Issued: 16 February 2016 **Press Release**

PENDRAGON PLC - The UK's Leading Automotive Online Retailer Announces Full Year Results To 31 December 2015

"The UK's largest automotive online retailer increases earnings by 19% and continues to deliver against its strategy."

Financial Highlights

- Underlying profit before tax up £9.9 million (+16.4%), from £60.2 million to £70.1 million.
- Strong operating leverage continues, with gross profit up 5.0% and underlying operating profit up 10.6%.
- Underlying earnings per share up 0.6p (+19.4%), from 3.1p to 3.7p.
- Refinancing agreed on improved terms.
- Final dividend proposed of 0.7p per share, reflecting profit progression, an increase of 44.4% on the full year dividend.

Strategic Highlights

- The Group's clear strategy continues to deliver consistent year on year profit growth.
- Our strategy is focused on our four 'pillars' of Choice, Value, Service and Convenience supported by our people.
- Launched 'Move Me Closer', the UK's first click and collect service, in February 2015.
- Encouraging progress from our 'Sell Your Car' service, providing value to the consumer and additional used vehicle supply to the business.
- Enhanced architectures of websites for Stratstone.com, Evanshalshaw.com, Quickco.co.uk and Pendragonvehiclemanagement.co.uk. Web visits to Evanshalshaw.com and Stratstone.com increased by 5.4 million (+35.5%), from 15.2 million to 20.6 million.
- Nine retail points added as we complement our online offering with a national footprint.

Operational Highlights

- Another record breaking year in used vehicles with like for like gross profit up £15.0 million (+10.9%).
- Market tailwinds and our initiatives have led to like for like aftersales gross profit increasing by £9.7 million (+5.4%).

- New vehicle market growth, as predicted, is beginning to ease with like for like gross profit increasing by £17.5 million (+12.1%). During the year we invested £53.1 million in our retail facilities.
- Our underlying costs to gross profit ratio has improved from 82.8% to 81.7%.
- Underlying operating margin maintained at 2.3%.

Trevor Finn, Chief Executive, commented:

"We achieved strong growth and set new records as we continue to deliver our winning strategy of offering Choice, Value, Service and Convenience to our customers. We are particularly pleased with our Evanshalshaw.com performance, where like for like used vehicle gross profit improved by over 20 percent. This outstanding performance is due to our focused strategy, strong processes and the evolution of our brands, helped by the launch of 'Move Me Closer' and 'Sell Your Car'. We are looking forward to growing the business further from organic activity and selective acquisitions. We continued to benefit from new car products, particularly in the Stratstone.com vehicle ranges. We thank our people for being committed to the evolution of the Group and for helping deliver another outstanding set of results. Our prospects for 2016 are in line with current expectations."

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

Summary of Contents

1. Financial Overview

Pendragon PLC Results	Underlying*			Total		
12 Months Ended 31 December £m	2015	2014	YOY Change %	2015	2014	YOY Change %
Revenue	**4,453.9**	**4,000.4**	**+11.3%**	**4,453.9**	**4,000.4**	**+11.3%**
Gross Profit	548.9	522.6	+5.0%	548.9	522.6	+5.0%
Operating Expenses	(448.4)	(432.8)	+3.6%	(452.5)	(432.8)	+4.6%
Other Income	-	1.1	-	25.3	7.4	+241.9%
Operating Profit	**100.5**	**90.9**	**+10.6%**	**121.7**	**97.2**	**+25.2%**
Interest	(30.4)	(30.7)	-1.0%	(42.7)	(32.6)	+31.0%
Profit Before Taxation	**70.1**	**60.2**	**+16.4%**	**79.0**	**64.6**	**+22.3%**
Tax Expense	(17.0)	(15.3)	+11.1%	(6.1)	(14.8)	-58.8%
Profit For The Period	**53.1**	**44.9**	**+18.3%**	**72.9**	**49.8**	**+46.4%**
Gross Margin (%)	12.3%	13.1%	-0.8%	12.3%	13.1%	-0.8%
Operating Margin (%)	2.3%	2.3%	0.0%	2.7%	2.4%	+0.3%
Earnings Per Share (p)	3.7p	3.1p	+19.4%	5.0p	3.5p	+42.9%
Dividend Per Share (p)	1.3p	0.9p	+44.4%	1.3p	0.9p	+44.4%

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

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 is versus the prior period, unless stated.

Income Statement Highlights

Revenue increased by £453.5 million, up 11.3% on the prior year, mainly due to increased contributions from the used and new vehicles departments. On a like for like basis, revenue increased by £590.8 million (+15.8%). We improved used revenues by 13.9%, new revenues by 18.4% and aftersales revenues by 5.9% on a like for like basis.

Underlying gross profit increased by £26.3 million (+5.0%) in the period and on a like for like basis by £42.8 million (+8.7%) over the prior year. We achieved another record performance in our used vehicle sector, with gross profit up £15.0 million (+10.9%) on a like for like basis. We are particularly pleased with our performance from Evanshalshaw.com which has increased used gross profit by £19.8 million in the period (+21.7%) on a like for like basis. The new sector has increased gross profit by £17.5 million (+12.1%) on a like for like basis as we benefit from new products, particularly in the Stratstone.com vehicle ranges. Aftersales gross profit has grown by £9.7 million (+5.4%) on a like for like basis as a result of national new car sales growth and growth in used vehicle sales increasing the vehicle parc. In the period, Group underlying gross margin reduced by 80 basis points, primarily as a result of the dilutive effect of increased new and used vehicle sales.

