INTERIM REPORT 09

Pendragon PLC

FINANCIAL HIGHLIGHTS

	Unaudited 6 months to 30.06.09 £m	Unaudited 6 months to 30.06.08 £m
Revenue	1,586	2,478
Operating profit	33.4	41.2
Underlying operating margin	1.9%	1.9%
Profit before tax	11.4	21.1
Profit before tax and non-recurring items	8.7	17.9
Adjusted earnings per share	0.7p	1.5p
Net assets	99.5	308.3

CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Introduction

INTRODUCTION

Our improved financial results for the first six months of the year demonstrate the good progress we have made in cutting costs and reducing working capital requirements. It is pleasing that the actions we have taken have had a positive effect on the Group's performance although we are very aware that the general economic environment in the UK remains tough and that we need to remain firmly focused on our key objectives. These are to keep costs in line with activity levels, generate cash to reduce debt and now to build unit sales volume, especially in our used car business.

The market conditions which caused a rapid decline in consumer demand for new and used cars last year have continued into the first half of 2009. National UK new car registrations declined by 25.9% overall in the first half compared to last year. New car registrations in the private sector, which is our principal new car market, have shown a smaller decline of 20.4% in the first six months of 2009. The used car market suffered from an unprecedented drop in prices during the last 12 months of 2008. June 2009 wholesale used car values increased for the eighth month in succession. This has been due to demand outstripping supply and has been beneficial to us in respect of greatly improved used car margins and the discontinuance of the exceptional stock losses incurred last year. Aftersales has continued to be a stable part of the business.

Against these difficult trading conditions we have produced an operating profit of £33.4 million (2008: £41.2 million), profit before tax and non-recurring items of £8.7 million (2008: £17.9 million) and profit before tax of £11.4 million (2008: £21.1 million). We are reporting adjusted earnings per share of 0.7 pence for the period compared to 1.5 pence in 2008. As previously announced, management is focused on conservation of cash and reduction of borrowings therefore no interim dividend is proposed (2008: 0.5 pence per share).

The Group has continued to generate cash which has been used to reduce borrowings by £39.6 million to £317.7 million in the first six months. Cash generated from operations was £73.7 million in the first half which included a £14.8 million reduction in working capital. We have improved the efficiency of our balance sheet significantly since June 2008 with investment in stocks and debtors at around half the level of a year ago. We will, however, be investing more in used car stock in the second half to take advantage of improvements in that part of the market.

The market conditions we face are challenging and, as discussed in the 2008 annual report, we have taken a number of strategic actions to improve our competitiveness. During the first half of the year we have continued to ensure that our headcount and stock levels are appropriate for the level of activity we are experiencing. We have continued to keep our franchise portfolio under review and have as a consequence closed a further 14 franchise points in the first half.

CHIEF EXECUTIVE'S OPERATIONAL REVIEW cont.

Results

The results for the six months to 30 June 2009 are summarised as follows:

	2009 £m	2008 £m
Revenue	**1,586.4**	2,477.6
Underlying operating profit	**29.3**	46.3
Non-recurring operating income / (costs)	**3.8**	(7.2)
Operating profit before other income	**33.1**	39.1
Other income - gain on sale of property and businesses	**0.3**	2.1
Operating profit	**33.4**	41.2
Finance costs	**(20.6)**	(28.9)
Exceptional finance (costs) / income	**(1.4)**	8.3
Share of joint venture profit	**-**	0.5
Profit before tax	**11.4**	21.1
Tax	**(5.4)**	(8.1)
Profit after tax	**6.0**	13.0
Earnings per share - basic	**0.9p**	2.0p
Earnings per share - adjusted	**0.7p**	1.5p
Dividend per share	**-**	0.5p

Revenue is down £715.9 million on a like for like basis excluding support businesses. This has been caused mainly by the drop off in the UK new car market. Our performance has been in line with the overall retail market for brands where we are represented. There has also been a decline in our used car volumes mainly due to constraints on our ability to fund higher levels of stock in the early part of the year. Following the refinancing of the Group stock funding constraints have eased and our used stock levels are now in line with our expected higher activity level in this area.

