13 Fair Value Measurement: New standard to replace existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements. This standard applies to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair value is provided. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The adoption of this standard has had no significant impact.

• Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities: Specific disclosure for financial assets and financial liabilities within the scope of the common disclosures. The adoption of this standard has had no significant impact.

At present, there are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 December 2013.

Restatement

As a result of the amendments to IAS 19 Employee Benefits, the Group has changed its accounting policy with respect to determining the income or expense related to its defined benefit pension scheme. The standard prescribes that an interest expense or income is calculated on the net defined benefit liability / (asset) by applying the discount rate to the net defined benefit liability / (asset). This replaces the interest expense on the defined benefit obligation and the expected return on plan assets. The revised standard requires retrospective application, therefore the table below reflects the adjustments made to the comparative amounts for the period to June 2012. These comprise the reversal of the interest expense on the defined benefit obligation of £9.5 million and the interest income on pension scheme assets of £11.1 million to be replaced by a net interest expense of £0.2 million. The associated income tax has been restated accordingly. Actuarial losses recognised in the consolidated statement of comprehensive income for the period to 30 June 2012 of £8.5 million have been restated into a remeasurement loss of £6.7 million with the associated income tax also restated. All amounts subject to the change are non-underlying in nature and are included in the central segment.

Consolidated Income statement	2012 £m
Decrease in finance expense	9.3
Decrease in finance income	(11.1)
Decrease in income tax expense	0.4
Decrease in profit for the period	(1.4)
Decrease in basic and diluted earnings per share (pence)	(0.1)p

Consolidated statement of comprehensive income	2012 £m
Other comprehensive income:	
Decrease in defined benefit actuarial (remeasurement) losses	1.8
Decrease in income tax income	(0.4)
Increase in other comprehensive income	1.4

The revised standard stipulates that actuarial gains and losses are recognised immediately in the periods in which they occur. The Group already adopted this policy and therefore there are no changes to the consolidated balance sheet and consolidated cash flow statement.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

During the six months ended 30 June 2013 management reassessed its estimates and assumptions in respect of employee post-retirement benefit obligations. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates and return on assets, details of which are provided in note 21 below.

The estimates in respect of the anticipated tax rate to be applied for the full financial year 2013 and subsequently used in the preparation of the results for the six month period to 30 June 2013 are set out in note 10.

5 Comparative figures

The comparative figures for the financial year ended 31 December 2012 are extracted from the Group's statutory accounts for that financial year as amended by the restatement set out in note 3. Those accounts have been reported on by the company's auditor and delivered to the Registrar of Companies. The report of the auditor was (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.

6 Non-underlying items

Income and expenses incurred or received during the period that have non-trading attributes due to their size, nature or incidence, do not form part of underlying profit and are drawn out for separate disclosure as non-underlying items.

	2013 £m	Restated* 2012 £m
Within operating expenses:		
VAT assessment refunds	**1.0**	0.8
Impairment of property, plant and equipment	**(0.5)**	-
Impairment of assets held for sale	**(0.7)**	-
	(0.2)	0.8
Within other income - gains on the sale of businesses and property:		
Losses on the sale of businesses	**(0.8)**	-
Gains on the sale of property	**0.8**	0.2
	-	0.2
Within finance expense:		
Refinancing fees and costs	**(8.0)**	-
Net interest on pension scheme	**(0.6)**	(0.2)
	(8.6)	(0.2)
Within finance income:		
Interest on VAT refunds	**1.9**	1.9
	1.9	1.9
Total non-underlying items	**(6.9)**	2.7
Total non-underlying items for the period attributable to:		
Equity shareholders of the parent	**(7.9)**	1.7
Non-controlling interests (pension related)	**1.0**	1.0
	(6.9)	2.7

* See note 3 for details of restatement

A VAT refund of £1.0m (2012 : £0.8m), net of costs, was recognised in the period in respect of VAT overpaid on demonstrator vehicles over the period from 1973 to 1996. Associated interest received of £1.9m (2012 : £1.9m) is disclosed within finance income.

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 assets held for sale of £0.7m (2012 : £nil) and an impairment charge against tangible fixed assets of £0.5m (2012 : £nil).