Operating costs increased on a like for like basis by £33.0 million (+8.3%), of which the majority relate to variable costs (+11.9%) and the remainder to indirect costs. We have invested in television and internet advertising as part of the launch of 'Sell Your Car' and 'Move Me Closer', which we continue to roll out in Evans Halshaw. This has been a factor in helping generate a 35.5% increase in web visits and record used vehicle performance. Overall, our costs increased at a slower rate than our gross profit, improving the ratio of underlying operating expenses to gross profit from 82.8% to 81.7%.

Underlying operating profit increased by £9.6 million in the period and by £9.8 million on a like for like basis. Underlying interest costs decreased by £0.3 million in the period, largely as a result of savings in the underlying bank interest offset by stocking interest as we invested in used vehicle stock. Our underlying operating profit margin of 2.3% is in line with the prior year.

Balance Sheet and Cash Flow

The Group has a strong balance sheet and low debt level and is in a strong position to reinvest at the appropriate return on investment. The following table summarises the cash flows and net debt of the Group for the twelve month periods ended 31 December 2015 and 31 December 2014 as follows:

Summary Cashflow and Net Debt 12 Months Ended 31 December £m	**2015**	**2014**
Underlying Operating Profit Before Other Income	**100.5**	**89.8**
Depreciation and Amortisation	25.3	27.0
Non-underlying items	(3.2)	-
Share Based Payments	2.0	1.5
Working Capital	1.0	(11.9)
Operating Cash Flow	**125.6**	**106.4**

Tax Paid	(22.3)	(8.3)
Underlying Net Interest	(28.8)	(29.0)
Replacement Capital Expenditure	(33.6)	(21.8)
Acquisitions and Investments	(26.8)	(20.8)
Disposals	25.5	12.6
Dividends	(17.4)	(8.6)
Proceeds from Sale of Investments	23.8	-
Share Repurchases	(7.8)	(4.7)
Other	(9.0)	5.0
Reduction In Net Debt	**29.2**	**30.8**
Closing Net Debt	**79.6**	**108.8**

The Group's net debt was £79.6 million at 31 December 2015, a reduction of £29.2 million from 31 December 2014.

As a consequence of this lower debt level and strong EBITDA performance, the debt : underlying EBITDA ratio has reduced from 0.8 at 31 December 2014 to 0.5 at 31 December 2015 and remains below our target range of 1.0 to 1.5. This reflects the appropriate balance of capital efficiency and growth potential. We have a strong balance sheet, good cashflow generation, new financing facilities described below and realisations from low performing assets, which provide the ability for investment for the future.

Refinancing

The Group has completed an improved unsecured refinancing of our facilities which encompasses two aspects. Firstly, a new revolving five year credit facility of £240 million, expiring in March 2021 and secondly, a new seven year £60 million private placement, expiring in March 2023. As a result of this new facility and placement, the Group will be calling its existing £175 million bond in March 2016. The Group is pleased to have achieved this long-term financing on favourable terms, providing an enhanced platform for further growth of our business.

Property and investment, acquisitions and disposals

Our property portfolio is an important aspect of our business. The Group's holdings include both leasehold and freehold properties from which our business operates. In addition, through strategic investment choices, including some franchise closures, we hold for sale a number of vacant property assets. At 31 December 2015, the Group had £172.7 million of land and property assets (2014: £164.4

million) and property assets for sale of £16.2 million (2014: £11.6 million). Business disposals resulted in a profit on disposal of £10.9 million and property disposals resulted in a profit of £0.6 million.

In the period, the Group disposed of its £10.0 million 6% investment in King Arthur Properties S.a.r.L for £23.8 million consisting of dividends and repayment of share capital, which realised a profit of £13.8 million.

Pensions

The net liability for defined benefit pension scheme obligations has decreased from £66.4 million at 31 December 2014 to £43.4 million at 31 December 2015. This reduction in obligations of £23.0 million is largely due to a reduction in the present value of funded defined benefit obligations. The funding level of the scheme has improved from 86.6% at 31 December 2014 to 90.1% at 31 December 2015. This 3.5% improvement in funding level compares with an improvement of 1.5% in FTSE 350 company funding levels to 88.2%. The next triennial valuation of the pension scheme will reflect the position as at 31 December 2015 and is scheduled to be completed by 31 March 2017 at the latest.

Dividend

The Group is proposing a final dividend of 0.7p per share in respect of 2015, bringing the full year dividend to 1.3p per share. The Board is delighted to recommend this dividend increase, which will maintain our dividend cover at a similar level to the prior year's. We intend to maintain a progressive dividend approach in the future.

The proposed final dividend will be paid on 24 May 2016 for those shares recorded on 22 April 2016.

Shares repurchased

During the year the Group repurchased £7.8 million of shares (2014: £4.7 million) in respect of LTIP and options.

Capital allocation

We have demonstrated a strong record of cashflow generation and capital management, with a reduction in net debt of £167.2 million in the last four years. We have adopted a target of maintaining our debt : underlying EBITDA ratio between 1.0 and 1.5 times. Since our interim report of last year, this ratio has been below 1 times (currently 0.54 times). We continue to expect strong cashflow generation and we have maintained a progressive dividend.

We are also working to expand our UK footprint by investing in 40 additional sites with 9 sites opened to date. This investment will take place over the coming five year period and is expected to amount to approximately £100 million in investment (assuming all additional sites are freehold). We will also continue to seek investment opportunities that exceed our cost of capital, to add to our existing US operations.

