Pendragon PLC

HALF YEAR RESULTS FOR 30 JUNE 2021 (issued 15 September 2021)

Pendragon has performed strongly in the first-half of the financial year, recording underlying profit before tax of £35.1m (H1 FY20: Loss of £31.0m). The significant improvements delivered in digital propositions enabled the Group to largely mitigate the impact of the third national lockdown in the first quarter and emerge strongly in quarter two, out-performing the market in both new and used cars. A strong trading performance was underpinned by the delivery of the Group's cost restructuring programme, delivering material cost savings.

The Group has continued to make strong progress with its strategy to "transform automotive retail through digital innovation and operational excellence" leading to improved efficiency and to the introduction of new digital propositions.

Bill Berman, Chief Executive Officer, said:

"The first half of the year marked another strong period of progress and growth within the business despite the impact of a nationwide lockdown in the first quarter. We exceeded our initial expectations for the half and delivered an underlying profit before tax of £35.1m.

"While we acknowledge the positive market tailwinds, much of this progress has been underpinned by our new strategy, which has resulted in significant improvements to the Group's digital capabilities and cost savings associated with the restructure of our store estate and the improved efficiency of our operating model. The work undertaken to advance our online channels last year meant more than 40,000 vehicles were delivered to customers during the lock-down period alone.

"In line with the wider market, we are anticipating continued shortages in both new and used vehicle supply for the remainder of the year. We're continuing to deliver on our strategy and see significant prospects for the Group to capitalise on the exciting market opportunities ahead. We remain confident that underlying profit before tax for the full year will be £55m to £60m, ensuring we stay on track to deliver our target of £85m to £90m by FY 2025."

Group Financial Highlights

	H1 FY21 £m's	H1 FY20 £m's	Total change %	Like-for-like change %
Group Revenue	1,815.6	1,218.3	49.0%	62.6%
Underlying Profit / (Loss) before tax	35.1	(31.0)	n/a	
Non-Underlying charge	(4.3)	(21.0)	-79.5%	
Profit / (Loss) after tax	28.4	(41.4)	n/a	

	H1 FY21 £m's	H1 FY20 £m's	FY20 £m's	Change vs FY20 %
Adjusted Net Cash / (Debt)*	9.5	(46.0)	(100.4)	n/a

Like for like (LFL) results only include trading businesses which have been trading for 12 consecutive months. Reconciliations of the like for like figures to the total reported figures can see seen in Note 1 – Alternative Performance Measures.

*Adjusted Net Cash / (Debt) – All loans and borrowings less cash and cash equivalents less IFRS 16 lease liabilities less vehicle stocking loans.

Operating Highlights

- **Group Highlights**
  - Group Revenue up 49.0% to £1,815.6m (H1 FY20: £1,218.3m).
  - Underlying PBT of £35.1m, compared to a loss of £31.0m in H1 FY20.
  - After non-underlying items the Group reported a profit before tax of £28.4m (H1 FY20: Loss of: £41.4m).
  - Outperformed the new car market as measured by SMMT with a 42.7% like-for-like increase in new cars sold vs a total market growth of 39.2%, and a market increase of 35.7% in Pendragon represented franchises.
  - Encouraging progress against Group Strategy, significant number of initiatives underway.
  - Adjusted net cash of £9.5m (FY20: adjusted net debt of £100.4m).

- **Franchised UK Motor**
  - Strong recovery from the initial impact of the pandemic in H1 FY20.
  - Underlying operating profit of £37.6m (H1 FY20: Loss of £18.1m)
  - Revenue up 56.9% to £1,673.8m (64.6% on a like-for-like basis).
  - Gross margin of 10.9%, up from 10.2% in H1 FY20
    - Used gross margin of 8.8% (H1 FY20: 7.1%)
    - New gross margin of 6.4% (H1 FY20: 5.9%)
    - Aftersales gross margin of 49.6% (H1 FY20: 46.4%)
  - Strength in used stock sourcing maximising access to higher margins in favourable market conditions.
  - Total operating costs up by 13.9%, with FY20 costs lower as a result of the significant government support programmes accessed in H1 FY20.
  - Cost reduction programmes and store closures delivering significant benefit, with costs down £45.2m compared to H1 FY19.

- **Software - Pinewood**
  - Operating profit up 13.6% to £6.7m (H1 FY20: £5.9m).
  - Revenue grew by 12.0% to £12.1m
  - 14% increase in international users.
  - Continued investment in product developments to enable Group digital capabilities, deliver finance products online and facilitate digital payments.
  - Achieved accreditation as first certified DMS system by BMW UK, and second global RIS partner.

- **Car Store**
  - Underlying operating profit of £0.3m (H1 FY20: loss of £1.7m).
  - Revenue up 53.1% to £66.0m on a total basis (54.2% on a like-for-like basis).
  - Gross margin rate of 8.0% (H1 FY20: 6.7%).
  - Development of the Used Car proposition ahead of relaunch.

- **Leasing – Pendragon Vehicle Management**
  - Revenue up 31.7% to £49.0m principally driven by a 90% year on year increase in de-fleeted vehicle disposals.
  - High margin on disposals.
  - Operating profit up 72.3% to £8.1m (H1 FY20: £4.7m).

- **US Motor Group**
  - Disposal of final US Motor assets completed in FY21.
  - Total proceeds of £106.0m from the combined total of all US sites since 2018.

Outlook

- Good performance has continued early in the second-half into July and August.
- Robust used volumes and margins continue to underpin performance.
- New car supply has begun to impact the market, down 29.5% in July and down 22.0% in August, as measured by SMMT. Customer demand and our order book remain strong, but we expect to continue to see shortfalls in supply and therefore delayed delivery dates through the remainder of the current financial year.
- Whilst uncertainty remains for the remainder of the second half, we remain confident that underlying profit before tax for the full year will be £55m to £60m
- The Board continues to believe the Group's strategy positions it well to respond to the ongoing market uncertainty and to capitalise on any resultant opportunities.

Conference call and presentation

A presentation for analysts and investors on Pendragon's half-year results will be held at 9.00am today and this will be followed by a Q&A session with the management team. The webcast can be found at:

https://webcasting.brrmedia.co.uk/broadcast/6131d2bd1bbecc503c40a064

To request conference call details for the Q&A please contact pendragon@headlandconsultancy.com.

Contacts

Name	Title	Responsibility	Contact
Bill Berman	Chief Executive	Pendragon PLC	01623 725200
Mark Willis	Chief Financial Officer	Pendragon PLC	01623 725200
Henry Wallers	Director	Headland	07876 562436
Jack Gault	Account Director	Headland	07799 089357

Financial Summary

Consolidated Income Statement Six months ended 30 June Underlying unless stated	H1 2021 £m	H1 2020 £m	Change (%)
Revenue	1,815.6	1,218.3	49.0%
Cost of sales	(1,604.4)	(1,083.0)	48.1%
Gross profit	**211.2**	**135.3**	**56.1%**
Underlying operating expenses	(159.3)	(146.1)	9.0%
Underlying operating profit / (loss)	**51.9**	**(10.8)**	**n/a**
Underlying net finance costs	(16.8)	(20.2)	-16.8%
Underlying profit / (loss) before taxation	**35.1**	**(31.0)**	**n/a**
Non-underlying charges	(4.3)	(21.0)	-79.5%
Total income tax (expense) / credit	(2.4)	10.6	n/a
Total profit / (loss) for the period	**28.4**	**(41.4)**	**n/a**
Earnings per share			
Basic earnings per share	2.0p	(3.0)p	n/a
Diluted earnings per share	2.0p	(3.0)p	n/a
Non GAAP Measure			
Underlying basic earnings per share	2.3p	(1.7)p	n/a
Underlying diluted earnings per share	2.3p	(1.7)p	n/a

Segmental Performance

Units Sold	H1 2021	H1 2020	Change (%)	LFL Change (%)
Used Units				
Car Store	5,526	4,321	27.9%	28.5%
Franchised UK Motor	48,368	38,992	24.0%	38.3%
US Motor	51	275	-81.5%	-
	53,945	**43,588**	**23.8%**	**37.2%**
New Units				

Franchised UK Motor	30,067	21,659	38.8%	42.7%
US Motor	397	945	-58.0%	-
	30,464	**22,604**	**34.8%**	**42.7%**

£m	**H1 2021**	**H1 2020**	**Change (%)**	**LFL Change (%)**
Revenue				
Car Store	66.0	43.1	53.1%	54.2%
Franchised UK Motor	1,673.8	1,067.1	56.9%	64.6%
Software	12.1	10.8	12.0%	12.0%
Leasing	49.0	37.2	31.7%	31.7%
US Motor	28.3	68.5	-58.7%	-
Inter-segment revenue	(13.6)	(8.4)	61.9%	61.9%
	1,815.6	**1,218.3**	**49.0%**	**62.6%**
Gross Profit				
Car Store	5.3	2.9	82.8%	76.7%
Franchised UK Motor	182.3	108.9	67.4%	75.0%
Software	11.2	9.9	13.1%	13.1%
Leasing	10.5	6.7	56.7%	56.7%
US Motor	4.0	9.0	-55.6%	n/a
Inter-segment gross profit	(2.1)	(2.1)	-	-
	211.2	**135.3**	**56.1%**	**70.2%**
Underlying Operating Profit				
Car Store	0.3	(1.7)	n/a	n/a
Franchised UK Motor	37.6	(18.1)	n/a	n/a
Software	6.7	5.9	13.6%	13.6%
Leasing	8.1	4.7	72.3%	72.3%
US Motor	(0.8)	(1.6)	-50.0%	-
	51.9	**(10.8)**	**n/a**	**n/a**
Gross Margin %	**11.6%**	**11.1%**	**0.5%**	**0.5%**
Underlying Operating Margin %	**2.9%**	**(0.9)%**	**3.8%**	**3.2%**
Operating Profit / (Loss)	**48.1**	**(31.2)**	**n/a**	**n/a**

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Chief Executive's Review

The first-half of FY21 continued to be a period marked by disruption by Covid-19, with the enforced closures of stores from 1 January to 12 April having the potential to significantly restrict the Group's ability to trade. However, as a result of the work that we started last year to adapt both our digital channels and our customer proposition, together with a restructure of our store estate and cost base, we were able to perform strongly despite this disruption.

Following the reopening in April, the business was able to capitalise on strong market conditions, created from a combination of pent-up demand and restricted supply across both new and used cars. In particular, this market resulted in exceptional increases in used car margins, which the Group was able to maximise by maintaining steady inventory levels as a result of the supply chain sourcing advantages it has. Our omni-channel offering and well executed plans meant we were able to outperform the market in new cars, delivering a 42.7% like-for-like increase in sales of new cars vs a total market growth of 39.2%, and a market increase of 35.7% in the franchises we represent.

Whilst we remain grateful for the government support available during the period of enforced closure, our ability to continue to trade at near-normal levels meant we were able to significantly reduce the amount of support we received from the Coronavirus Job Retention Scheme, drawing just £1.6m in the period (H1 FY20: £30.9m) to protect the small number of roles that were unable to be performed during lock-down. The Group also benefited from £8.6m of business rate relief and grants in the half (H1 FY20: £3.5m).

In addition to a strong trading performance, our excellent financial results for the first-half were underpinned by the successful delivery of our strategic aims to restructure the store estate, including both the sale of our remaining US stores and the closure of loss-making stores in both Car Store and the Franchised business, and a significant reduction in overheads following improvements in our operational efficiency. Following these actions, we have reduced our underlying operating costs (adjusted to remove the benefit of furlough and rates relief) by approximately £75m compared to the same period in 2019, the last comparable period before the pandemic, whilst gross profit is down just £24.1m against FY19, despite the material reduction in the number of sites in the UK from 204 to 150, the impact of the first quarter lockdown on sales volumes, and the disposal of the US assets. I am confident that this revised cost structure provides us with the platform for profitable growth.

Each of our divisions performed impressively during the first-half, with the strong financial performance in Franchised UK Motor supported by further good performance in both our software and leasing businesses. Car Store, ahead of its rebrand and new proposition launch, was also able to contribute to the Group result, with an operating loss of £0.7m during the lock-down in the first quarter, more than offset by an operating profit of £1.0m in quarter two. Finally, we successfully completed the sale of the remaining US assets, with total proceeds of £106m before tax now realised.