Other income, being the profit on disposal of businesses and property, comprises £0.8m profit on sale of properties (2012 : £0.2m) and a loss on the disposal of motor vehicle dealerships of £0.8m (2012 : £nil).

Upon the successful completion of the refinancing of the Group in May 2013 a net loss of £8.0m was recorded which comprised of refinancing related costs.

The net interest expense 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 and non-trading nature of this amount. A net interest expense of £0.6m has been recognised during the period (2012 : £0.2m).

7 Segmental analysis

For the six months ending 30 June 2013	Stratstone £m	Evans Halshaw £m	Quicks £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	764.7	1,084.0	25.6	96.6	16.8	35.8	14.7	-	**2,038.2**
Inter-segment turnover	-	-	-	-	(5.2)	(8.2)	(9.7)	-	**(23.1)**
Revenue from external customers	764.7	1,084.0	25.6	96.6	11.6	27.6	5.0	-	**2,015.1**
Operating profit before non-underlying items	17.3	17.8	(0.9)	3.0	3.0	1.3	4.4	(5.6)	**40.3**
Other income and non-underlying items	-	-	-	-	-	-	-	(0.2)	**(0.2)**
Operating profit	17.3	17.8	(0.9)	3.0	3.0	1.3	4.4	(5.8)	**40.1**
Finance expense	(1.6)	(2.2)	(0.2)	(0.3)	-	-	-	(21.2)	**(25.5)**
Finance income	-	-	-	-	-	-	-	2.1	**2.1**
Profit before tax	15.7	15.6	(1.1)	2.7	3.0	1.3	4.4	(24.9)	**16.7**

Reconciliation to tables in Chief Executive's operational review

	Stratstone £m	Evans Halshaw £m	Quicks £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Operating profit as above	17.3	17.8	(0.9)	3.0	3.0	1.3	4.4	(5.6)	**40.3**
Allocation of central costs	(2.5)	(2.6)	-	-	(0.2)	(0.2)	(0.1)	5.6	**-**
Segment result as presented in CEO tables	14.8	15.2	(0.9)	3.0	2.8	1.1	4.3	-	**40.3**
Depreciation and amortisation	2.0	3.5	0.1	0.8	12.6	0.1	0.1	-	**19.2**

For the six months ending 30 June 2012	Stratstone £m	Evans Halshaw £m	Quicks £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Restated* Total £m**
Total gross segment turnover	769.2	989.3	23.2	84.3	27.6	34.5	14.9	-	**1,943.0**
Inter-segment turnover	-	-	-	-	(8.5)	(10.4)	(10.0)	-	**(28.9)**
Revenue from external customers	769.2	989.3	23.2	84.3	19.1	24.1	4.9	-	**1,914.1**
Operating profit before non-underlying items	16.6	17.4	(2.5)	2.6	3.1	0.9	4.4	(5.0)	**37.5**
Other income and non-underlying items	-	-	-	-	-	-	-	1.0	**1.0**
Operating profit	16.6	17.4	(2.5)	2.6	3.1	0.9	4.4	(4.0)	**38.5**
Finance expense	(2.2)	(2.3)	(0.2)	(0.4)	-	-	-	(13.8)	**(18.9)**
Finance income	-	-	-	-	-	-	0.2	2.0	**2.2**
Profit before tax	14.4	15.1	(2.7)	2.2	3.1	0.9	4.6	(15.8)	**21.8**

Reconciliation to tables in Chief Executive's operational review

Operating profit as above	16.6	17.4	(2.5)	2.6	3.1	0.9	4.4	(5.0)	**37.5**
Allocation of central costs	(2.3)	(2.2)	-	-	(0.2)	(0.2)	(0.1)	5.0	**-**
Segment result as presented in CEO tables	14.3	15.2	(2.5)	2.6	2.9	0.7	4.3	-	**37.5**
Depreciation and amortisation	2.9	4.3	0.1	0.7	10.3	0.1	0.5	-	**18.9**

* See note 3 for details of restatement

8 Finance expense

Recognised in profit and loss	2013 £m	Restated* 2012 £m
Interest payable on bond, bank borrowings and loan notes	**8.3**	10.4
Net loss on refinancing (non-underlying - see note 6)	**8.0**	-
Vehicle stocking plan interest	**7.7**	7.5
Net interest on pension scheme obligations (non-underlying - see note 6)	**0.6**	0.2
Total interest expense	**24.6**	18.1
Unwinding of discounts in contract hire residual values	**0.9**	0.8
Total finance expense	**25.5**	18.9