Non-underlying Items

Non-underlying items for the twelve month periods ended 31 December 2015 and 31 December 2014:

Non-underlying Items 12 Months Ended 31 December £m	2015	2014
Gain on Disposals Net of Property Impairments	10.6	3.2
Gain on Disposal of Investments	13.8	-
Dividends Received	-	3.1
Pensions	(2.3)	(1.9)
VAT Provision	(3.2)	-
Refinancing Charges	(10.0)	-
Total	**8.9**	**4.4**

In the period, property and business disposal profits, net of impairments and associated property and business disposal costs, generated a non-underlying profit of £10.6 million (2014: £3.2 million). The Group sold eight franchise points in the period, yielding proceeds of £21.2 million.

In the period, the Group disposed of its £10.0 million 6% investment in King Arthur Properties S.a.r.L for £23.8 million consisting of dividends and repayment of share capital, which realised a profit of £13.8 million.

Non-underlying pension costs relate to pension obligations in respect of defined benefit schemes closed to future accrual, shown as non-underlying due to the non-trading nature of this amount.

During the year, our industry has received claims from HMRC for back-dated VAT in relation to Motability vehicles. We have made a provision in respect of this issue but will be vigorously defending our position.

The Group has non-underlying finance charges of £10.0 million, of which £2.2 million relates to an acceleration of the write-off of the amortising issue costs of our £175 million bond and £7.8 million is with respect to the impact of the fair value adjustment of the bond at 31 December 2015, as we expect to call the bond in March 2016 as part of our improved refinancing in 2016.

2. Segmental Results

The Group has three segments which, combined, we refer to as the Motor Segment and three segments which, combined, we refer to as the Support Segment. The Motor Segment consists of: Stratstone, Evans Halshaw and California. In 2015, we have rebranded our Quicks businesses as Evans Halshaw and accordingly we have moved the Quicks segment into the Evans Halshaw segment. A reconciliation of this change can be found in note 7 at the end of this document. The Support Segment consists of: Pinewood, Leasing and Quickco. The following table shows the revenue, gross profit, operating costs and operating profit by segment for our Motor Segment for the twelve month periods ended 31 December 2015 and 31 December 2014:

Underlying Motor Segment 12 Months Ended 31 December	Stratstone		Evans Halshaw		California		Motor Segment	
£m (unless stated)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue:								
Aftersales	127.1	132.5	149.4	147.4	27.4	23.1	303.9	303.0
Used	693.0	683.2	1,060.6	925.0	67.7	61.2	1,821.3	1,669.4
New	851.0	775.4	1,205.2	1,047.5	162.4	119.7	2,218.6	1,942.6
Revenue	**1,671.1**	**1,591.1**	**2,415.2**	**2,119.9**	**257.5**	**204.0**	**4,343.8**	**3,915.0**
Gross Profit:								
Aftersales	72.6	76.2	106.6	102.9	14.3	12.2	193.5	191.3
Used	38.3	47.2	113.9	95.3	4.1	3.8	156.3	146.3
New	75.7	70.0	69.5	65.0	21.4	18.2	166.6	153.2
Gross Profit	**186.6**	**193.4**	**290.0**	**263.2**	**39.8**	**34.2**	**516.4**	**490.8**
Operating Costs	**(153.1)**	**(157.9)**	**(248.0)**	**(232.8)**	**(29.4)**	**(25.6)**	**(430.5)**	**(416.3)**
Operating Profit	**33.5**	**35.5**	**42.0**	**30.4**	**10.4**	**8.6**	**85.9**	**74.5**
Metrics:								
Gross Margin (%)	11.2%	12.2%	12.0%	12.4%	15.5%	16.8%	11.9%	12.5%
Units Sold ('000)	53.4	54.9	224.0	207.5	5.5	4.8	282.9	267.2

Stratstone (Stratstone.com)

Our Stratstone business is one of the UK's leading premium motor car retailers, with 73 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Jaguar, Land Rover, Mercedes-Benz, MINI, Morgan, Porsche and Smart vehicles as well as three motor-cycle franchises. This segment also contains our retail and service outlets for DAF commercial vehicles, under our Chatfields brand name.

Stratstone.com had a strong year in the aftersales and new departments. Within the aftersales department, profit increased by £2.9 million (+4.3%) on a like for like basis. The new department improved like for like gross profit by 14.3% as a result of strong retail growth performances in Aston Martin, BMW, Land Rover, Mercedes-Benz, Porsche and DAF trucks. Used revenue was up by 10.0% on a like for like basis in the period, albeit at a lower margin, resulting in a fall in used profitability. We have now fully implemented and rolled out high definition video within used vehicles and within our aftersales activities. We will be selectively rolling out the successful Evans Halshaw used car initiatives within Stratstone.com.

Evans Halshaw (Evanshalshaw.com)

Our Evans Halshaw business is the UK's leading volume motor car retailer, with 118 franchise points. Evans Halshaw holds franchises to retail and service Citroen, Dacia, Ford, Honda, Hyundai, Kia, Nissan, Peugeot, Renault, SEAT and Vauxhall vehicles.

Evanshalshaw.com has significantly increased like for like operating profit, by £11.6 million (+34.3%), with outstanding growth in the used vehicle department. On a like for like basis, used sales increased by 16.8% in the period and used gross profitability increased by 21.7%. Used continues to be a strategic area of focus for our business and we are delighted with the performance from Evanshalshaw.com. We are benefiting from our market leading initiatives and a recovery in the used market.