Group Strategy

In FY20 we launched our plan to "transform automotive retail through digital innovation and operational excellence". This strategy set out our ambition to return the Group to sustainable levels of profit growth, targeting underlying profit before tax of £85-90m by FY25 and positions us to meet evolving customer needs.

I am delighted with the further progress we have made during the first-half, with multiple initiatives launched against each of our three pillars for growth:

1. Unlock value in the franchised UK motor division
2. Grow and diversify Pinewood
3. Disrupt standalone used cars

In the UK motor division, we have delivered some good early wins, such as improvements to our vehicle valuation tools to drive more efficient purchasing and higher purchase conversion rates. We have also introduced new modules developed by Pinewood to improve consistency in our sales processes and to deliver further improvements to our digital propositions such as remote digital signatures, new online payment functionality and the ability to purchase finance and insurance products online. Several initiatives are also underway to sustain delivery as we go through the second-half and ahead into 2022.

Our software business has enabled many of the technology improvements required to deliver these initiatives, and remains a key advantage for the Group in order to facilitate and to maintain a high pace of change. Pinewood's product developments will also enable our future initiatives such as our planned vehicle acquisition and management platform and the underpinning technology for the revised used car proposition. Pinewood has also demonstrated its reputation as a DMS provider through its recently awarded certified status with BMW, one of only two global partners to support BMW's retail integration strategy.

Finally, we have made good progress with the development of the revised branding and both the digital and physical propositions for our standalone used car proposition, with the brand relaunch expected to be ready for late Q4 or early Q1 FY22.

I would like to extend my thanks to all of our associates who have performed exceptionally during challenging times. We are delighted to have added a new Chief People Officer to our team, with Lizzie Downes joining us in September, who will focus on the continued development of our culture and the nurturing of talent.

Overall, I am very pleased with the progress we have made both strategically and operationally, which have resulted in an excellent financial performance, with the Group reporting underlying profit before tax of £35.1m, a material turn-around from the first-half losses of both FY19 and FY20.

Outlook

We remain very confident in the opportunity that our strategy provides, and have made further progress towards our strategic objectives in the first-half of the current financial year. Whilst the used car market in particular has remained strong to date, there still remains a high level of uncertainty over the remainder of the current financial year, with the potential for further disruption from Covid-19 over the winter period which could continue to impact all areas of our Group, the potential for shortfalls in new car supply from the ongoing impact of micro-chip shortages and a correction in used car prices. Despite these short-term challenges, I am confident our business model positions us well, and that we are on track with our long-term objectives. As such, we remain confident that underlying profit before tax for the full year will be between £55m to £60m, ensuring we stay on track to deliver £85m to £90m by FY 2025.

Bill Berman
Chief Executive

15 September 2021

Operating and Financial Review by Segment

- The business is organised into 5 segments, analysed as follows:
    - Franchised UK Motor – sale and servicing of vehicles in the U.K.

- Software – Licencing of Software as a Service to global automotive business users
- Car Store – Own brand proposition for the sale of used vehicles in the U.K.
- Leasing – Fleet and contract hire provider. Source of used vehicle supply
- US Motor – Sale and servicing of vehicles in the U.S. (Disposal completed H1 FY21)

Franchised UK Motor

Underlying	**H1 2021**	**H1 2020**	**Change (%)**
Used Revenue	£781.0m	£509.2m	53.4%
Aftersales Revenue	£131.1m	£97.7m	34.2%
New Revenue	£761.7m	£460.2m	65.5%
Total Revenue	**£1,673.8m**	**£1,067.1m**	**56.9%**
Used Gross Profit	£68.6m	£36.4m	88.5%
Aftersales Gross Profit	£65.0m	£45.3m	43.5%
New Gross Profit	£48.7m	£27.2m	79.0%
Total Gross Profit	**£182.3m**	**£108.9m**	**67.4%**
Gross margin rate	*10.9%*	*10.2%*	*0.7%*
Underlying Operating Expenses	£(144.7)m	£(127.0)m	13.9%
Underlying Operating Profit / (Loss)	**£37.6m**	**£(18.1)m**	**n/a**
Underlying operating margin rate	*2.2%*	*(1.7)%*	*3.9%*
Stocking Interest [1]	*£(4.7)m*	*£(7.4)m*	*-36.5%*
Profit / (Loss) after Stocking Interest	*£32.9m*	*£(25.5)m*	*n/a*
Operating Profit / (Loss)	**£37.5m**	**£(32.0)m**	**n/a**
Total Revenue Change	56.9%		
Like-for-like Revenue Change	64.6%		
Used Units Sold	48,368	38,992	24.0%
New Units Sold	30,067	21,659	38.8%
Used GPU [2]	£1,418	£934	51.8%
New GPU [2]	£1,620	£1,256	29.0%
Number of Locations	141	160	-11.9%
Average Used Selling Price [3]	£14,336	£12,590	13.9%
Average New Selling Price [3]	£25,092	£21,365	17.4%

[1] Stocking interest. Whilst stocking interest is an interest expense and not part of operating profit, it is a cost that can be directly related to the trading performance of both new and used cars. It is included as an alternative performance measure in the table above for information.

[2] GPU = Gross Profit per Unit. It is calculated as total New/Used GP divided by total New/Used retail units sold.

[3] Trading dealerships only. The used selling price is retail vehicles only and excludes any trade vehicles. The new selling price excludes vehicles sold by our fleet business (National Fleet Solutions).

Operating Review

The Franchised UK Motor business operated from 139 franchise points and two used cars only retail points which represent a range of volume and premium products offering both sales and service functions.

Whilst there continued to be significant disruption from Covid-19 during the first quarter, with the mandatory physical closure of showrooms from 1 January through to 12 April, the significant adaptations made to the Group's omni-channel capabilities since the second-half of last year were instrumental in the Group's ability to materially mitigate the impact of the closures. A total of over 40,000 vehicles were delivered to customers across the Group through a combination of home delivery and customer collection in the first-quarter alone, whilst dealerships were physically closed.

Both during this period, and following reopening in April, the business has performed well, outperforming the market in both new and used vehicle sales, maximising performance in used cars in particular through its strength in used car supply through its array of sourcing channels such as part exchanges, our Sell Your Car proposition, through PVM and a number of other supplier relationships.

New Car volumes were up 42.7% on a like-for-like basis (total reported up 38.8%), compared to growth of 35.7% across the franchises in which Pendragon operates and a total market growth up 39.2%. Sales process efficiency improvements and strong market demand for new cars ensured that the Group was able to deliver volume targets and unlock bonus income, resulting in a gross profit per unit ("GPU") of £1,620, up 29% compared to H1 FY20, which when combined with the volume growth drove a 79.0% increase in gross profit.

Used Car volumes also rebounded strongly compared to FY20, up 38.3% on a like-for-like basis (total reported up 24.0%), against market growth in the period of 33.3%. Sales in Q1 during the lock-down, which compared to a period where the business was largely open FY20, were down just 12.1% on a like-for-like-basis as a result of the digital capabilities developed, with Q2 up 188.4% with Q2 FY20 more severely impacted by the first national lockdown and ahead of any material development to our capability. Changes delivered through our strategy to "unlock value in UK Motor", as outlined in more detail in the strategy review below, combined with well-publicised tailwinds in used car pricing during the second quarter, led to a GPU of £1,418 in the first-half, up 51.8% compared to FY20. Further margin strengthening through the half resulted in GPU in the second quarter increasing to £1,673.

Aftersales revenue also grew in the period, up by 40.4% on a like-for-like basis (total reported up 34.2%) with aftersales services permitted to continue throughout the lock-down, with the growth reflecting partial opening during the lock-down in H1 FY20. The continued impact of strategy-led productivity improvements made during H2 FY20 resulted in an improvement in the gross margin of 320bps to 49.6% (H1 FY20: 46.4%).

Whilst underlying operating expenses grew by 13.9% compared to H1 FY20, this is a reflection of the level of furlough support received in FY20. The leaner operating model with reduced headcounts introduced in H2 FY20, delivering annual savings of c.£35m, combined with the reduced cost base following the closure of 15 stores in H2 FY20 have resulted in a reported cost base of £144.7m, with the UK Motor division utilising just £1.5m from the Coronavirus job retention scheme and £8.1m in rates relief and grants in the period. Adjusting for this support, a cost base of £154.3m is a material reduction to a comparable cost base of £189.9m in H1 2019, before the Covid-19 pandemic. This material improvement in the cost base is reflected in the underlying profit of £37.6m.

Strategy delivery – Unlock value in the franchised UK Motor division

The Group has made meaningful progress with its strategy to improve performance and unlock significant value in the franchised UK Motor division through actions to:

1. Accelerate digital innovation
2. Drive operational excellence and embed consistent best practice
3. Operate from a lean and efficient cost base

These initiatives have been designed to drive improvements in used car margins, aftersales profitability and operating cost efficiency.

Accelerate digital innovation

Whilst we fundamentally believe that there will always be a major role for bricks and mortar in vehicle purchasing, we expect that the changes in consumer habits towards the adoption of new digital channels which have occurred over the past 18 months to become permanent. Following the rapid strengthening of our digital and home delivery capabilities we identified a number of initiatives to drive performance through digital innovation. We have delivered a number of key changes during the first-half that will underpin our omni-channel model.

We have improved the technology and processes that we use to value vehicles acquired through part-exchange and through our "Sell-Your-Car" service, providing improved valuations and condition grading, as well as developing the CRM to maximise valuation to appointment conversion. Through Pinewood, we have developed a new “Sales+” module that introduces a consistent enquiry to sale journey, in store and through digital channels. Finally, we have enabled online payment across Evans Halshaw, Stratstone and Car Store for customers with cleared funds, as well as introducing fully online selling of Finance and Insurance products, initially for Evans Halshaw customers, with development for Stratstone underway.

In addition to these delivered changes, we have also made good initial progress in our ambitions to develop a Group-wide platform to power the appraisal, purchase, preparation and dynamic pricing of used vehicles. Each of these improvements will drive our medium-term margin improvement targets.

Drive operational excellence and best practice

There is further opportunity for us to improve performance through better operational practices, driving efficiencies. We are developing focussed internal reporting to drive insight into performance in areas such as vehicle preparation efficiency and sales force effectiveness. These improvements will also reduce costs, and improve profit margins. Our strategic review also identified a series of opportunities and initiatives to drive substantial improvements to aftersales gross margin.

During the first-half we have seen an improved level of penetration from the new three-year used-car guarantee product we first introduced in FY20 and we have commenced work to transition from fixed price models to tailored and tiered products based on the age and mileage of a vehicle. In addition, we are developing a programme to target both process and procedure improvements in order to improve the speed and quality to which we prepare newly acquired used vehicles, in order to bring cars to market quicker, to improve the customer experience and reduce subsequent rectification costs. Finally, we are developing our processes to improve conversion of required work identified when a customer’s car is in a service centre, and developing self-serve finance payment options for this work to improve the customer journey.

Operate from a lean and efficient cost base

In 2020 we made significant changes to our store and regional operating teams in order to right-size the model and to embed the efficiency gains we delivered during the Covid-19 pandemic. These changes have contributed significantly to the performance in the first-half of FY21. In addition, we transitioned from company provided cars to cash allowances and associated preferential offers for a number of our associates, and decentralised various customer enquiries to dealerships, reducing central contact centre costs.

We continue to believe there are further cost base efficiencies. During FY21 we will complete a Finance Transformation programme, which will centralise core finance processes into a central shared service centre, supported by investment into automation technologies in key processes such as payments, receipts and reporting and we will invest into new finance business partnering capabilities to support the businesses growth objectives through high quality analytics.

Financial Review

Revenue increased by 56.9% to £1,673m in H1 FY21 (64.6% on a like-for-like basis), for the reasons outlined above.

Gross profit grew by 67.4% to £182.3m in H1 FY21 (75.0% on a like-for-like basis). The improvements in margin in both new and used GPU’s, together with improved efficiency in aftersales resulted in gross profit growth out performing revenue growth materially.