Underlying operating profit was £29.3 million compared to £46.3 million in the first half of last year. The underlying operating profit margin was 1.9% (2008: 1.9%). We have maintained operating margins at 1.9% due to our successful reduction in operating costs, and to an increase in gross margins from 13.0% last year to 15.6% this year. Gross margins have been improved by action we have taken in a number of areas. These actions include headcount reductions, reducing the amount of low margin fleet business, and selling lower value used cars which typically have a higher margin. In addition the market for used cars has generally improved in the first half of this year with prices recovering strongly.

CHIEF EXECUTIVE'S OPERATIONAL REVIEW cont.

Results (continued)

Non-recurring items relate to dealership closures and property disposals, professional costs and an adjustment to the VAT provision. Goodwill has been impaired by £0.4 million in respect of two Peugeot dealerships and a Vauxhall dealership which have been closed in the period to June 2009. In total we sold or closed 14 franchises in the first half which resulted in total closure costs of £6.1 million (2008: £4.5 million). During the first half we have recognised a net loss on extinguishment of the previous financing arrangement and recognition of the new arrangement of £1.4 million. We have also expensed £1.3 million of professional fees in respect of a potential equity raising that was considered as part of the refinancing process. In June we were notified by HMRC that they had decided to withdraw their challenge in relation to one of the two VAT items for which provision was made at the year end. The other item which relates to a challenge by HMRC on the treatment of certain sales to disabled customers is ongoing. We have reassessed the provision required and we are able to release a net amount of £11.6 million back to profits in the period.

Other income of £0.3 million includes the disposal of a Ford dealership in Goole. This disposal generated a profit of £0.1 million and cash proceeds of £0.6 million. We disposed of two surplus properties during the first half at a profit of £0.2 million and generated cash proceeds of £2.1 million. We have surplus properties held for sale amounting to £38.9 million which are being actively marketed.

Financing costs of £20.6 million, excluding exceptional items are lower than the previous half year cost of £28.9 million. There are two main reasons for this. Net bank interest reduced from £12.6 million to £10.1 million, mainly as a consequence of lower LIBOR rates. Stocking interest reduced from £15.1 million to £6.7 million, again reflecting lower LIBOR rates and the successful reduction in stock levels.

Adjusted profit before tax of £8.7 million (2008: £17.9 million) is underlying operating profit of £29.3 million (2008: £46.3 million) less underlying finance costs of £20.6 million (2008: £28.4 million).

CHIEF EXECUTIVE'S OPERATIONAL REVIEW cont.

Balance sheet and cash flow

BALANCE SHEET AND CASH FLOW

We have continued to focus on maintaining strong control over our balance sheet. We have reduced new car stocks including consignment vehicle stock by £235.9 million since the year end. Used car stocks have been lower than we would have liked in the first half due to constraints on funding levels during our negotiations to renew our financing facilities. These are now complete and used car stocks are higher now to enable us to take advantage of the improved used car market. Trade and vehicle debtors are down by £5.6 million from the year end.

Net borrowings have reduced to £317.7 million from the year end figure of £357.3 million. Operating cash inflow for the first six months was £73.7 million, which compares with £94.4 million generated in the same period in 2008. The operating cash flow includes a reduction in working capital investment of £14.8 million (2008: £18.3 million).

Net investment in property, plant and equipment for the six months was £12.1 million (2008: £22.4 million). This includes refurbishments, movements in the contract hire fleet and loan vehicles provided to aftersales service customers. Proceeds from property disposals were £2.1 million (2008: £5.3 million). In addition to this, £0.6 million was raised from business disposals (2008: £3.1 million).

Our new three year financing facilities are operating smoothly with all covenants comfortably complied with at 30 June 2009. A scheduled repayment of £20 million was also made at the end of June.