Aftersales like for like gross profit increased by £4.7 million (+4.7%) as result of strong market conditions and our own initiatives. We believe our innovation and responsiveness to consumers' needs in this area gives us a competitive advantage. We increased our like for like new vehicle gross profit in the period by £5.3 million as a result of growing new vehicle volumes.

Our Quicks segment was set up to test and deploy new strategies and now has been integrated into the Evans Halshaw segment in the period.

California

Our unique retail businesses in California continue to deliver outstanding results from nine franchise points, representing the Aston Martin, Jaguar and Land Rover brands. Despite exceptional prior year comparatives, the California business continues to grow. Operating profit was ahead of the prior year by £1.8 million. Encouragingly, aftersales gross profit was a key performance improver, up £2.1 million, and should continue into 2016. Within the new vehicle sector, Land Rover product continues to impress Californian customers and new vehicle gross profit increased by £3.2 million in the period. We continue to explore opportunities to add to our existing US operations.

Support Businesses

Our Support businesses provide a broad range of services, both to the Group and to external customers. These specialist businesses consist of Pinewood for dealer management systems, Leasing for fleet and contract hire vehicles and Quickco for wholesale vehicle parts.

The following table shows the revenue and operating profit for our Support Segment and the Group results, for each of the twelve month periods ended 31 December 2015 and 31 December 2014:

Underlying Support Segment and Group Results 12 Months Ended 31 December	Pinewood		Leasing		Quickco		Support Segment		Group Results	
£m	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	12.6	10.9	34.2	22.2	63.3	52.3	110.1	85.4	4,453.9	4,000.4
Operating Profit	**8.7**	**8.7**	**4.1**	**5.6**	**1.8**	**2.1**	**14.6**	**16.4**	**100.5**	**90.9**
Operating Margin (%)	69.0%	79.8%	12.0%	25.2%	2.8%	4.0%	13.3%	19.2%	2.3%	2.3%

3. Strategic Progress

Strategy

Our strategy is to grow profitability in used, aftersales and new and we represent this by our four strategic pillars. These strategic pillars are: Choice, Value, Service and Convenience and are supported by the 'Our People' foundation.

Choice

Our 'Choice' pillar is our strategy to ensure that our consumers can access the largest and best choice of vehicles and servicing in the UK. Visits to Stratstone.com and Evanshalshaw.com increased by 35.5% over the prior year, to 20.6 million visitors, offering the choice of over 21,000 vehicles to consumers online. Overall, we have nearly doubled the number of web visits received in three years from around 10.9 million in 2012 to over 20.6 million in 2015, which is truly exceptional growth of the brands. This channel is becoming a key aspect of our business to ensure our consumers are fully aware of the choice we have available and the convenience of transacting with us.

We have been operating our 'Sell Your Car' initiative for over a year. This enables the consumer to choose to sell their car direct to us at Evanshalshaw.com (www.evanshalshaw.com/sell-your-car/). We guarantee to pay more than 'webuyanycar.com'. This initiative is enabling us to provide a greater selection of choice and value to consumers and to turn stock more quickly, given that the vehicles we buy from these customers arrive directly at our vehicle preparation and retailing premises.

In February 2015, we launched 'Move Me Closer' which enables the consumer to reserve a vehicle direct from their electronic device and choose to have it physically delivered to their nearest store location (www.evanshalshaw.com/move-me-closer/). Through this service, consumers can research and view online over 21,000 vehicles, then inspect the vehicle they reserved at a physical location convenient to them.

We continue to be encouraged by the results of our 'Sell Your Car' and 'Move Me Closer' initiatives.

Value

Our 'Value' pillar ensures that, for every single purchase, our consumers enjoy the benefit of our every day low prices, achieved by our frequently researched local and national prices. We have been operating our value pricing methodology since 2008, enabling us to provide price transparency to our customers. Our used car sales are backed by our Price Guarantee.

Service

Our 'Service' pillar is ensuring that our consumers can transact easily with our business, with outstanding customer service. We monitor our customer satisfaction scores closely and regard as a key measure of our success the proportion of customers who have given us a four or five star rating for vehicle sales and aftersales service. We are pleased to report that on this measure our performance has progressed from 83.4% at 31 December 2013 to 85.3% at 31 December 2014 to 85.5% at 31 December 2015. We continue to put the customer first in all we do.

Convenience

Our business has the largest motor retail footprint and scale in the UK. For both vehicle selection and purchasing, and for aftersales services, customers can visit our stores at locations convenient to them. We have commenced an investment programme to acquire and open stores in the key market areas in the UK where we do not yet have a significant presence. This investment will bring us even closer to existing and potential customers, by further enhancing the offering of choice, convenience of contact and service and our unique used vehicle proposition.

We have added nine more Evans Halshaw sites towards our plan of 40 additional sites.

Our 'Sell Your Car' initiative is now available at 42 retail locations in the UK, bringing us closer to more consumers and providing an inflow of used cars for the business sourced directly from consumers.

Our People

Our people are key to the underlying success of our business. We are fortunate to have a committed and dedicated team member base who are helping us deliver our strategy and achieve our planned business growth. During 2016 we plan further investment in our people to enhance attraction to the business and mitigate attrition. This will be undertaken alongside our implementation of the National Living Wage. Adaptability, dedication and willingness to learn underlie our team members' valuable contribution to this growth. We wish to thank our team members, who continue to be part of the journey at Pendragon PLC, and who enjoy growing with our forward-looking organisation.