* See note 3 for details of restatement

9 Finance income

Recognised in profit and loss	2013 £m	Restated* 2012 £m
Interest receivable on bank deposits	**0.2**	0.3
Interest on VAT refunds (non-underlying - see note 6)	**1.9**	1.9
Total finance income	**2.1**	2.2

* See note 3 for details of restatement

10 Taxation

Based upon the anticipated profit on underlying activities for the full year, the effective rate on underlying profit for 2013 is estimated at 26.2% (2012 : 21.0%). The effective rate for 2013 is higher than the current rate of UK tax due to the proportion of profit taxed at a higher rate in the US. The Chancellor of the Exchequer announced on 21 March 2012 that the main rate of corporation tax will reduce from 24% to 23% from 1 April 2013. On 20 March 2013, the Chancellor stated his intention to reduce the main rate of corporation tax to 21% from 1 April 2014 and a further reduction of 1% to 20% from 1 April 2015. The additional rate reductions to 20% were substantively enacted on 17 July 2013. Had the rate reduction to 20% been substantively enacted by the balance sheet date it would have had the effect of reducing the deferred tax asset at that date by £0.6m.

11 Dividends

	2013 £m	2012 £m
Final dividend paid in respect of 2012 of 0.1p (2011 : nil) per ordinary share	**1.4**	-

An interim dividend of 0.1p per ordinary share amounting to £1.4m will be payable in October 2013.

12 Earnings per share

	2013 Pence	Restated* 2012 Pence
Basic earnings per share	0.8	1.1
Effect of adjusting items	0.4	-
Underlying basic earnings per share (Non GAAP measure)	1.2	1.1
Diluted earnings per ordinary share	0.8	1.1
Effect of adjusting items	0.4	-
Underlying diluted earnings per share (Non GAAP measure)	1.2	1.1

The calculation of basic, diluted and adjusted earnings per share is based on:

Number of shares (millions)	2013 Number	2012 Number
Weighted average number of shares used in basic and adjusted earnings per share calculation	1,418.7	1,401.1
Weighted average number of dilutive shares under option	28.2	28.9
Diluted weighted average number of shares used in diluted earnings per share calculation	1,446.9	1,430.0

Earnings	2013 £m	2012 £m
Profit for the period	12.5	17.1
Less: attributable to non-controlling interests (pension related)	(1.0)	(1.0)
Earnings for basic and diluted earnings per share calculation	11.5	16.1
Adjusting items:		
Non-underlying items attributable to the parent (see note 6)	7.9	(1.7)
Tax effect of non-underlying items	(2.0)	0.7
Earnings for adjusted earnings per share calculation	17.4	15.1

* See note 3 for details of restatement

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

13 Business and property disposals

During the period the Group disposed of certain assets of seven motor vehicle dealerships generating net proceeds of £9.0m and a loss on disposal of £0.8m. There were no business disposals in the prior period.

The Group sold property generating net proceeds of £3.5m (2012 : £5.0m) and a profit on disposal of £0.8m (2012 : £0.2m).

14 Non-current assets held for sale

The Group holds a number of freehold properties that are currently being marketed for sale which are expected to be disposed of during the next 12 months. Impairment losses of £0.7m have been recognised in the income statement for the six months to 30 June 2013 on re-measurement of these properties to the lower of their carrying amount and their fair value less costs to sell (2012 : £nil).

During the period to 30 June 2013 disposals of non-current assets classified as held for sale realised a profit of £0.8m on disposal (2012 : £0.2m). The major classes of assets comprising assets held for sale are:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Property, plant and equipment	**17.6**	26.9	23.6

15 Cash and cash equivalents

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Bank balances and cash equivalents	**66.6**	95.7	58.0

16 Net borrowings

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Cash and cash equivalents (note 15)	**66.6**	95.7	58.0
Current interest bearing loans and borrowings	**-**	(61.3)	(60.4)
Non-current interest bearing loans and borrowings	**(213.9)**	(274.1)	(228.2)
Derivative financial instruments	**-**	19.0	14.2
	(147.3)	(220.7)	(216.4)

During the period the Group completed a comprehensive debt refinancing exercise. This has considerably extended the maturity of the Group's debt and eliminated costly and restrictive legacy debt. The refinancing consists of a new £175m 6.875% seven year bond and a new £145m four year revolving credit bank facility provided by four banks and expiring on 30 June 2017. The margin on the new bank facility will initially be 3.5%. After 31 December 2013 the margin is ratcheted based on the ratio of debt to underlying EBITDA (after stocking interest). Directly attributable transaction costs relating to the bond issue of £3.9m were incurred and are offset against the carrying value of the loan.