Underlying operating costs have increased by 13.9% (24.2% on a like-for-like basis), driven by the significantly lower usage of the Coronavirus job retention scheme, partially offset by the delivery of the cost reduction initiatives as outlined above.

The division recorded a total underlying operating profit of £37.6m (H1 FY20: £18.1m underlying operating loss).

Software - Pinewood

Underlying	H1 2021	H1 2020	Change (%)
Revenue	**£12.1m**	**£10.8m**	**12.0%**
Gross Profit	**£11.2m**	**£9.9m**	**13.1%**

Gross margin rate	*92.6%*	*91.7%*	*0.9%*
Operating Expenses	£(4.5)m	£(4.0)m	12.5%
Operating Profit	**£6.7m**	**£5.9m**	**13.6%**
Operating margin rate	*55.4%*	*54.6%*	*0.8%*
Revenue Change	**12.0%**		

A more detailed breakdown of the Pinewood financials for H1 FY21 can be seen below:

	Contribution from Pendragon	Contribution from external customers	**Pinewood standalone result**	Share of Pendragon Group overheads	**Pinewood segment as reported in Pendragon Group accounts**
Revenue	£2.3m	£9.8m	**£12.1m**	-	**£12.1m**
Gross Profit	£2.1m	£9.1m	**£11.2m**	-	**£11.2m**
Operating Expenses	£(0.9)m	£(3.4)m	**£(4.3)m**	£(0.2)m	**£(4.5)m**
Operating Profit	**£1.3m**	**£5.6m**	**£6.9m**	**£(0.2)m**	**£6.7m**

Operating Review

Pinewood is a software business that provides Software as a Service ("SaaS") in the UK and in a number of countries worldwide.

The UK Dealer Management Systems (DMS) market for Franchised Motor Dealers is estimated to be worth over £100 million. Three DMS providers dominate the UK market. The global DMS market is highly fragmented, with over 50 different DMS providers within Europe alone.

Pinewood's unique approach to the DMS market is characterised by:

- a single product capable of global deployment, which simplifies future developments to the system and reduces operating costs;
- a feature-rich cloud-based solution, with no need for costly third-party add-ons;
- focus on strong manufacturer partnerships and supporting dealer profitability; and
- commitment to using the latest technology to reshape motor retail

Pinewood was an early adopter of the SaaS business model and has focused on developing recurring revenue streams. Today, around 90% of Pinewood's revenues are on a recurring basis. Whilst Pendragon remains an important customer to Pinewood, as Pinewood has grown, Pendragon's proportion of the Pinewood total user base has been diluted to c.17%, from c.21% in FY20, with intra-group charging maintained at a competitive market rate, reducing as more external users have been added.

During H1 FY21, overall net user numbers (excluding Pendragon) increased by 3%. Across Pinewood's international markets there was a 14% net increase in user numbers. International growth was driven by system installations in the Nordic markets, which was supported by overseas hiring and the incorporation of Pinewood Technologies Northern Europe AB in Sweden. Strong growth in international user numbers is expected to continue in the second half of 2021, despite the travel limitations arising from the pandemic. In the UK market (excluding Pendragon) there was a small increase in user numbers in H1 FY21 as market conditions stabilised.

In H1 FY21 Pinewood continued to invest in the functionality of its DMS platform. These included the development of online sales capabilities and tools, as well as platform architecture and security. There has also been good further progress in terms of OEM support at an international level, most notably with Pinewood DMS achieving UK certification as part of BMW's Retail Integration Service alongside a role as a global partner to lead further development.

Pinewood delivered a strong performance in H1 FY21 as reflected in the increased user numbers. The performance was particularly pleasing given the context of continuing pandemic related uncertainty and the restrictions on international travel. Pinewood continues to ensure full continuity of its services and develop the DMS to assist its customers in the new retail environment.

Strategy update – Grow and diversify Pinewood

As part of its Group strategy presentation, Pendragon announced its plan to 'grow and diversify Pinewood'. This included the key objectives of:

- Growing the international user base by 80% and the total user base by 10%; and,
- Further product extension enabling turn-key digital automotive retail solutions.

In FY21 Pinewood has continued to focus on both elements of the 'grow and diversify' strategy.

Grow: expansion of the direct sales model in Scandinavia has been supported by local incorporation and new market hires, whilst Pinewood continues to add customers in other international markets, and expects further new market launches in the second half of 2021.

Diversify: development of the core DMS product continues. New products designed to support digital automotive retail are being developed to initially benefit Pendragon and, in the longer term, the external customer base. A number of new modules were introduced during H1, most notably a Sales+ module designed to improve the efficiency and consistency of the sales process. Pinewood will also be a key enabler in the development of vehicle acquisition, management and pricing platforms and powering the new standalone used car brand's web capabilities.

Financial Review

Total revenues increased by 12.0% to £12.1m compared to H1 FY20. Underlying recurring revenues on sales of DMS software to third parties increased during the period by £0.4m. This underlying growth excludes the impact of the one-off Covid discount given in H1 FY20, which impacted the base period. In addition to recurring revenue growth, DMS transactional charges and system training and implementation revenues increased by 41%, driven by lockdown restrictions easing.

Gross profit increased by 13.1% to £11.2m. This was driven by higher revenues, with a slight increase in gross margins.

Operating costs increased by 12.5% compared to H1 2020. The increase was driven by higher amortisation as a result of ongoing increases in investment in the development of the software asset. There was also an increase in payroll costs, driven by the reversal of the prior year benefit from the Coronavirus job retention scheme. Offsetting cost efficiencies were achieved through further reductions in travel and office expenditure.

As a result of these movements, underlying operating profit was £6.7m, an increase of 13.6% compared to H1 2020.

Car Store

Underlying	**H1 2021**	**H1 2020**	**Change (%)**
Revenue	**£66.0m**	**£43.1m**	**53.1%**
Gross Profit	**£5.3m**	**£2.9m**	**82.8%**
Gross margin rate	*8.0%*	*6.7%*	*1.3%*
Underlying Operating Expenses	£(5.0)m	£(4.6)m	8.7%

Underlying Operating Profit / (Loss)	**£0.3m**	**£(1.7)m**	**n/a**
Underlying Operating margin rate	*0.5%*	*(3.9)%*	*4.4%*
Stocking Interest	*£(0.2)m*	*£(0.2)m*	-
Profit after Stocking Interest	*£0.1m*	*£(1.9)m*	n/a
Operating Profit / (Loss)	**£0.3m**	**£(1.7)m**	**n/a**
Total Revenue Change	53.1%		
Like-for-like Revenue Change	54.2%		
Units Sold	5,526	4,321	27.9%
Used GPU [1]	£959	£671	42.9%
Number of Locations	9	11	-18.2%
Average Selling Price [2]	£10,522	£8,677	21.3%

[1] GPU = Gross Profit per Unit. It is calculated as total Used GP divided by total Used retail units sold.

[2] Trading dealerships only. The used selling price is retail vehicles only and excludes any trade vehicles.

Operating Review

During the first half of FY21 Car Store recorded an underlying operating profit of £0.3m compared to operating losses of £1.7m in H1 FY20. As with franchised dealerships, Car Store showrooms were closed from 1 January to 12 April. With limited aftersales capability, there was less potential to mitigate operating costs through service activity, although the business continued to be able to remotely sell cars utilising the Group's digital developments. As a result, Car Store reported a loss in Q1 of £0.7m, before returning to profitability in Q2 with an underlying operating profit of £1.0m.

Volumes were up 28.5% on a like-for-like basis (total reported up 27.9%), whilst the average selling price grew by 21.3%, which together, resulted in total revenue growth of 53.1% Car Store also benefitted from the improvements made to technology and processes as well as the tailwinds in used car pricing delivering a GPU of £959 in the first-half, up 42.9% compared to FY20.

Strategy Update - Disrupt standalone used cars

We believe the UK is the most attractive used vehicle market globally, with a ratio of over three used vehicles sold for every one new. The overall market for used cars is around eight million cars sold per annum. Based on the desired age and mileage profile for our target market, we believe there is an addressable market for Pendragon of around three million cars per annum, which is larger than the total new car market.

To capitalise on this opportunity, we will deliver:

1. Rebranding of the standalone used car proposition
2. Differentiated value proposition
3. A scaled physical estate

Rebrand the standalone used car proposition

During the past six months, work has progressed to define the vision for the rebranded proposition, determine the brand values and behaviours and to determine the brand promises. In addition, comprehensive research has been completed to determine the revised brand name look and feel ahead of its launch in late 2021 or early 2022. The brand will reflect the new digital proposition.

Differentiate the value proposition

The revised brand value proposition will have market-leading, customer focussed, clear propositions across buying, selling and aftersales, including, but not limited to, access to Evans Halshaw used car inventory, digital part exchange propositions, a national delivery proposition and a money-back guarantee to underpin confidence. Multiple cross-functional workstreams are in place to refine the final proposition ahead of launch.

Scale the physical estate

Over the next five years we are targeting the development of eight physical locations. We believe that a combination of a digital proposition and these physical stores will allow us to gain a meaningful share of the target market. During the first-half work was completed to identify the first site to test the new physical proposition, utilising an existing location in Chesterfield. Chesterfield was a purpose-built Car Store with currently unutilised land owned adjacent to the current footprint, providing the right potential to develop to the required scale, with space for approximately 450 vehicles. The existing customer facilities will be developed to represent the new brand proposition, including the addition of preparation and aftersales facilities, with work starting during the second-half of FY21 at an approximate incremental cost of c.£3.0m.

Financial Review

Revenue grew by 53.1% to £66.0m in the period (54.2% on a like-for-like basis). Whilst the period of weeks in lockdown were higher in H1 FY21 compared to H1 FY20 the enhanced digital proposition supported the revenue growth.

Gross profit increased by 82.8% to £5.3m (76.7% on a like-for-like basis), as a result of the volume growth combined with the improved gross profit per unit of £959.

Operating costs increased by 8.7% from £4.6m to £5.0m with the reduction in support via the Coronavirus job retention scheme received in H1 FY20 largely offset by the efficiency improvements delivered in H2 FY20.

The underlying operating profit for Car Store was £0.3m (H1 FY20: loss of £1.7m).

Leasing

Underlying	H1 2021	H1 2020	Change (%)
Revenue	**£49.0m**	**£37.2m**	**31.7%**
Gross Profit	**£10.5m**	**£6.7m**	**56.7%**
Gross margin rate	*21.4%*	*18.0%*	*3.4%*
Operating Costs	£(2.4)m	£(2.0)m	20.0%
Operating Profit	**£8.1m**	**£4.7m**	**72.3%**
Operating margin rate	*16.5%*	*12.6%*	*3.9%*
Revenue Change	**31.7%**		

Operating Review

Pendragon Vehicle Management (PVM), a vehicle leasing business offers a complete range of fleet leasing and contract hire solutions. Its customers represent all business sectors with varied fleet sizes. The fleet of vehicles is financed through third party asset funders which results in a high return on capital.

The increase in revenue compared to H1 FY20 was driven by the combined impact of a 90% increase in the number of disposals of de-fleeted vehicles compared to the pandemic impact in the prior year, partially offset by lower income as a result of the smaller fleet. This, combined with higher residual values achieved on disposals was the key driver of the 56.7% improvement in gross profit.

PVM's fleet is experiencing a rapid change in the powertrains being requested by customers in the car sector as the corporate sector seek to improve their green footprint whilst providing their associates with reduced levels of Company Car Benefit in Kind taxation.

Financial Review

Revenue increased by 31.7% to £49.0m, and gross profit rose by 56.7% to £10.5m owing to higher disposals and strong residual values as described above. Underlying operating costs were up 20% to £2.4m, with H1 FY20 benefitting from payments from the Coronavirus job retention scheme.

Underlying operating profit increased by 72.3% to £8.1m.