Our Board

Mr Paul Hampden Smith will retire from the Board of Pendragon on 22 May 2016. Mr Hampden Smith is an independent non-executive director and Chairman of the Audit Committee of Pendragon.

4. Industry Insight and Outlook

New Sector

The new vehicle sector consists of the first registration of cars and commercial vehicles. In 2015, the UK new car market, the second largest market in Europe, increased by 6.3% over the prior year, with 2.634 million registrations (2014: 2.476 million).

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 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 retail market is the key market opportunity for the Group and represents just under half of the total UK market.

The following table summarises the UK new car vehicle market, separating the retail and fleet components for the twelve month periods ended 31 December 2015 and 31 December 2014:

New Car Vehicle Registrations 12 Months Ended 31 December '000	2015	2014	Change	Change %
UK Retail Market	1,208.8	1,179.5	29.3	+2.5%
UK Fleet Market	1,424.7	1,296.9	127.8	+9.9%
UK New Market	**2,633.5**	**2,476.4**	**157.1**	**+6.3%**
Group Represented* UK Retail Market	815.8	795.3	20.5	+2.6%
Group Represented* UK Fleet Market	996.3	900.6	95.7	+10.6%
Group Represented* UK New Market	**1,812.1**	**1,695.9**	**116.2**	**+6.9%**

Source: new car vehicle registrations data from the 'Society of Motor Manufacturers and Traders'.
* Group Represented is defined as national registrations for the franchised brands that the Group represents as a franchised dealer.

The Society of Motor Manufacturers and Traders expects the UK market to be 2.629 million new cars in 2016.

The UK commercial vehicle market, consisting of light commercial vehicles and trucks, had a market size of 424 thousand units in 2015, an increase of 16.7% over the prior year. Following a decline in the truck market of 26.2% in 2014, this reversed, with growth of 25.5% in 2015; and light commercial vehicles grew by 15.6% in 2015.

The Group has a small and successful representation in California. The USA new vehicle market was 17.3 million in 2015, an increase of 5.5% over 2014 and the highest vehicle market since 2006. The National Automobile Dealers' Association expects the USA market to be 17.7 million vehicles in 2016, an increase of 2.3%.

New Industry Insight

In our last interim management statement we indicated that the 2015 UK new car market would exceed 2.6 million units and we had previously commented that the total new car market would run at its natural level of between 2.5 million to 2.6 million units. Whilst the 2015 new car market was actually at the upper end of this natural level, we maintain our view that the market will be relatively stable in the near term. Increases can be expected in the long term due to increases in car ownership and population growth. We are maintaining our view that the 2016 new car market will be stable. Approximately 75% of all UK retail cars retailed in the UK are now sold with finance agreements in place.

Used Sector

The used vehicle sector comprises the selling of vehicles by one party to another for all vehicles except newly registered vehicles. We had previously expected the market to grow by around 1.6% in 2015. In the first three quarters of 2015, the used car market was 5.526 million, with growth of 1.9% on the prior year. Around half of these transactions are conducted by franchised dealers and the balance by independent dealers and private individuals.

Used Industry Insight

We have previously modelled the impact of the new market volumes on the used car market and continue to believe we will see growth of around 2% per annum over the next three years. When we segment the used market by age of vehicle, our analysis of the next three years shows that the supply of vehicles that are less than six years old will continue to grow more rapidly than those over six years old. We have been tracking our used volume vehicle performance to the used vehicle market for those cars aged between one and eight years old, which represents our key market segment. Since 2009, through implementation of our used car initiatives and strategies, we have more than doubled our market share from 2.5% to 5.3%.

Aftersales Sector

Aftersales encompasses the servicing, 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 number of vehicles on the road, known as the 'vehicle parc'. The vehicle parc in the UK has risen to 34 million vehicles (cars only), having been typically around 32 to 33 million vehicles in the prior three years. The car parc can also be segmented into markets representing different age groups. Typically, around 21% of the car parc is represented by less than three year old cars, around 17% is represented by four to six year old cars and 62% is greater than seven year old cars.

The size of each of these age groups within the car parc is determined by the number of new cars entering the parc and the number exiting the parc. The demand for servicing and repair activity is less impacted than other sectors by adverse economic conditions, as motor vehicles require regular maintenance and repair for safety, economy and performance reasons.

Aftersales Industry Insight

The aftersales servicing and repair business will benefit from increased new and used car activity. As a result of the increased new vehicle supply, we have seen growth in the less than three year old car parc of around 9% and expect this to grow by around 5% in 2016. Interestingly, in 2015, within the four to six year old vehicle parc, there was no growth following a number of years of decline. We expect this segment of the vehicle parc to grow by 4% in 2016. Overall, we expect at least for the next three years to see good continuing growth in the vehicle parc for cars up to six years old.

Outlook

We are delighted with this strong set of results and have nearly doubled underlying profit within three years. On a like for like basis, each of the sectors of aftersales, used and new have grown significantly as a result of both strong internal performance and favourable market conditions. We are particularly pleased with our used car performance in Evanshalshaw.com which has grown significantly in the period. This out performance demonstrates the success of our strategy to offer Choice, Value, Service and Convenience to our customers.