A summary of revenues and operating profits by division for the six months ended 30 June is shown below:

	2009		2008	
£m	Revenue	Underlying operating profit	Revenue	Underlying operating profit
Stratstone	670.5	9.6	1,070.6	18.8
Evans Halshaw	869.9	11.2	1,348.6	17.6
Support businesses	64.7	8.5	77.0	9.9

CHIEF EXECUTIVE'S OPERATIONAL REVIEW cont.

Motor Retail Business

Our franchised motor retail activities are principally in the UK with a well established small business in the USA. We currently operate 288 franchise points, of which nine are in the USA.

UK national new car registrations declined by 25.9% in the first six months of this year compared to the first six months of 2008. This decline was more marked in the first quarter which was 29.7% back on the prior year. In comparison, the second quarter's registrations declined by 21.2%. In July new registrations were up 2.4% on the same month last year. This is the first growth in 15 months which we believe, in part, reflects the impact of the Government scrappage incentive scheme. Private customer registrations declined by 20.4% in the first half whereas fleet registrations have decreased by 29.3% which accounted for 48.1% of total national registrations. Registrations for manufacturers we represent fell by 26.2% with Stratstone brands down 28.6% and Evans Halshaw brands down 25.3%.

From the start of the year used car prices have recovered strongly leading to an improvement in used car gross margin. Since January this year average used values have increased, according to BCA data, as demand has outstripped the low levels of supply of stock in the system. This data shows that average used car prices have now recovered to levels last seen at the start of 2008.

Up to date information on activity levels nationally in the used car market is not readily available due to the size and diversity of the market, which includes private to private sales. Recently, Experian published figures showing that used car volumes were 5% down for the first quarter compared to 2008 first quarter but were 17% up compared with the last quarter of 2008.

There has been no marked change in our ability to source finance for customers and we have seen income from this source remain in line with overall sales volumes although credit underwriting terms have tightened.

In the UK we operate 279 franchised points of which 128 are prestige, branded as Stratstone, 130 are Evans Halshaw volume dealerships and 21 are truck dealerships trading under the Chatfields brand. The results are summarised in the tables below. Chatfields is included in the results of Stratstone.

Stratstone is the UK's leading prestige motor car retailer and its results for the first six months of this year are as follows:

	Revenue £m	Gross profit £m	Gross margin %	Underlying operating profit £m	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	670.4	107.3	16.0	10.2	1.5		
Disposed	0.1	-	-	(0.6)	-		
H1 2009	**670.5**	**107.3**	**16.0**	**9.6**	**1.4**	**25.6**	**1,908**
H1 2008	1,070.6	146.4	13.7	18.8	1.8	40.7	1,844

CHIEF EXECUTIVE'S OPERATIONAL REVIEW cont.

Motor Retail Business (continued)

Revenues were down by 37.4% year on year and down 30.3% on a like for like basis. Units sold within our Stratstone franchises were down 37.1% on last year and on a like for like basis were down 27.3%. The reduction in overall revenue is principally due to the reduction in the new car market which has impacted the prestige brands to a greater extent than the overall market. Overall gross margin has largely improved as a result of strong used car margins.

Like for like aftersales margins are holding up well at 58.4% in the car business and 38.0% in the truck business. The aftersales business has produced just over 51% of the gross profits of the division which is marginally ahead of last year.

Evans Halshaw is the leading volume car retailer in the UK and its results for the first six months of this year are as follows:

	Revenue £m	Gross profit £m	Gross margin %	Underlying operating profit £m	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	869.2	123.9	14.3	11.7	1.3		
Disposed	0.7	0.1	19.4	(0.5)	(76.3)		
H1 2009	**869.9**	**124.0**	**14.3**	**11.2**	**1.3**	**83.3**	**832**
H1 2008	1,348.6	154.4	11.5	17.6	1.3	130.3	678

Total sales revenues were down 35.5% with like for like revenues falling by 33.2%. Total vehicle unit sales volumes were down 36.1% and down 33.6% on a like for like basis. This higher reduction in units over and above the market reduction is due to reduced activity on high volume but low margin fleet activity. Excluding fleet sales, our sales volumes were down 29.6% on a like for like basis. Gross profits have declined by £30.4 million year on year whereas underlying operating profits have declined by only £6.4 million. This highlights the impact of our cost reduction measures which we started in the first half of 2008 which have helped ensure the underlying profit margins have been maintained.