The Group has repaid and cancelled its legacy high-coupon debt private placements, the cross-currency swaps associated with them, and its existing bank facility, all of which were due to mature in June 2014. Costs associated with that repayment and cancellation, and other transaction costs of £8.0m have been recognised in the income statement as a non-underlying expense.

The fair values of most financial instruments held by the Group approximate to carrying value. In the prior year the Group held derivative financial instruments held at fair value; however, the Group no longer holds these instruments.

17 Provisions

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Vacant property	**4.9**	7.5	5.1
VAT Assessment	**0.8**	0.8	0.8
	5.7	8.3	5.9
Non-current	**3.3**	5.4	3.5
Current	**2.4**	2.9	2.4
	5.7	8.3	5.9

18 Deferred income

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Property leases - sale and leaseback proceeds excess over fair value and fixed rental increases	**17.9**	18.8	18.0
Warranty policies sold	**6.6**	5.7	5.9
Contract hire leasing income	**43.1**	42.7	43.9
	67.6	67.2	67.8
Non-current	**43.0**	45.2	44.8
Current	**24.6**	22.0	23.0
	67.6	67.2	67.8

19 Changes in contract hire vehicle balances

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Depreciation	**10.3**	9.5	19.5
Changes in trade and other payables and deferred income	**1.1**	(2.5)	0.2
Purchases of contract hire vehicles	**(16.4)**	(17.2)	(35.9)
Unwinding of discounts in contract hire residual values	**(0.9)**	(0.8)	(1.7)
	(5.9)	(11.0)	(17.9)

20 Changes in inventories

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Movement in inventory	**(27.2)**	41.9	(24.6)
Inventory changes in business combinations and disposals	**(1.9)**	1.2	0.2
Impact of exchange differences	**-**	-	0.5
Non cash movement in consignment vehicles	**(0.1)**	(11.8)	(3.8)
Transfer value of contract hire vehicles from fixed assets to inventory	**4.8**	10.3	16.1
Cash flow (increase) / decrease in movements in inventory	**(24.4)**	41.6	(11.6)

21 Pension scheme obligations

The net liability for defined benefit obligations has decreased from £29.8m at 31 December 2012 to £6.3m at 30 June 2013. The decrease of £23.5m comprises a net interest expense of £0.6m recognised in the income statement and a net remeasurement gain of £24.1m. The net remeasurement gain has arisen in part due to changes in the principal assumptions used in the valuation of the scheme's liabilities over those used at 31 December 2012. The assumptions subject to change are the discount rate of 4.75% (31 Dec 2012 : 4.35%), the inflation rate (RPI) of 3.3% (31 Dec 2012 : 2.9%), the inflation rate (CPI) of 2.5% (31 Dec 2012 : 2.1%) and the rate of increase of pensions in payment of 2.93% (31 Dec 2012 : 2.67%).

22 Related party transactions

There have been no new related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Group during that period and there have been no changes in the related party transactions described in the last annual report that could do so. Payments of £1.3m (2012 : £1.2m) were made during the period from the Pendragon Scottish Pension Partnership to the trustees in respect of income distributions of £1.0m (2012 : £1.0m) and capital repayments of £0.3m (2012 : £0.2m).

23 Risks and uncertainties

The risk factors which could cause the Group's results to differ materially from expected results and the result of the Board's review of those risks are set out in the Chief Executive's Operational Review.

Responsibility Statement

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;

(b) The interim management report includes a fair review of the information required by:

(i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

TG Finn
Chief Executive

TP Holden
Finance Director

6 August 2013

Independent Review Report to Pendragon PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, statement of changes in equity, condensed consolidated balance sheet, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Michael Steventon
for and on behalf of KPMG Audit Plc
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

6 August 2013