We believe the new vehicle market will be stable in the coming year but are still expecting to see growth in the key market areas of aftersales and used. We continue to be excited by our ‘Sell Your Car’ and ‘Move Me Closer’ initiatives. In the medium term, we will roll out additional footprint in the UK, particularly by adding sites in areas where we have no representation, to provide further convenience to our customers. The Group is well positioned for another strong year in 2016 and is expected to perform in line with expectations.

5. Detailed Financials

Consolidated Income Statement

Year ended 31 December 2015

	Note	Underlying £m	Non-underlying £m	**2015 £m**	Underlying £m	Non-underlying £m	2014 £m
Revenue		4,453.9	-	**4,453.9**	4,000.4	-	4,000.4
Cost of sales		(3,905.0)	-	**(3,905.0)**	(3,477.8)		(3,477.8)
Gross profit		548.9	-	**548.9**	522.6	-	522.6
Operating expenses		(448.4)	(4.1)	**(452.5)**	(432.8)	-	(432.8)
Operating profit before other income		100.5	(4.1)	**96.4**	89.8	-	89.8
Other income – gains on sale of businesses and property		-	11.5	**11.5**	-	3.2	3.2
Other income - gain on disposal of investment		-	13.8	**13.8**	-	-	-
Other income – dividends received		-	-	**-**	1.1	3.1	4.2
Operating profit		100.5	21.2	**121.7**	90.9	6.3	97.2
Finance expense	4	(30.9)	(12.3)	**(43.2)**	(31.2)	(1.9)	(33.1)
Finance income	5	0.5	-	**0.5**	0.5	-	0.5
Net finance costs		(30.4)	(12.3)	**(42.7)**	(30.7)	(1.9)	(32.6)
Profit before taxation		70.1	8.9	**79.0**	60.2	4.4	64.6
Income tax (expense) / credit		(17.0)	10.9	**(6.1)**	(15.3)	0.5	(14.8)
Profit for the period		53.1	19.8	**72.9**	44.9	4.9	49.8
Earnings per share	3						
Basic earnings per share				**5.0p**			3.5p
Diluted earnings per share				**5.0p**			3.4p

Non GAAP measure	3						
Underlying basic earnings per share		3.7p			3.1p		
Underlying diluted earnings per share		3.6p			3.1p		

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015	2014
	£m	£m
Profit for the period	72.9	49.8
Other comprehensive income:		
Items that will never be reclassified to profit and loss:		
Defined benefit plan remeasurement gains and (losses)	22.4	(24.0)
Income tax relating to defined benefit plan remeasurement gains and (losses)	(5.5)	4.8
	16.9	(19.2)
Items that are or may be reclassified to profit and loss		
Foreign currency translation differences of foreign operations	0.4	0.3
Fair value gains on investments reclassified to profit and loss	(14.0)	14.0
	(13.6)	14.3
Other comprehensive income for the period, net of tax	3.3	(4.9)
Total comprehensive income for the period	76.2	44.9

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Share capital £m	Share premium £m	Other reserves £m	Translation differences £m	Retained earnings £m	**Total £m**
Balance at 1 January 2015	72.8	56.8	15.1	(0.6)	195.8	**339.9**
Total comprehensive income for 2015						
Profit for the year	-	-	-	-	72.9	**72.9**
Other comprehensive income for the period, net of tax	-	-	-	0.4	2.9	**3.3**
Total comprehensive income for the year	-	-	-	0.4	75.8	**76.2**
Issue of ordinary shares	0.2	-	-	-	(0.2)	**-**
Dividends paid	-	-	-	-	(17.4)	**(17.4)**
Own shares issued under share schemes	-	-	-	-	(7.6)	**(7.6)**
Own shares purchased under share schemes	-	-	-	-	1.4	**1.4**
Share based payments	-	-	-	-	2.0	**2.0**
Income tax relating to share based payments	-	-	-	-	0.6	**0.6**
Balance at 31 December 2015	73.0	56.8	15.1	(0.2)	250.4	**395.1**
Balance at 1 January 2014	71.9	56.8	15.1	(0.9)	162.3	**305.2**

Total comprehensive income for 2014						
Profit for the year	-	-	-	-	49.8	**49.8**
Other comprehensive income for the period, net of tax	-	-	-	0.3	(5.2)	**(4.9)**
Total comprehensive income for the year	-	-	-	0.3	44.6	**44.9**
Issue of ordinary shares	0.9	-	-	-	(0.5)	**0.4**
Dividends paid	-	-	-	-	(8.6)	**(8.6)**
Own shares issued under share schemes	-	-	-	-	(4.7)	**(4.7)**
Own shares purchased under share schemes	-	-	-	-	1.0	**1.0**
Share based payments	-	-	-	-	1.5	**1.5**
Income tax relating to share based payments	-	-	-	-	0.2	**0.2**
Balance at 31 December 2014	72.8	56.8	15.1	(0.6)	195.8	**339.9**