US Motor

Underlying	H1 2021	H1 2020	Change (%)
Used Revenue	£3.0m	£10.2m	-70.6%
Aftersales Revenue	£2.8m	£7.9m	-64.6%
New Revenue	£22.5m	£50.4m	-55.4%
Total Revenue	**£28.3m**	**£68.5m**	**-58.7%**
Used Gross Profit	£0.2m	£0.5m	-60.0%
Aftersales Gross Profit	£1.6m	£3.9m	-59.0%
New Gross Profit	£2.2m	£4.6m	-52.2%
Total Gross Profit	**£4.0m**	**£9.0m**	**-55.6%**
Gross margin rate	*14.1%*	*13.1%*	*1.0%*
Underlying Operating Expenses	£(4.8)m	£(10.6)m	-54.7%
Underlying Operating Loss	£(0.8)m	£(1.6)m	-50.0%
Underlying Operating margin rate	*(2.8)%*	*(2.3)%*	*-0.5%*
Operating Loss	£(4.5)m	£(8.1)m	-44.4%
Total Revenue Change	-58.7%		
Used Units Sold	51	275	-81.5%
New Units Sold	397	945	-58.0%
Used GPU [1]	£3,922	£1,818	115.7%
New GPU [1]	£5,542	£4,868	13.8%
Number of Locations [2]	-	4	-
Average Used Selling Price [3]	£35,183	£32,660	7.7%
Average New Selling Price [3]	£56,091	£56,118	0.0%

[1] GPU = Gross Profit per Unit. It is calculated as total New/Used GP divided by total New/Used retail units sold.

[2] Represents 4 franchise points across the remaining two dealerships.

[3] Trading dealerships only. The used selling price is retail vehicles only and excludes any trade vehicles.

The first-half performance is principally driven by the final months of trading, which continued in the two remaining US Motor Group locations until their disposal, which together with low levels of ongoing operational costs associated with the winding up of US operations, resulted in an underlying operating loss of £(0.8)m (H1 FY20: £(1.6)m.

The remaining disposals were both completed during the half, with Santa Monica completed on the 29 March 2021 for consideration of £10.8m and Los Angeles having previously completed on 29 January 2021 for consideration of £16.3m.

Total cumulative proceeds since the first sale in 2018 of £106.0m have been received for the disposal of the US Motor Group, against a target objective of £100m.

Industry Insight

New Car Market

The UK new car market was 910k vehicles in the first half of FY21 which was an increase of 39.2% over the prior year, reflecting the enforced closure of the UK dealer network for a significant part of H1 2020. The UK new car market is divided into two markets, retail and fleet. The retail market is the direct selling of vehicle units to individual customers and operates at a higher margin than the fleet market. The retail market is the key market opportunity for the Group and represents 45% of the total market in the year. The fleet market represents the sale of multiple vehicles to businesses, and is predominately transacted at a lower margin and consumes higher levels of working capital than retail, and represents 55% of the market in the year.

Used Car Market

In the first half of FY21, there were 3.9m used cars sold in the UK, an increase of 33.3% on the prior year. This represents a market opportunity that is more than three times the size by volume of the new car market. The used market is more stable than the new vehicle sector, being less affected by fluctuations in the UK economy and providing a more reliable supply chain than the new market.

Aftersales Market

The main determinant of the aftersales market is the number of vehicles on the road, known as the 'car parc'. The car parc in the UK has risen slightly to 35.3m vehicles at H1 FY21, a rise of 0.6% from the end of FY20. The car parc can also be segmented into markets representing different age groups. At H1 FY21, around 16% of the car parc was represented by less than three-year-old cars, around 20% by four to six-year-old cars and 64% is greater than seven-year-old cars. The demand for servicing and repair activity is less affected than other sectors by economic conditions, as motor vehicles require regular maintenance and repair for safety, economy and performance reasons.

UK New Car Registrations '000	H1 2021	H1 2020	Change (%)
UK Retail Registrations	410.7	314.6	30.6%
UK Fleet Registrations	499.3	338.9	47.3%
Total UK Registrations	**910.0**	**653.5**	**39.3%**
Group Represented* UK Retail Registrations	242.7	184.2	31.8%
Group Represented* UK Fleet Registrations	275.7	197.9	39.3%
Group Represented* Registrations	**518.4**	**382.1**	**35.7%**

* Group Represented – defined as national registrations for the franchised brands that the Group represents as a franchised dealer.

The new retail market was up by 30.6% in H1 2021, and the new fleet market increased by 47.3% in the period. All new car market figures are from the Society of Motor Manufacturers and Traders (SMMT).

Underlying Net Financing Costs

	H1 2021	H1 2020	Change (%)
Interest payable on bank borrowings, senior note and loan notes	£(4.4)m	£(4.2)m	4.8%
Vehicle stocking plan interest	£(5.0)m	£(8.0)m	-37.5%
Net lease interest	£(5.9)m	£(6.4)m	-7.8%
Unwinding of discounts in contract hire residual values	£(1.5)m	£(1.6)m	-6.3%
Total Net Financing Costs	**£(16.8)m**	**£(20.2)m**	**-16.8%**

Underlying net financing costs reduced by £3.4m to £16.8m, principally driven by a reduction of £3.0m in vehicle stocking plan interest as a result of lower inventories. The increase in interest payable on bank borrowings was driven by an increase in the interest rate of the revolving credit facility to 4.85% agreed as part of the extension of the facility earlier in 2021, together with amortisation of arrangement fees, partially offset by lower average utilisation during the period.

Non-underlying Items

£m	H1 2021	H1 2020
Impairment of goodwill	-	(12.5)
Impairment of right of use assets	(5.4)	-
Termination and severance costs	(0.9)	(1.2)
Gains / (losses) on the sale of businesses and property, plant and equipment	2.4	(5.9)
Business closure costs	0.1	(0.8)
Pension costs	(0.5)	(0.6)
Total non-underlying items before tax	**(4.3)**	**(21.0)**
Non-underlying items in tax	0.8	3.4
Total non-underlying items after tax	**(3.5)**	**(17.6)**

Non-underlying income and expenses are items that are not incurred in the normal course of business and are sufficiently significant and/or irregular to impact the underlying trends in the business. During the first-half the Group has recognised a net charge of £4.3m of pre-tax non-underlying items compared to a charge of £21.0m in H1 FY20.

A charge of £5.4m for the impairment of right of use assets principally relates to the impairment of three leases that have been retained following the disposal of the US assets. These remaining leases are all in good locations and are currently being marketed for sublet. These are short life leases, with expiry due in 2022 and 2023.

Termination and severance cost of £0.9m principally relate to the transfer of Finance process from dealerships to a centralised shared service centre as outlined part of the Finance Transformation in the UK motor business review. Gains of £2.4m on the sale of business and property, plant and equipment mainly arise from a combined profit of £1.0m on disposal of the US assets in Santa Monica and Los Angeles, together with gains arising on the disposal of other freehold and leasehold properties. Pension costs of £0.5m represent the interest charge for the first half of FY21 (H1 2020: £0.6m)

Capital Allocation

Net cash* has improved by £109.9m from an adjusted net debt of £100.4m at 31 December 2020 to adjusted net cash of £9.5m at 30 June 2021. The adjusted net debt to underlying EBITDA ratio* was (0.1)x for the rolling 12 months to H1 FY21. The adjusted net debt to underlying EBITDA ratio has moved from 0.8x at FY20 principally as a result of the strong trading performance in the first-half, combined with the disposal proceeds from the sale of the remaining US assets received in the period. Since 2018, the Group has received total proceeds from the disposal of the entire US business of 106.0m, before tax.

* This is an Alternative Performance Measure (APM), see note 1 of the Detailed Financials for more detail.

Cash Flow

The following table summarises the cash flows and adjusted net debt of the Group for the six-month periods ended 30 June 2021 and 30 June 2020 as follows:

£m	H1 2021	H1 2020
Underlying Operating Profit / (Loss)	**51.9**	**(10.8)**
Depreciation and Amortisation	19.1	22.2
Share Based Payments	1.4	0.4
Non-underlying Items	(0.8)	(2.0)
Contribution into defined benefit pension scheme	(6.3)	(2.6)
Working Capital and Contract Hire Vehicle Movements[1]	49.5	69.1
Cash Generated from Operations	**114.8**	**76.3**
Capital Expenditure	(6.9)	(14.2)
Fixed Asset Vehicles Net Movement	3.0	4.2
Business and Property Disposals	28.8	31.9
Net Capital Income[2]	**24.9**	**21.9**
Tax Paid	(1.6)	0.8
Interest Paid excluding lease interest[3]	(8.4)	(11.5)
Lease Payments & Receipts[4]	(19.0)	(13.2)
Other	(0.8)	(0.6)
Decrease in Adjusted Net Debt	**109.9**	**73.7**
Opening Adjusted Net Debt[1]	(100.4)	(119.7)
Closing Adjusted Net Cash / (Debt)	**9.5**	**(46.0)**

[1]being the change in trade and other receivables, change in trade and other payables and movement in contract hire vehicle balances.

[2]being the proceeds from sale of businesses, purchase of property, plant, equipment and intangible assets and proceeds from sale of property, plant, equipment and intangible assets.

[3] being bank and stocking interest paid.

[4]being receipts of lease receivables and payment of lease liabilities including lease interest paid and received.

Reconciliation to Consolidated Cash Flow Statement

£m	H1 2021	H1 2020
Net cash from operating activities	**98.9**	**59.2**
Net capital income	24.9	21.9
Receipt of lease receivables	1.2	0.5
Net cash from investing activities	**26.1**	**22.4**
Financing cash flows as included above:		

Payment of lease liabilities	(14.3)	(7.3)
Financing cash flows not included above relating to loans:		
Repayment of loans	(81.7)	(40.0)
Proceeds from issue of loans (net of directly attributable transaction costs)	(1.4)	28.2
Net cash outflow from financing activities	**(97.4)**	**(19.1)**

Cash generated from operations was an inflow of £114.8m compared to an inflow of £76.3m in the first-half of FY20, principally driven by an increase in the underlying operating profit of £62.7m as a result of the strong trading performance in comparison to the pandemic-impacted first of half of FY20, combined with a further VAT timing benefit of approximately £35m, mainly arising from the reduction in new car inventory. This is in addition to the continued timing benefit of £29m from the deferral of VAT payments in H1 FY20. The combined VAT timing benefit of approximately £64m is expected to fully unwind during the second half of FY21. Contributions to the defined benefit pension scheme increased from £2.6m to £6.3m with contributions reverting to the agreed level following a timing benefit in H1 FY20 as a result of the agreement with the scheme trustee to defer payments during the initial impact of the pandemic.

The net capital expenditure inflow of £24.9m (H1 FY20: inflow of £21.9m) was principally due to the £28.8m cash received from business and property disposals. Disposal proceeds comprised of £16.3m from the disposal of Los Angeles, £10.8m from the disposal of Santa Monica and £1.7m from the disposal of other property. There was a net £6.9m outflow from capital expenditure, partially offset by a £3.0m net inflow from fixed asset vehicle disposals. Capital expenditure remained at a lower level as we continued to exercise caution during the national lock-down in the first quarter, and with a number of projects weighted to the second-half of FY21.

Lease payments & receipts increased by £5.8m to £19.0m, with the increase primarily resulting from the reversal of the timing benefit in H1 FY20 from the temporary move to monthly rent payments during the early stages of the pandemic together with the impact of inflationary rent inflation, partially offset by early exits and increased sub-let income.

With effect from March 2021 in respect of light commercial vehicles, and with effect from June 2021 in respect of passenger vehicles, the way in which the Group acquires vehicles from Ford has changed. From these two respective dates, the Group became the importer of Ford vehicles into the UK, rather than acquiring the vehicles from Ford UK. This has led to changes in both the amounts ultimately payable to Ford for vehicles (the liabilities due to Ford shall be lower because no VAT will be charged) and the removal of VAT recovery in respect of the acquisition of vehicles. Taking into account the revised expectation of new car supply, the resulting change in cashflows is estimated in the range of -£1m to -£21m, dependant on the month, although the impact on the Group's peak borrowing is not expected to be significant. As at 31 December 2021, the impact is expected to increase adjusted net debt by approximately £8m.

Balance sheet

The following table summarises the balance sheet of the Group at 30 June 2021, 30 June 2020 and 31 December 2020.