Like for like aftersales margins are holding up well at 55.7% in the car business. Aftersales continues to be a core aspect of the business contributing over 44.1% of the gross profits of the division which is marginally ahead of last year.

Support Services

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

The results for the first half of 2009 are summarised as follows:

	Revenue £m	Gross profit £m	Gross margin %	Underlying operating profit £m	Underlying operating margin %
H1 2009	**64.7**	**23.2**	**35.9**	**8.5**	**13.2**
H1 2008	77.0	27.2	35.4	9.9	12.9

CHIEF EXECUTIVE'S OPERATIONAL REVIEW cont.

Support Services (continued)

SUPPORT SERVICES

Our contract hire and leasing business experienced reduced new contract demand which had been expected in the first half. Operating profit fell £2.9 million to £3.3 million for the first six months due to fewer disposals against last year. The fleet size has reduced to 13,789 from 14,963 at the beginning of the year.

Pinewood Technologies, our computer software company, continues to enjoy good demand for its Pinnacle DMS solution. The roll out to the Pendragon Group car dealerships was completed last year and the full rollout to Support Service businesses will be completed this year. Pinewood made £3.9 million operating profit in the first half of 2009 compared to £3.6 million in the first half of 2008.

Quickco experienced significant turnover reduction year on year predominantly in the areas of supply to accident repair centres and to Ford main dealers. Reduced volumes to accident repair centres reflects our decision to move away from providing extended credit terms to some customers especially where our margins were already being squeezed. In the light of reduced volumes year on year, the Quickco management team has focused on reducing cost. Cost reductions in excess of £0.9 million year on year have left Quickco in a strong position to improve profits going forward.

Risks and uncertainties

RISKS AND UNCERTAINTIES

We set out in our 2008 annual report the risk factors we believed could cause our actual future group results to differ materially from expected results. The risks identified were: business conditions, the level of new vehicle production, vehicle manufacturer dependencies, changes to manufacturers' incentive programmes, used car prices and profit margins, franchise agreements, liquidity and financing and regulatory compliance risk, competition, reliance on certain members of management staff, failure of information systems, reliance on the use of significant estimates, internal control risks and health and safety risks. These were set out on pages 17-18, 24-29 and 31 of the 2008 annual report. The Board has recently reviewed the risk factors and confirms that they should remain valid for the rest of the year. For the remainder of the year the Board considers the main areas of risk and uncertainty that could impact profitability to be the general economy, used car prices and consumer demand in particular.

Current trading and prospects

CURRENT TRADING AND PROSPECTS

The year has started off in line with our expectations and this continues to be the case. Used car margins have improved significantly and through further investment in used car stock we anticipate a growth in our sales volumes in the second half. The new car market has risen for the first time year on year in July which gives us reason for some guarded optimism in this area. We expect the aftersales market to continue to perform well.

At this stage we see the rest of the year remaining in line with our expectations with the new car market helped by the scrappage scheme, used car prices remaining strong and the benefits of our cost reduction programme continuing.

TREVOR FINN
Chief Executive
18 August 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