Consolidated Balance Sheet

At 31 December 2015

	2015	2014
	£m	£m
Non-current assets		
Property, plant and equipment	352.7	312.0
Goodwill	360.8	365.4
Other intangible assets	5.8	6.1
Investments	-	24.0
Deferred tax assets	11.5	23.9
Total non-current assets	730.8	731.4
Current assets		
Inventories	830.6	676.1
Trade and other receivables	134.5	117.9
Cash and cash equivalents	138.8	91.4
Assets classified as held for sale	16.2	11.6
Total current assets	1,120.1	897.0
Total assets	1,850.9	1,628.4
Current liabilities		
Trade and other payables	(1,050.9)	(884.1)
Deferred income	(32.9)	(26.2)
Current tax payable	(9.2)	(33.0)
Provisions	(5.0)	(2.5)
Total current liabilities	(1,098.0)	(945.8)
Non-current liabilities		
Interest bearing loans and borrowings	(218.4)	(200.2)
Trade and other payables	(41.6)	(31.0)
Deferred income	(50.1)	(41.6)
Retirement benefit obligations	(43.4)	(66.4)
Provisions	(4.3)	(3.5)
Total non-current liabilities	(357.8)	(342.7)
Total liabilities	(1,455.8)	(1,288.5)
Net Assets	395.1	339.9
Capital and reserves		
Called up share capital	73.0	72.8
Share premium account	56.8	56.8
Capital redemption reserve	2.5	2.5
Other reserves	12.6	12.6
Translation reserve	(0.2)	(0.6)
Retained earnings	250.4	195.8
Total equity attributable to equity shareholders of the company	395.1	339.9

Registered Company Number 2304195

Consolidated Cash Flow Statement

Year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Profit for the year		72.9	49.8
Adjustment for taxation		6.1	14.8
Adjustment for net financing expense		42.7	32.6
Adjustment for dividend received		-	(4.2)
		121.7	93.0
Depreciation and amortisation		25.3	27.0
Share based payments		2.0	1.5
Profit on sale of businesses and property		(11.5)	(3.2)
Gain on disposal of investment		(13.8)	-
Impairment of assets held for sale		0.9	1.0
Reversal of impairment of assets held for sale		-	(1.0)
Changes in inventories		(109.1)	(60.1)
Changes in trade and other receivables		(16.9)	(15.1)
Changes in trade and other payables		148.4	83.5
Changes in retirement benefit obligations		(2.9)	(2.9)
Changes in provisions		3.3	0.2
Movement in contract hire vehicle balances	7	(21.8)	(17.5)
Cash generated from operations		125.6	106.4
Taxation paid		(22.3)	(8.3)
Interest received		0.5	0.5
Interest paid		(29.3)	(29.5)
Net cash from operating activities		74.5	69.1
Cash flows from investing activities			
Dividends received		-	4.2
Proceeds from sale of businesses		21.2	1.1
Purchase of property, plant and equipment		(136.9)	(96.7)
Proceeds from sale of property, plant and equipment		80.8	65.6
Proceeds from the sale of investments		23.8	-
Net cash used in investing activities		(11.1)	(25.8)
Cash flows from financing activities			
Proceeds on issue of shares (net of costs paid)		-	0.4
Dividends paid to shareholders		(17.4)	(8.6)
Own shares acquired		(7.6)	(4.7)
Own shares issued under share schemes		1.4	1.0
Proceeds from issue of bond and loans		7.6	1.6
Net cash outflow from financing activities		(16.0)	(10.3)
Net increase in cash and cash equivalents		47.4	33.0
Opening cash and cash equivalents		91.4	58.4
Closing cash and cash equivalents		138.8	91.4

Reconciliation of Net Cash Flow to Movement in Net Debt

	2015 £m	2014 £m
Net increase in cash and cash equivalents	**47.4**	33.0
Proceeds from issue of bond and loans (net of directly attributable transaction costs)	**(7.6)**	(1.6)
Non-cash movements	**(10.6)**	(0.6)
Decrease in net debt in the period	**29.2**	30.8
Opening net debt	**(108.8)**	(139.6)
Closing net debt	**(79.6)**	(108.8)

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

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 £0.1m. 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 classified as held for sale are measured at the lower of their 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.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statement.

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

2 Non-underlying items

Non-underlying income and expenses are items that have non-trading attributes due to 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.

	2015 £m	2014 £m
Within operating expenses:		
Increase in VAT assessment provision	**(3.2)**	-
Impairment of assets held for sale	**(0.9)**	(1.0)
Reversal of impairment on assets classified as held for sale	**-**	1.0
	(4.1)	-
Within other income - gains on the sale of businesses, property and investments:		
Gains on the sale of businesses	**10.9**	0.1
Gains on the sale of property	**0.6**	3.1
Gain on disposal of investment	**13.8**	-
	25.3	3.2
Within other income – dividends received:		
Dividends received	**-**	3.1
Within finance expense:		
Net interest on pension scheme	**(2.3)**	(1.9)
Interest on refinancing	**(10.0)**	-
	(12.3)	(1.9)
Total non-underlying items before taxation	**8.9**	4.4

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 tangible fixed assets of £0.9m during the year (2014: £1.0m). There were no reversals of previous impairment charges in respect of assets held for sale where anticipated proceeds less costs to sell have increased over their impaired carrying values (2014: £1.0m).

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 non-trading attribute of this amount. A net expense of £2.3m has been recognised during the year (2014: £1.9m).

Other income, being the profit on disposal of businesses, property and investments, comprises a £10.9m profit on the disposal of motor vehicle dealerships (2014: £0.1m), a £0.6m profit on sale of properties (2014: £3.1m). On 28 January 2015, King Arthur Holdings S.a.r.L disposed of its only subsidiary company, King Arthur Properties S.a.r.L. The Group received £23.8m in total in respect of dividends and the repayment of share capital resulting in a £13.8m gain on the disposal of investments (2014: £nil).

During the previous year the Group received dividend income from its investment in King Arthur Holdings S.a.r.L of £4.2m. Of this £3.1m was deemed to be non-underlying in nature as the income related to a distribution of profits the company made on disposal of some of its investment properties and cash released following its refinancing, rather than that earned from the rental of those properties. No such income was received in the current year.