£m	Jun-21	Jun-20	Dec-20
Property	219.4	230.7	222.8
Plant & Equipment	178.8	215.5	204.0
Goodwill	150.3	150.3	150.3
Intangibles	10.7	10.1	10.2
Right of Use Assets	133.2	156.4	146.0
Inventories	469.0	747.8	608.8
Receivables [1]	138.2	89.3	113.2
Net Assets Held as for Sale [2]	8.6	26.8	31.7
Payables [3]	(1,127.6)	(1,427.8)	(1,222.2)
Retirement Benefit Obligations	(34.9)	(71.7)	(75.5)

Net Tax Balance [4]	31.2	35.7	37.8
Adjusted Net Cash / (Debt) [5]	9.5	(46.0)	(100.4)
Shareholders Funds	**186.4**	**117.1**	**126.7**

1 being trade and other receivables and finance lease receivables

2 being assets classified as held for sale and liabilities directly associated with assets held for sale

3 being trade and other payables, deferred income and lease liabilities

4 being deferred tax assets, current tax assets and current tax payable

5 being cash and cash equivalents and interest bearing loans and borrowings

Net assets have increased from £117.1m at 31 December 2020 to £186.4m at 30 June 2021.

At 30 June 2021, the Group had £219.4m (£352.3m including IFRS16 right of use assets) of land and property assets (31 December 2020: £222.8m (£368.3m including IFRS16 right of use assets)). The reduction in property principally reflects the disposal of excess property together with depreciation, partially offset by capital investments.

The movement in plant and equipment largely reflects the ongoing depreciation with a lower than planned level of capital expenditure in the period, combined with the impact of disposals as a result of store closures.

Stock has reduced by £139.8m to £469.0m (31 December 2020: £608.8m), which is largely as a result of a reduction of c.£170m in new car inventory driven by manufacturing shortfalls resulting from the well-publicised chip shortages. This reduction has been partially offset by an increase in used vehicle inventory of approximately £40m as the average value of a used car in stock appreciated by c.15% in the period as a result of the strong demand for used cars driving higher selling and acquisition costs. We currently expect New Car inventory levels to remain lower throughout the second-half of FY21.

The reduction in payables of £94.6m to £1,127.6m (31 December 2020: £1,222.2m) principally relates to the lower vehicle creditors as a result of the reduction in vehicle inventory, partially offset by an increased VAT creditor as described in the analysis of working capital above.

The net tax balance has decreased from £35.7m to £31.2m primarily as a result of the lower deferred tax asset arising from the decrease in the pension deficit.

The net liability for defined benefit pension scheme obligations has decreased from £75.5m at FY20 to £34.9m at HY21. The decrease of £40.6m comprises of contributions of £6.3m, a net interest expense recognised in the income statement of £0.5m and a net actuarial gain of £34.8m. 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 Group contributed £6.3m to the Pension Scheme in the period in line with the Group's commitment as agreed in the triennial actuarial valuation of the company's pension scheme as at 31 December 2018.

Dividend

The Group is not proposing an interim dividend for 2021.

Revolving Credit Facility (RCF)

In March 2021 the maturity date of the Group's RCF was extended by 11 months to 1 March 2023, with the facility size maintained at £175m. The Group has agreed to initially increase the margin to 4.85% for this extended facility. The £175m RCF and the £60m private placement are both due to mature in March 2023.

Detailed Financials

Consolidated Income Statement **Six months ended 30 June**	**Continuing operations £m**	**Discontinued operations * £m**	**2021 £m**	**Continuing operations £m**	**Discontinued operations * £m**	**2020 £m**
Revenue	1,787.3	28.3	1,815.6	1,149.8	68.5	1,218.3

Cost of sales	(1,580.1)	(24.3)	(1,604.4)	(1,023.5)	(59.5)	(1,083.0)
Gross profit	**207.2**	**4.0**	**211.2**	**126.3**	**9.0**	**135.3**
Operating expenses	(155.9)	(9.6)	(165.5)	(143.5)	(17.1)	(160.6)
Operating profit/(loss) before other income	**51.3**	**(5.6)**	**45.7**	**(17.2)**	**(8.1)**	**(25.3)**
Other income – profit/(losses) on the sale of businesses and property	1.3	1.1	2.4	(5.9)	-	(5.9)
Operating profit/(loss)	**52.6**	**(4.5)**	**48.1**	**(23.1)**	**(8.1)**	**(31.2)**
Analysed as						
Underlying operating profit/(loss)	52.7	(0.8)	51.9	(2.7)	(8.1)	(10.8)
Non-underlying operating (loss)/profit**	(0.1)	(3.7)	(3.8)	(20.4)	-	(20.4)
Finance expense	(17.5)	(0.2)	(17.7)	(20.6)	(0.7)	(21.3)
Finance income	0.4	-	0.4	0.5	-	0.5
Net finance costs	(17.1)	(0.2)	(17.3)	(20.1)	(0.7)	(20.8)
Analysed as						
Underlying net finance costs	**(16.6)**	**(0.2)**	**(16.8)**	**(19.5)**	**(0.7)**	**(20.2)**
Non-underlying net finance costs **	**(0.5)**	-	**(0.5)**	**(0.6)**	-	**(0.6)**
Profit/(loss) before taxation	**35.5**	**(4.7)**	**30.8**	**(43.2)**	**(8.8)**	**(52.0)**
Analysed as						
Underlying profit/(loss) before taxation	36.1	(1.0)	35.1	(22.2)	(8.8)	(31.0)
Non-underlying loss before taxation**	(0.6)	(3.7)	(4.3)	(21.0)	-	(21.0)
Income tax (expense)/credit	(3.1)	0.7	(2.4)	8.8	1.8	10.6
Profit/(loss) for the period	**32.4**	**(4.0)**	**28.4**	**(34.4)**	**(7.0)**	**(41.4)**
Earnings per share						
Basic earnings per share	2.3p	(0.3p)	2.0p	(2.5p)	(0.5p)	(3.0p)
Diluted earnings per share	2.3p	(0.3p)	2.0p	(2.5p)	(0.5p)	(3.0p)
Non-GAAP Measure						
Underlying basic earnings per share	2.6p	(0.3p)	2.3p	(1.2p)	(0.5p)	(1.7p)
Underlying diluted earnings per share	2.6p	(0.3p)	2.3p	(1.2p)	(0.5p)	(1.7p)

* The discontinued operations are in respect of the Group's US business.

** Non-underlying, see note 7 for explanation.

Consolidated Statement of Comprehensive Income **Six months ended 30 June**	**H1 2021** **£m**	**H1 2020** **£m**
Profit/(loss) profit for the period	**28.4**	**(41.4)**
Other comprehensive income		
Items that will never be reclassified to profit and loss:		
Defined benefit plan remeasurement gains/(losses)	**34.8**	**(14.7)**
Income tax relating to defined benefit plan remeasurement gains/(losses)	**(5.8)**	**2.8**
	29.0	**(11.9)**
Items that are or may be reclassified to profit and loss:		
Foreign currency translation differences of foreign operations	**(0.1)**	**1.1**
Other comprehensive income for the year, net of tax	**28.9**	**(10.8)**
Total comprehensive income for the year	**57.3**	**(52.2)**
Total comprehensive income for the period attributable to equity shareholders of the company arises from:		
Continuing operations	**61.4**	**(46.3)**
Discontinued operations – see note 14	**(4.1)**	**(5.9)**
	57.3	**(52.2)**

Consolidated Statement of Changes in Equity Six months ended 30 June	**Share Capital** **£m**	**Share Premium** **£m**	**Other Reserves** **£m**	**Translation Differences** **£m**	**Retained Earnings** **£m**	**Total** **£m**
Balance at 1 January 2021	**69.9**	**56.8**	**18.2**	**(1.0)**	**(17.2)**	**126.7**
Total comprehensive income for H1 2021						
Profit for the period	-	-	-	-	28.4	**28.4**

Translation differences taken to profit and loss on termination of operation	-	-	-	1.0	-	**1.0**
Other comprehensive income for the period, net of tax	-	-	-	(0.1)	29.0	**28.9**
Total comprehensive income for the period	**-**	**-**	**-**	**0.9**	**57.4**	**58.3**
Share based payments	-	-	-	-	1.4	1.4
Balance at 30 June 2021	**69.9**	**56.8**	**18.2**	**(0.1)**	**41.6**	**186.4**
Balance at 1 January 2020	**69.9**	**56.8**	**18.2**	**(1.0)**	**25.0**	**168.9**
Total comprehensive income for H1 2020						
Loss for the period	-	-	-	-	(41.4)	**(41.4)**
Other comprehensive income for the period, net of tax	-	-	-	1.1	(11.9)	**(10.8)**
Total comprehensive income for the year	**-**	**-**	**-**	**1.1**	**(53.3)**	**(52.2)**
Share based payments	-	-	-	-	0.4	0.4
Balance at 30 June 2020	**69.9**	**56.8**	**18.2**	**0.1**	**(27.9)**	**117.1**

Consolidated Balance Sheet	**30 June 2021 £m**	**30 June 2020 £m**	**31 December 2020 £m**
Non-current assets			
Property, plant and equipment	531.4	602.6	572.8
Goodwill	150.3	150.3	150.3
Other intangible assets	10.7	10.1	10.2

Finance lease receivables	16.6	17.5	16.6
Deferred tax assets	30.1	39.0	36.4
Total non-current assets	**739.1**	**819.5**	**786.3**
Current assets			
Inventories	469.0	747.8	608.8
Trade and other receivables	119.4	69.4	94.6
Finance lease receivables	2.2	2.4	2.0
Current tax assets	1.1	-	1.4
Cash and cash equivalents	83.2	123.3	56.0
Assets classified as held for sale	8.6	100.4	99.0
Total current assets	**683.5**	**1,043.3**	**861.8**
Total assets	**1,422.6**	**1,862.8**	**1,648.1**
Current liabilities			
Lease liabilities	(25.5)	(30.3)	(24.5)
Trade and other payables	(774.8)	(1,030.5)	(834.9)
Deferred income	(38.8)	(53.6)	(42.9)
Current tax payable	-	(3.3)	-
Liabilities directly associated with the assets held for sale	-	(73.6)	(67.3)
Total current liabilities	**(839.1)**	**(1,191.3)**	**(969.6)**
Non-current liabilities			
Interest bearing loans and borrowings	(73.7)	(169.3)	(156.4)
Lease liabilities	(203.2)	(228.3)	(218.7)
Trade and other payables	(46.2)	(51.2)	(60.4)
Deferred income	(39.1)	(33.9)	(40.8)
Retirement benefit obligations	(34.9)	(71.7)	(75.5)
Total non-current liabilities	**(397.1)**	**(554.4)**	**(551.8)**
Total liabilities	**(1,236.2)**	**(1,745.7)**	**(1,521.4)**
Net assets	**186.4**	**117.1**	**126.7**
Capital and reserves			
Called up share capital	69.9	69.9	69.9
Share premium account	56.8	56.8	56.8
Capital redemption reserve	5.6	5.6	5.6

Other reserves	12.6	12.6	12.6
Translation reserve	(0.1)	0.1	(1.0)
Retained earnings	41.6	(27.9)	(17.2)
Total equity attributable to equity shareholders of the Company	**186.4**	**117.1**	**126.7**

Consolidated Cash Flow Statement	**For the six months ended 30 June 2021 £m**	**For the six months ended 30 June 2020 £m**	**For the twelve months ended 31 December 2020 £m**
Cash flows from operating activities			
Profit/(loss) for the period	28.4	(41.4)	(24.7)
Adjustment for net financing expense	17.3	20.8	38.8
Adjustment for taxation	2.4	(10.6)	(4.9)
	48.1	**(31.2)**	**9.2**
Depreciation and amortisation	19.1	22.2	43.7
Share based payments	1.4	0.4	1.2
Pension past service costs	-	-	3.3
(Profit)/loss on sale of businesses and property	(2.4)	5.9	6.8
Impairment of goodwill	-	12.5	12.5
Impairment of assets property, plant and equipment	5.4	-	0.8
Impairment of assets held for sale	-	-	3.2
Contributions into defined benefit pension scheme	(6.3)	(2.6)	(12.5)
Changes in inventories	146.5	141.5	294.8
Changes in trade and other receivables	(19.8)	48.9	23.4
Changes in trade and other payables	(37.6)	(91.9)	(267.6)
Movement in contract hire vehicle balances	(39.6)	(29.4)	(51.3)
Cash generated from operations	**114.8**	**76.3**	**67.5**
Taxation (paid)/received	(1.6)	0.8	(4.4)
Lease interest paid	(6.3)	(6.9)	(14.0)
Lease interest received	0.4	0.5	1.0
Bank and stocking interest paid	(8.4)	(11.5)	(20.5)
Net cash from operating activities	**98.9**	**59.2**	**29.6**
Cash flows from investing activities			

Proceeds from sale of businesses	27.2	16.6	16.6
Purchase of property, plant, equipment and intangible assets	(16.8)	(32.1)	(60.2)
Proceeds from sale of property, plant, equipment and intangible assets	14.5	37.4	61.6
Receipt of lease receivables	1.2	0.5	1.9
Net cash from investing activities	**26.1**	**22.4**	**19.9**
Cash flows from financing activities			
Payment of lease liabilities	(14.3)	(7.3)	(28.7)
Repayment of loans	(81.7)	(40.0)	(40.0)
Proceeds from issue of loans (net of directly attributable transaction costs)	(1.4)	28.2	18.2
Net cash outflow from financing activities	**(97.4)**	**(19.1)**	**(50.5)**
Net increase/(decrease) in cash and cash equivalents	**27.6**	**62.5**	**(1.0)**
Opening cash and cash equivalents	**56.0**	**55.7**	**55.7**
Effects of exchange rate changes on cash held	(0.4)	5.1	1.3
Closing cash and cash equivalents	**83.2**	**123.3**	**56.0**

Reconciliation of net cash flow to movement in adjusted net cash/(debt)	**For the six months ended 30 June 2021** **£m**	**For the six months ended 30 June 2020** **£m**	**For the twelve months ended 31 December 2020** **£m**
Net increase/(decrease) in cash and cash equivalents	27.6	62.5	(1.0)
Repayment of loans	81.7	40.0	40.0
Proceeds from issue of loans (net of directly attributable transaction costs)	1.4	(28.2)	(18.2)
Non-cash movements	(0.8)	(0.6)	(1.5)
Increase in adjusted net cash/decrease in adjusted net debt in the period	**109.9**	**73.7**	**19.3**
Opening adjusted net debt	**(100.4)**	**(119.7)**	**(119.7)**
Closing adjusted net cash/(debt)	**9.5**	**(46.0)**	**(100.4)**

Note: The reconciliation of net cash flow to movement in adjusted net cash/(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 (the 'Company') is a public company incorporated, domiciled and registered in England in the UK. The registered number is 2304195 and the registered address is Loxley House, 2 Oakwood Court, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the 'Group').

Covid-19

The Directors draw attention to the ongoing threat from further deterioration in economic conditions in relation to Covid-19. Pendragon's key priority remains the health and wellbeing of our colleagues, customers and business partners, while we maintain our high standards of service to customers. We have evolved our health and safety policies and will continue to follow all relevant guidelines to ensure all of our work-places are Covid-secure environments. We have significantly reduced all non-essential business travel, and have clear and effective plans in place for alternative working locations.

If the virus returns more widely across the UK then this may influence the willingness of customers to visit our dealerships, which could further affect our financial performance. However, we believe the changes to our operating procedures will give consumers confidence that car dealerships remain a safe place to visit. In addition, consumers can purchase both new and used cars with associated finance over the telephone or internet without visiting dealerships, including vehicle delivery to the customer's chosen destination. The Group has also made changes to its operating structure through changes to staffing models, which will help protect the organisation in the event of further performance downturns.

We believe that the improvements we have made to these services will better position us if there are further lock-down situations, either locally or nationally. As a result of the changes to our digital propositions, in the event of any future lock-downs we believe that our dealerships will be able to trade with a high degree of mitigation to enforced closures, as we have experienced in previous lockdowns. We also note that servicing and repair work is generally undertaken in compliance with manufacturer warranty, extended warranty or service plan arrangements that we expect customers will continue to observe, with the majority of demand for these services being deferred in the event of lock-down.

Going concern

The interim financial statements are prepared on a going concern basis. Whilst the trading performance has been strong through the first-half of the current financial year, which included a period of national lock-down from January 1 to April 12, the directors consider that the current economic outlook still presents uncertainty in terms of sales volume and pricing arising from the risk of further Coronavirus lock-downs, a market correction in used car pricing, and shortfalls in new car supply resulting from shortages in microchips impacting manufacturing.

The Group meets its day-to-day working capital requirements from a revolving credit facility of £175m and senior note of £60m together with cash balances and a requirement for ongoing access to rolling vehicle credit stocking facilities. Both the senior note and the revolving credit facility are due for renewal in March 2023 and include quarterly leverage and fixed charge covenants, a breach of which would result in the amounts drawn becoming repayable on demand. The Group plan to agree renewal of these facilities by December 2021. The Group did not make use of government backed borrowing facilities such as the Coronavirus large business interruption loan scheme. The Group remained compliant with its banking covenants throughout the period to 30 June 2021.

In the context of the above, the directors have prepared cash flow forecasts for the 15-month period to 31 December 2022 which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. The Directors have assessed the potential on-going impacts of the COVID-19 pandemic coupled with the risk of disruption to new car supply and have modelled scenarios as follows:

1. **A base cash flow forecast**. This forecast has considered externally sourced economic forecasts to determine the outlook for vehicle volume forecasts, which assume a reduction in both the used and new vehicle volumes, and aftersales markets when compared to the levels of FY19 throughout the period being assessed together with the expectation that vehicle margins revert to levels reflective of normal market conditions. This forecast assumes low levels of market growth from 2022 onwards.

2. **A severe, but plausible downside scenario.** The directors have also prepared a sensitised forecast which considers the impact of certain severe but plausible downside events, when compared to the base case. This scenario reflects a more severe downturn to vehicle volumes, which consider both a worsening in economic conditions and restricted new car supply due to manufacturing constraints, together with the impact of two further national lock-downs of one month duration as a result of government-imposed restrictions. This scenario also reflects an increase in cost pressure driven by higher rates of cost inflation. This scenario demonstrates that the Group would remain within its facility limited and in compliance with the relevant facility limits, before the need to consider any mitigations available. Mitigations available to the Group, all of which are within management's control, are items such as a further review of investment capital expenditure, of discretionary bonuses, and other reductions to the cost base.

Based on the above, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

The condensed set of financial statements for the six months ended 30 June 2021 are unaudited but have been reviewed by the auditors.

Alternative Performance Measures

The Group uses a number of key performance measures ('KPI's') which are non-IFRS measures to monitor the performance of its operations. The Group believes these KPI's provide useful historical financial information to help investors and other stakeholders evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses KPI's which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group. The Group has been using the following KPI's on a consistent basis and they are defined and reconciled as follows:

Gross margin % - gross margin is defined as gross profit as a percentage of revenue.

Like for Like – results on a like for like basis include only businesses which have been trading for 12 consecutive months. We use like for like results to aid in the understanding of the like for like movement in revenue, gross profit and operating profit in the business. The difference to underlying results are simply those businesses which are not like for like which have recently commenced operation and therefore do not have a 12 month history plus any businesses closed during the current or previous period.

Operating margin % - operating margin is defined as operating profit/(loss) as a percentage of revenue.

Underlying operating profit/(loss) / (loss)/profit before tax – results on an underlying basis exclude items that are not incurred in the normal course of business and are sufficiently significant and/or irregular to impact the underlying trends in the business. The detail of the non-underlying results is shown in note 7.

Operating profit/(loss) reconciliation

	2021 £m	2020 £m
Underlying operating profit/(loss)	**51.9**	**(10.8)**
Profit/(losses) on the sale of businesses and property (see note 7)	2.4	(5.9)
Impairment of goodwill (see note 7)	-	(12.5)
Impairment of right of use assets (see note 7)	(5.4)	-
Closure costs (see note 7)	0.1	(0.8)
Termination and severance costs (see note 7)	(0.9)	(1.2)
Non-underlying operating loss items	(3.8)	(20.4)
Operating profit/(loss)	**48.1**	**(31.2)**

Profit/(loss) before tax reconciliation

	2021 £m	2020 £m
Underlying profit/(loss) before tax	**35.1**	**(31.0)**
Non-underlying operating loss items (see reconciliation above)	(3.8)	(20.4)
Non-underlying finance (costs)/income (see note 7)	(0.5)	(0.6)
Non-underlying operating loss and finance cost items	(4.3)	(21.0)
Profit/(loss) before tax	**30.8**	**(52.0)**

Profit/(loss) after tax reconciliation

	2021 £m	2020 £m
Underlying profit/(loss) after tax	**31.9**	**(23.8)**
Non-underlying operating loss and finance cost items (see reconciliation above)	(4.3)	(21.0)
Non-underlying tax (see note 7)	0.8	3.4
Non-underlying operating (loss), finance and tax cost items	(3.5)	(17.6)
Profit/(loss) after tax	**28.4**	**(41.4)**

Underlying basic earnings per share ('underlying earnings per share') – the Group presents underlying basic earnings per share as the directors consider that this is a better measure of comparative performance. Underlying basic earnings per share is calculated by dividing the underlying profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. A full reconciliation of how this is derived is found in note 12.

Underlying diluted earnings per share – the Group presents underlying diluted earnings per share as the directors consider that this is a better measure of comparative performance. Underlying diluted earnings per share is calculated by dividing the underlying profit and loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue taking account of the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees and LTIPs. A full reconciliation of how this is derived is found in note 12.

Adjusted net (debt)/cash – All loans and borrowings less cash and cash equivalents less IFRS 16 lease liabilities less vehicle stocking loans.

Leverage ratio – the Group uses the ratio of adjusted net cash/(debt) to underlying EBITDA to assess the use of the Group's financial resources.

Leverage ratio – reconciliation

	2021 £m	2020 £m
Underlying operating profit (12 months rolling 1 July 2020 to 30 June 2021)	108.6	9.3
Depreciation and amortisation (12 months rolling 1 July 2020 to 30 June 2021)	80.3	67.9
Underlying EBITDA (12 months rolling 1 July 2020 to 30 June 2021)	**188.9**	**77.2**
Adjusted net cash/(debt)	9.5	(46.0)
Adjusted net cash/(debt) : Underlying EBITDA ratio	**0.1**	**(0.6)**

Like for Like reconciliations

Like for like - results on a like for like basis include only businesses which have been trading for 12 consecutive months. We use like for like results to aid in the understanding of the like for like movement in revenue, gross profit and operating profit in the business. The difference to underlying results are simply those businesses which are not like for like which have recently commenced operation and therefore do not have a 12 month history plus any retail points closed during the current or previous period.