The Group has made a provision of £3.8m in respect of potential VAT issues arising from purchases of vehicles from Motability during the year, the settlement of which is expected to be concluded in the forthcoming year. The brought forward provision of £0.6m, in respect of VAT issues arising from sales to finance companies, was released in the year resulting in a total net expense of £3.2m (2014: £nil).

As at 31 December 2015, the Company had a reasonable expectation that it would sign a £240m 5-year committed bank facility with a club of existing and new banks, and a £60m 7-year debt private placement to refinance and replace early its £175m 6.875% bonds due 2020 and existing bank facility. As a result of this expectation, the existing drawn bank and bond facilities carrying amounts have been recalculated to reflect the earlier repayment, resulting in a non-underlying charge for this period of £10.0m. This comprises the premium payable upon early repayment of the bonds of £7.8m and the write-off of the previously carried amortising costs of £2.2m.

The non-underlying tax credit in the period relates to the settlement of certain historic tax issues.

3 Earnings per share

	2015 Earnings per share pence	2015 Earnings Total £m	2014 Earnings per share pence	2014 Earnings Total £m
Basic earnings per share	5.0	72.9	3.5	49.8
Adjusting items:				
Non-underlying items attributable to the parent (see note 2)	(0.6)	(8.9)	(0.4)	(4.4)
Tax effect of non-underlying items	(0.7)	(10.9)	-	(0.5)
Underlying earnings per share (Non GAAP measure)	3.7	53.1	3.1	44.9
Diluted earnings per share	5.0	72.9	3.4	49.8
Diluted earnings per share – underlying (Non GAAP measure)	3.6	53.1	3.1	44.9

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

	2015 Number	2014 Number
Weighted average number of ordinary shares in issue	1,445.6	1,428.6
Weighted average number of dilutive shares under option	14.0	27.0
Weighted average number of shares in issue taking account of applicable outstanding share options	1,459.6	1,455.6
Non-dilutive shares under option	20.2	15.7

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

4 Finance expense

Recognised in profit and loss	2015 £m	2014 £m
Interest payable on bond, bank borrowings and loan notes	14.5	15.0
Vehicle stocking plan interest	15.7	14.6
Interest payable on finance leases	0.1	0.1
Net interest on pension scheme obligations (non-underlying – see note 2)	2.3	1.9
Interest on refinancing (non-underlying - see note 2)	10.0	-
Less: interest capitalised	(0.5)	(0.1)
Total interest expense in respect of financial liabilities held at amortised cost	42.1	31.5
Unwinding of discounts in contract hire residual values	1.1	1.6
Total finance expense	43.2	33.1

5 Finance income

Recognised in profit and loss	2015 £m	2014 £m
Interest receivable on bank deposits	0.5	0.5
Total finance income	0.5	0.5

6 Net borrowings

	2015 £m	2014 £m
Cash and cash equivalents	138.8	91.4
Non-current interest bearing loans and borrowings	(218.4)	(200.2)
	(79.6)	(108.8)

7 Movement in contract hire vehicle balances

	2015 £m	2014 £m
Depreciation	22.1	23.2
Changes in trade and other payables and deferred income	22.5	8.0
Purchases of contract hire vehicles	(65.3)	(47.1)
Unwinding of discounts in contract hire residual values	(1.1)	(1.6)
	(21.8)	(17.5)

8 **Segmental analysis**

Changes in reporting structure

The Group has revised its reporting segments. In January 2015 the Group re-organised its management and reporting structure. The significant change was that the Quicks used car operation was brought under the management of the Evans Halshaw operation and this is reflected in the internal reporting structure as presented to the Chief Operating Decision Maker. In the 2015 financial statements therefore the Quicks segment is no longer reported separately. The results of the Quicks segment for the comparative period has been aggregated into the Evans Halshaw segment and is restated as follows for the period ended 31 December 2014:

	As Reported 31 December 2014		Evans Halshaw Segment As Restated
	Evans Halshaw	Quicks	
	£m	£m	£m
Total gross segment turnover	2,070.3	49.6	**2,119.9**
Inter-segment turnover	-	-	**-**
Revenue from external customers	2,070.3	49.6	**2,119.9**
Operating profit before non-underlying items	38.1	(2.2)	**35.9**
Other income and non-underlying items	-	-	**-**
Operating profit	38.1	(2.2)	**35.9**
Finance expense	(3.0)	(0.4)	**(3.4)**
Finance income	-	-	**-**
Profit before tax	35.1	(2.6)	**32.5**
Reconciliation to tables in the Segmental Results Section			
Operating profit as above	38.1	(2.2)	**35.9**
Allocation of central costs	(5.5)	-	**(5.5)**
Result presented in Segmental results table	32.6	(2.2)	**30.4**
Depreciation and amortisation	12.0	0.2	**12.2**

9 **Pension Funds**

The net liability for defined benefit obligations has decreased from £66.4m at 31 December 2014 to £43.4m at 31 December 2015. The decrease of £23.0m comprises contributions of £2.9m, net expense recognised in the income statement of £2.3m and a net actuarial gain of £22.4m. 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 3.90% (2014: 3.60%), inflation rate (RPI) of 3.10% (2014: 3.00%) and inflation rate (CPI) of 2.10% (2014: 2.00%).

10 Annual Report

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2015 or 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 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 2015 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 28 April 2016 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.