Revenues by Department - Franchised UK Motor	2021 Group revenue £m	2021 Disposals revenue £m	2021 Other non like for like revenue £m	2021 Like for like revenue £m
Aftersales revenue	**131.1**	(0.6)	(0.9)	**129.6**
Used vehicle revenue	**781.0**	(3.5)	(7.1)	**770.4**
New vehicle revenue	**761.7**	(1.6)	(8.6)	**751.5**
Total Revenue	**1,673.8**	(5.7)	(16.6)	**1,651.5**

Revenues by Department - Franchised UK Motor	2020 Group revenue £m	2020 Disposals revenue £m	2020 Other non like for like revenue £m	2020 Like for like revenue £m
Aftersales revenue	**97.7**	(5.4)	-	**92.3**
Used vehicle revenue	**509.2**	(45.3)	-	**463.9**
New vehicle revenue	**460.2**	(13.0)	-	**447.2**
Total Revenue	**1,067.1**	(63.7)	-	**1,003.4**

Revenues by Department – Car Store	2021 Group revenue £m	2021 Disposals revenue £m	2021 Other non like for like revenue £m	2021 Like for like revenue £m
Used vehicle revenue	**66.0**	-	-	**66.0**
Total Revenue	**66.0**	-	-	**66.0**

Revenues by Department – Car Store	2020 Group revenue £m	2020 Disposals revenue £m	2020 Other non like for like revenue £m	2020 Like for like revenue £m
Used vehicle revenue	**43.1**	(0.3)	-	**42.8**
Total Revenue	**43.1**	(0.3)	-	**42.8**

Revenues by Department - US Motor	2021 Group revenue £m	2021 Disposals revenue £m	2021 Other non like for like revenue £m	2021 Like for like revenue £m
Aftersales revenue	**2.8**	**(2.8)**	-	-
Used vehicle revenue	**3.0**	**(3.0)**	-	-
New vehicle revenue	**22.5**	**(22.5)**	-	-
Total Revenue	**28.3**	**(28.3)**	-	-

Revenues by Department - US Motor	2020 Group revenue £m	2020 Disposals revenue £m	2020 Other non like for like revenue £m	2020 Like for like revenue £m
Aftersales revenue	**7.9**	**(7.9)**	-	-
Used vehicle revenue	**10.2**	**(10.2)**	-	-
New vehicle revenue	**50.4**	**(50.4)**	-	-
Total Revenue	**68.5**	**(68.5)**	-	-

Gross Profit by Department - Franchised UK Motor	2021 Group gross profit £m	2021 Disposals gross profit £m	2021 Other non like for like gross profit £m	2021 Like for like gross profit £m
Aftersales gross profit	**65.0**	**(0.2)**	**(0.5)**	**64.3**
Used vehicle gross profit	**68.6**	**0.1**	**(0.5)**	**68.2**
New vehicle gross profit	**48.7**	**(0.1)**	**(1.2)**	**47.4**
Total Gross profit	**182.3**	**(0.2)**	**(2.2)**	**179.9**

Gross Profit by Department - Franchised UK Motor	2020	2020	2020	2020

	Group gross profit £m	Disposals gross profit £m	Other non like for like gross profit £m	Like for like gross profit £m
Aftersales gross profit	**45.3**	**(2.5)**	**-**	**42.8**
Used vehicle gross profit	**36.4**	**(2.9)**	**-**	**33.5**
New vehicle gross profit	**27.2**	**(0.7)**	**-**	**26.5**
Total Gross profit	**108.9**	**(6.1)**	**-**	**102.8**

Gross Profit by Department – Car Store	2021 Group gross profit £m	2021 Disposals gross profit £m	2021 Other non like for like gross profit £m	2021 Like for like gross profit £m
Used vehicle gross profit	**5.3**	**-**	**-**	**5.3**
Total Gross profit	**5.3**	**-**	**-**	**5.3**

Gross Profit by Department – Car Store	2020 Group gross profit £m	2020 Disposals gross profit £m	2020 Other non like for like gross profit £m	2020 Like for like gross profit £m
Used vehicle gross profit	**2.9**	**0.1**	**-**	**3.0**
Total Gross profit	**2.9**	**0.1**	**-**	**3.0**

Gross Profit by Department – US Motor	2021 Group gross profit £m	2021 Disposals gross profit £m	2021 Other non like for like gross profit £m	2021 Like for like gross profit £m
Aftersales gross profit	**1.6**	**(1.6)**	**-**	**-**
Used vehicle gross profit	**0.2**	**(0.2)**	**-**	**-**
New vehicle gross profit	**2.2**	**(2.2)**	**-**	**-**
Total Gross profit	**4.0**	**(4.0)**	**-**	**-**

Gross Profit by Department – US Motor	2020 Group gross profit £m	2020 Disposals gross profit £m	2020 Other non like for like gross profit £m	2020 Like for like gross profit £m
Aftersales gross profit	**3.9**	**(3.9)**	**-**	**-**
Used vehicle gross profit	**0.5**	**(0.5)**	**-**	**-**

New vehicle gross profit	**4.6**	**(4.6)**	**-**	**-**
Total Gross profit	**9.0**	**(9.0)**	**-**	**-**

Underlying operating profit/(loss)	**2021 Group Underlying operating profit/(loss) £m**	**2021 Disposals Underlying operating profit £m**	**2021 Other non like for like Underlying operating profit £m**	**2021 Like for like Underlying operating profit/(loss) £m**
Franchised UK Motor	**37.6**	**1.0**	**(1.0)**	**37.6**
Car Store	**0.3**	**-**	**-**	**0.3**
Software	**6.7**	**-**	**-**	**6.7**
Leasing	**8.1**	**-**	**-**	**8.1**
US Motor	**(0.8)**	**0.8**	**-**	**-**
Total underlying operating profit/(loss)	**51.9**	**1.8**	**(1.0)**	**52.7**

Underlying operating (loss)/profit	**2020 Group Underlying operating (loss)/profit £m**	**2020 Disposals Underlying operating (loss)/profit £m**	**2020 Other non like for like Underlying operating (loss)/profit £m**	**2020 Like for like Underlying operating (loss)/profit £m**
Franchised UK Motor	**(18.1)**	**6.3**	**-**	**(11.8)**
Car Store	**(1.7)**	**0.2**	**-**	**(1.5)**
Software	**5.9**	**-**	**-**	**5.9**
Leasing	**4.7**	**-**	**-**	**4.7**
US Motor	**(1.6)**	**1.6**	**-**	**-**
Total underlying operating (loss)/profit	**(10.8)**	**8.1**	**-**	**(2.7)**

2 Statement of compliance

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Pendraon PLC transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority. It does 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 2020, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

These condensed consolidated interim financial statements were approved by the board of directors on 15 September 2021.

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 2020, except as explained below.

Adoption of new and revised standards

No new or amended standards and interpretations have been adopted during the year.

4 Estimates and judgements

In preparing these interim financial statements, management has made 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 2020.

Assets held for resale are held at the lower of their carrying value and fair value less costs to sell. The fair value (a Level 2 valuation, determined based on prices for similar assets) is £8.6m.

The Group assessment of fair values of used inventory of £271.9m involves an element of estimation. The key assumption is estimating the likely sale period and the expected profit or loss on sale for each of our inventory items that are held at the period end point. We conduct this analysis by looking at stock by age category and comparing historical trends and our forward expectations on these assumptions.

During the six months ended 30 June 2021 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 20 below.

The estimates in respect of the anticipated tax rate to be applied for the full financial year 2021 and subsequently used in the preparation of the results for the six month period to 30 June 2021 are set out in note 11.

5 Comparative figures

The comparative figures for the financial year ended 31 December 2020 are extracted from the Group's statutory accounts for that financial year. 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 Revenue

The Group's main operations and revenue streams are those described in the last annual financial statements. All the Group's revenue is derived from contracts with customers.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's four strategic divisions, which are its reportable segments, see note 8.

For the six months ending 30 June 2021	**Franchised UK Motor £m**	**Carstore £m**	**Software £m**	**Leasing £m**	**US Motor* £m**	**Total £m**
Primary geographical markets						
Europe	1,673.8	66.0	9.5	37.7	-	**1,787.0**
North America	-	-	-	-	28.3	**28.3**
Africa	-	-	0.2	-	-	**0.2**
Asia	-	-	0.1	-	-	**0.1**
Revenue from External customers	**1,673.8**	**66.0**	**9.8**	**37.7**	**28.3**	**1,815.6**
Major products/service lines						
Aftersales revenue	131.1	-	-	-	2.8	**133.9**
Used vehicle revenue	781.0	66.0	-	-	3.0	**850.0**
New vehicle revenue	761.7	-	-	-	22.5	**784.2**
Software revenue	-	-	9.8	-	-	**9.8**

Leasing revenue	-	-	-	37.7	-	**37.7**
Revenue from External customers	**1,673.8**	**66.0**	**9.8**	**37.7**	**28.3**	**1,815.6**
Timing of revenue recognition						
At point in time	1,669.7	65.6	1.1	18.0	28.3	**1,782.7**
Over time	4.1	0.4	8.7	19.7	-	**32.9**
Revenue from External customers	**1,673.8**	**66.0**	**9.8**	**37.7**	**28.3**	**1,815.6**

For the six months ending 30 June 2020	**Franchised UK Motor £m**	**Carstore £m**	**Software £m**	**Leasing £m**	**US Motor* £m**	**Total £m**
Primary geographical markets						
Europe	1,067.1	43.1	8.2	31.1	-	**1,149.5**
North America	-	-	-	-	68.5	**68.5**
Africa	-	-	0.2	-	-	**0.2**
Asia	-	-	0.1	-	-	**0.1**
Revenue from External customers	**1,067.1**	**43.1**	**8.5**	**31.1**	**68.5**	**1,218.3**
Major products/service lines						
Aftersales revenue	97.7	-	-	-	7.9	**105.6**
Used vehicle revenue	509.2	43.1	-	-	10.2	**562.5**
New vehicle revenue	460.2	-	-	-	50.4	**510.6**
Software revenue	-	-	8.5	-	-	**8.5**
Leasing revenue	-	-	-	31.1	-	**31.1**
Revenue from External customers	**1,067.1**	**43.1**	**8.5**	**31.1**	**68.5**	**1,218.3**
Timing of revenue recognition						
At point in time	1,063.3	42.7	0.4	10.2	68.5	**1,185.1**
Over time	3.8	0.4	8.1	20.9	-	**33.2**
Revenue from External customers	**1,067.1**	**43.1**	**8.5**	**31.1**	**68.5**	**1,218.3**

* The Group's US business is a discontinued operation which is currently classified as held for sale (see note 14).

7 Non-underlying Items

Non-underlying income and expenses are items that are not incurred in the normal course of business and are sufficiently significant and/or irregular to impact the underlying trends in the business.

	2021 £m	**2020 £m**
Within operating expenses:		
Impairment of goodwill	-	(12.5)

Impairment of right of use assets	(5.4)	-
Closure costs	0.1	(0.8)
Termination and severance costs	(0.9)	(1.2)
	(6.2)	**(14.5)**
Within other income - gains on the sale of businesses, property and investments:		
Profit/(loss) on the sale of businesses	1.0	(6.5)
Profit on the sale of property	1.4	0.6
	2.4	**(5.9)**
Within finance expense:		
Net interest on pension scheme obligations	(0.5)	(0.6)
	(0.5)	**(0.6)**
Total non-underlying items before tax	**(4.3)**	**(21.0)**
Non-underlying items in tax	0.8	3.4
Total non-underlying items after tax	**(3.5)**	**(17.6)**

During the period there have been no indicators of impairment of goodwill so no review was deemed necessary, as a consequence, no impairment charge has been made during the period (2020: £12.5m).

Following the sale of the businesses in the US a net £0.1m credit was recognised as a non-underlying item in 2021 relating to various costs incurred and rent contributions received post sale. During the previous year the Group undertook a review of its operations during the year which resulted in a number of business closures with resultant costs of closure of these sites of £0.8m which were recognised as a non-underlying item in 2020.

Group property, plant and equipment and assets held for sale have been reviewed for possible impairments. As a result of this review there was no impairment charge against assets held for sale during the period (2020: £nil). In respect of property, plant and equipment, on disposal of the final business in the US disposal group, there remained three right of use property assets which were impaired by £4.9m (2020: £nil). 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 (2020: £nil).

During the period a number of employees were offered compensation on either being made redundant or terminating their employment contracts which amounted to £0.9m (2020: £1.2m).

Other income, being the profit on disposal of businesses and property was £2.4m (2020: loss £5.9m). This comprises a profit of £1.4m (2020: £0.6m profit) on disposal of property and a profit on the disposal of motor vehicle dealerships of £1.0m (after deducting £1.0m of cumulative foriegn exchange translation differences transferred from other comprehensive income) (2020: £6.5m loss).

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 £0.5m has been recognised during the period (2020: £0.6m).

8 Segmental Analysis

For the six months ending 30 June 2021	Franchised UK Motor £m	Carstore £m	Software £m	Leasing £m	US Motor* £m	Group Interest £m	Total £m
Total gross segment turnover	1,673.8	66.0	12.1	49.0	28.3	-	1,829.2
Inter-segment turnover	-	-	(2.3)	(11.3)	-	-	(13.6)
Revenue from external customers	**1,673.8**	**66.0**	**9.8**	**37.7**	**28.3**	**-**	**1,815.6**
Operating profit/(loss) before non-underlying items	37.6	0.3	6.7	8.1	(0.8)	-	51.9
Other income and non-underlying items	(0.1)	-	-	-	(3.7)	-	(3.8)
Operating profit/(loss)	**37.5**	**0.3**	**6.7**	**8.1**	**(4.5)**	**-**	**48.1**

Finance expense	(10.7)	(0.4)	-	(1.5)	(0.2)	(4.9)	(17.7)
Finance income	-	-	-	-	-	0.4	0.4
Segmental profit/(loss) before tax	**26.8**	**(0.1)**	**6.7**	**6.6**	**(4.7)**	**(4.5)**	**30.8**
Depreciation and amortisation	16.7	0.2	2.0	19.7	0.1	-	38.7
Impairment of right of use assets	0.5	-	-	-	4.9	-	5.4

For the six months ending 30 June 2020	**Franchised UK Motor £m**	**Carstore £m**	**Software £m**	**Leasing £m**	**US Motor* £m**	**Group Interest £m**	**Total £m**
Total gross segment turnover	1,067.1	43.1	10.8	37.2	68.5	-	1,226.7
Inter-segment turnover	-	-	(2.3)	(6.1)	-	-	(8.4)
Revenue from external customers	**1,067.1**	**43.1**	**8.5**	**31.1**	**68.5**	**-**	**1,218.3**
Operating (loss)/profit before non-underlying items	(18.1)	(1.7)	5.9	4.7	(1.6)	-	(10.8)
Other income and non-underlying items	(13.9)	-	-	-	(6.5)	-	(20.4)
Operating (loss)/profit	**(32.0)**	**(1.7)**	**5.9**	**4.7**	**(8.1)**	**-**	**(31.2)**
Finance expense	(13.8)	(0.4)	-	(1.6)	(0.7)	(4.8)	(21.3)
Finance income	-	-	-	-	-	0.5	0.5
Segmental (loss)/profit before tax	**(45.8)**	**(2.1)**	**5.9**	**3.1**	**(8.8)**	**(4.3)**	**(52.0)**
Depreciation and amortisation	20.0	0.2	1.8	20.8	0.1	-	42.9
Impairment of goodwill	12.5	-	-	-	-	-	12.5

9 Finance Expense

	2021 £m	**2020 £m**
Recognised in profit and loss		
Interest payable on bank borrowings, Senior note and loan notes	4.4	4.2
Lease interest	6.3	6.9
Vehicle stocking plan interest	5.0	8.0
Net interest on pension scheme obligations (non-underlying - see note 7)	0.5	0.6
Total interest expense being interest expense in respect of financial liabilities held at amortised cost	**16.2**	**19.7**
Unwinding of discounts in contract hire residual values	1.5	1.6
Total finance expense	**17.7**	**21.3**

10 Finance Income

	2021 £m	2020 £m
Recognised in profit and loss		
Lease interest receivable	0.4	0.5
Total finance income	**0.4**	**0.5**

11 Taxation

Based upon the anticipated profit for the full year the effective tax rate on the underlying profit for 2021 is estimated at 9.30% (2020: credit rate of 22.76% on losses). The effective rate for 2021 is lower than the current rate of UK tax predominantly due to remeasurement of a portion of deferred tax balances in the UK from 19% to 25%. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023 (this change was substantively enacted on 24 May 2021), as such an estimate of the net deferred tax assets forecast at 1 April 2023 has been revalued from 19% to 25% giving a £3.6m credit to the income statement. Without the effect of the rate change on deferred tax assets the effective rate for 2021 would have been 19.63%.

12 Earnings per share

			2021 Pence	2020 Pence
Basic earnings per share			**2.04**	**(2.98)**
Effect of adjusting items			0.25	1.27
Underlying earnings per share (Non-GAAP measure)			**2.29**	**(1.71)**
Diluted earnings per share			**2.02**	**(2.97)**
Effect of adjusting items			0.25	1.27
Underlying diluted earnings per share (Non-GAAP measure)			**2.27**	**(1.70)**

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

Number of shares (millions)			2021 number	2020 number
Weighted average number of shares used in basic and adjusted earnings per share calculation			1,390.5	1,390.5
Weighted average number of dilutive shares under option			13.9	2.2
Diluted weighted average number of shares used in diluted earnings per share calculation			1,404.4	1,392.7
Earnings			**2021 £m**	**2020 £m**
Profit/(loss) for the period			28.4	(41.4)
Adjusting items:				
Non-underlying items attributable to the parent (see note 7)			4.3	21.0
Tax effect of non-underlying items			(0.8)	(3.4)
Earnings for adjusted earnings per share calculation			31.9	(23.8)

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

13 Business and property disposals

During the period the Group generated net proceeds of £27.2m (2020: £16.6m) with a profit on disposal of £1.0m (2020: loss £6.5m) from the sale of businesses. Businesses sold in 2021 included the remainig two operations in the US which realised a profit of £2.0m before the deduction of cumulative translation differences of £1.0m to give a net £1.0m profit on disposal. Three other small surplus UK businesses were sold during the period.

The Group sold property generating net proceeds of £1.6m (2020: £15.3m) with a break even result on disposal of £1.4m (2020: £0.5m) and made net gains in respect of lease terminations and aborted developments of £1.4m (2020: £1.1m). Of the properties sold in the prior year, one was part of a sale and lease back arrangement which generated proceeds of £10.5m.

14 Assets held for sale and Discontinued operations

The Group announced at the end of 2017 that it intended to dispose of the US motor business and it was subsequently classified as a discontinued operation and disposal group held for sale. In the period between this announcement and the end of 2020 proceeds of £78.8m had been received on the sale of individual stores. During the first half of 2021 the Group sold its two remaining stores for proceeds of £26.6m. The results of the US Business are shown as a discontinued operation within these consolidated financial statements. At the start of the financial year the assets and liabilities of the US operation were classified as held for sale as a disposal group. On disposal of the remaining two businesses no further assets are being held for sale and any remaining balances have been restated to their original categorisations. The operation intends to maintain a small presence in the US to facilitate the settlement of outstanding transactions and provide support in assisting the complete wind down of the business which is likely to be in excess of one year in duration. No impairment loss has been recognised in the income statement for the period ended 30 June 2021 in respect of this transaction.

The results of the discontinued operation are set out on the face of the condensed consolidated income statement. Other financial information relating to the discontinued operation for the period is set out below.

			2021 £m	2020 £m
Exchange differences on translation of discontinued operation			**(0.1)**	**1.1**
Other comprehensive income from discontinued operation			**(0.1)**	**1.1**

			2021 £m	2020 £m
Net cash (used in)/from operating activities			**(5.3)**	**8.8**
Net cash from investing activities			**26.6**	**14.1**
Net cash used in financing activities			**(22.7)**	**(43.0)**
Net cash decrease generated by discontinued operation			**(1.4)**	**(20.1)**

			2021 pence	2020 pence
Basic earnings per share from discontinued operation			**(0.29)**	**(0.50)**
Diluted earnings per share from discontinued operation			**(0.28)**	**(0.50)**

The Group also holds a number of properties that are currently being marketed for sale which are expected to be disposed of during the next 12 months. No impairment loss has been recognised in the income statement for the six months to 30 June 2021 on re-measurement of properties to the lower of their carrying amount and their fair value less costs to sell (2020: £nil).

During the period to 30 June 2021 disposals of assets classified as held for sale resulted in a profit of £1.2m on disposal. In the previous period to 30 June 2020 disposals of assets classified as held for sale resulted in a loss of £4.8m on disposal.

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Property, plant and equipment	**8.6**	**58.8**	57.8
Inventories	**-**	**31.0**	31.2
Trade and other receivables	**-**	**10.6**	10.0

Assets classified as held for sale	**8.6**	**100.4**	**99.0**

15 Cash and cash equivalents

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Bank balances and cash equivalents	**83.2**	**123.3**	**56.0**

16 Net Borrowings

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Cash and cash equivalents (note 15)	83.2	123.3	56.0
Non-current interest bearing loans and borrowings	(73.7)	(169.3)	(156.4)
Adjusted net cash/(debt)	**9.5**	**(46.0)**	**(100.4)**
Lease liabilities	(228.7)	(258.6)	(243.2)
Net Borrowings	**(219.2)**	**(304.6)**	**(343.6)**

17 Deferred Income

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Warranty policies sold	16.2	17.9	15.0
Contract hire leasing income	61.7	69.6	68.7
	77.9	**87.5**	**83.7**
Current	38.8	53.6	42.9
Non-current	39.1	33.9	40.8
	77.9	87.5	83.7

18 Change to contract hire vehicle balances

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Depreciation	19.6	20.7	40.9
Changes in trade and other payables and deferred income	(19.8)	(14.6)	(16.5)
Purchases of contract hire vehicles	(37.9)	(33.9)	(72.6)
Unwinding of discounts in contract hire vehicle balances	(1.5)	(1.6)	(3.1)
Cash flow movement in contract hire vehicle balances	**(39.6)**	**(29.4)**	**(51.3)**

19 Change in inventories

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Movement in inventory	139.8	91.2	230.2
Impact of exchange differences	-	(0.4)	0.3
Non cash movement in consignment vehicles	(47.7)	14.7	2.2
Classified as held for sale	16.8	15.3	17.8
Transfer value of contract hire vehicles from fixed assets to inventory	37.6	20.7	44.3
Cash flow increase due to movements in inventory	**146.5**	**141.5**	**294.8**

20 Pension scheme obligations

The net liability for defined benefit obligations has decreased from £75.5m at 31 December 2020 to £34.9m at 30 June 2021. The decrease of £40.6m comprises a net interest expense of £0.5m recognised in the income statement, a net remeasurement gain of £34.8m and contributions paid of £6.3m. 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 2020. The assumptions subject to change are the discount rate of 1.90% (31 Dec 2020: 1.40%), the inflation rate (RPI) of 3.30% (31 Dec 2020: 3.05%), the inflation rate (CPI) of 2.80% (31 Dec 2020: 2.55%) and the mortality assumptions adopted at 30 June 2021 are 100% of 2018 VitaCurves projected using CMI_2020 converging to 1.00% p.a. (31 Dec 2020: 100% of 2018 VitaCurves projected using CMI_2019 converging to 1.00% p.a).

21 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.

22 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: failure to adopt the right strategy or failure of our adopted strategy to be effectively implemented or to deliver the desired results, dependence on vehicle manufacturers for the success of our business, failure to meet competitive challenges to our business model or sector, European economic instability affecting the UK in particular impacting used vehicle prices, UK governmental spending constraints, impacts of international import tariffs on motor vehicles, changes to the type of vehicles sold (including the trend away from the purchase and use of diesel vehicles) or the amount of road use, availability of debt funding, funding requirements of the occupational pension scheme, significant litigation or regulator action against or otherwise impacting the Group, failure of systems, reliance on the use of estimates, failure to attract, develop, motivate and retain good quality team members, failure to provide safe working and retail environments, failure to control environmental hazards, failure to comply with the General Data Protection Regulation and the potential impacts associated with the UK's decision to leave the EU. Additionally, there are vehicle credit stocking facilities which are secured against inventory and are made available to the group on a continuous basis with notice periods of between 1 and 4 months. Based on discussions with the main providers of these facilities and historic availability, the directors expect these stocking facilities to remain available to the Group throughout the forecast period. The increased risks to the Group associated with the Coronavirus pandemic are detailed in the Basis of Preparation note. There is also a short-term risk to new car supply from the impact of micro-chip shortages.

The Risk Control Group has met to consider these risks and uncertainties and will continue to monitor how these risks evolve. The Board has recently reviewed the risk factors and confirms that they remain an appropriate assessment of our risks for the rest of the current 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, including the UK's decision to leave the EU and Sterling/Euro exchange rates.

23 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 Guidance 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 Guidance 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,

W Berman

Chief Executive Officer

M S Willis

Chief Financial Officer

15 September 2021

INDEPENDENT REVIEW REPORT TO PENDRAGON PLC

Conclusion

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 2021 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related explanatory notes.

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 2021 is not prepared, in all material respects, in accordance with IAS 34

Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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.

The latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Craig Parkin

for and on behalf of KPMG LLP

Chartered Accountants

One Snowhill

Snowhill Queensway

Birmingham B4 6GH