Interim Results
for the six months ended 30 June 2009

Notes		6 Months to 30.06.09			6 Months to 30.06.08		Year to 31.12.08	
		Before non-recurring £m	Non-recurring £m	**Total £m**	Before non-recurring £m	Total £m	Before non-recurring £m	Total £m
	Revenue	1,578.3	8.1	**1,586.4**	2,461.0	2,477.6	4,025.5	4,162.4
	Cost of sales	(1,331.3)	(7.4)	**(1,338.7)**	(2,141.2)	(2,156.8)	(3,495.8)	(3,619.2)
	Gross profit	247.0	0.7	**247.7**	319.8	320.8	529.7	543.2
	Operating expenses	(217.7)	3.1	**(214.6)**	(273.5)	(281.7)	(503.9)	(674.1)
	Operating profit / (loss) before other income	29.3	3.8	**33.1**	46.3	39.1	25.8	(130.9)
	Other income - gain / (losses) on sale of businesses and property	-	0.3	**0.3**	-	2.1	-	(5.2)
	Operating profit / (loss)	29.3	4.1	**33.4**	46.3	41.2	25.8	(136.1)
8	Finance expenses	(29.5)	(1.4)	**(30.9)**	(41.1)	(41.1)	(83.0)	(94.2)
9	Finance income	8.9	-	**8.9**	12.2	20.5	25.4	33.7
	Net finance costs	(20.6)	(1.4)	**(22.0)**	(28.9)	(20.6)	(57.6)	(60.5)
	Share of post tax profit from joint venture	-	-	**-**	0.5	0.5	2.2	(4.0)
	Profit / (loss) before taxation	8.7	2.7	**11.4**	17.9	21.1	(29.6)	(200.6)
10	Income tax expense	(4.3)	(1.1)	**(5.4)**	(4.0)	(8.1)	10.4	40.5
	Profit / (loss) for the period	4.4	1.6	**6.0**	13.9	13.0	(19.2)	(160.1)
	Earnings per share							
12	Basic earnings per ordinary share			**0.9p**		2.0p		(25.2)p
12	Diluted earnings per ordinary share			**0.9p**		2.0p		(25.2)p

All amounts are unaudited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months to 30.06.09 £m	6 Months to 30.06.08* £m	12 Months to 31.12.08 £m
Profit / (loss) for the period	**6.0**	13.0	(160.1)
Foreign currency translation differences for foreign operations	**1.2**	(0.1)	(1.3)
Effective portion of changes in fair value of cash flow hedges	**-**	1.4	-
Defined benefit plan actuarial gains and losses	**(26.8)**	(5.2)	(71.7)
Income tax relating to defined benefit plan actuarial gains and losses	**7.5**	1.4	20.1
Adjustment in respect of minimum funding requirement on defined benefit plans	**2.9**	4.2	42.1
Income tax relating to adjustment in respect of minimum funding requirement on defined benefit plans	**(0.8)**	(1.2)	(11.8)
Other comprehensive income for the period, net of tax	**(16.0)**	0.5	(22.6)
Total comprehensive income for the period	**(10.0)**	13.5	(182.7)

* See change of accounting policy note 3.

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Other reserves £m	Translation differences £m	Retained earnings £m	**Total £m**
Balance at 1 January 2008	32.8	56.8	15.1	(0.4)	202.9	**307.2**
Total comprehensive income for 2008	-	-	-	(1.3)	(181.4)	**(182.7)**
Dividends	-	-	-	-	(15.9)	**(15.9)**
Share based payments	-	-	-	-	0.2	**0.2**
Disposal of own shares in share trusts	-	-	-	-	0.1	**0.1**
Balance at 31 December 2008	32.8	56.8	15.1	(1.7)	5.9	**108.9**
Balance at 1 January 2009	32.8	56.8	15.1	(1.7)	5.9	**108.9**
Total comprehensive income for 6 months to 30 June 2009	-	-	-	1.2	(11.2)	**(10.0)**
Share based payments	-	-	-	-	0.5	**0.5**
Issue of ordinary shares	0.1	-	-	-	-	**0.1**
Balance at 30 June 2009	32.9	56.8	15.1	(0.5)	(4.8)	**99.5**

The loss included in retained earnings for 2008 of £181.4 million represents a loss attributable to owners of the parent of £160.1 million and actuarial losses and minimum funding adjustments on defined benefit pension plans of £21.3 million (£29.6 million less tax £8.3 million).

The loss included in retained earnings for six month period to 30 June 2009 of £11.2 million represents a profit attributable to owners of the parent of £6.0 million and actuarial losses and minimum funding adjustments on defined benefit pension plans of £17.2 million (£23.9 million less tax £6.7 million).

CONDENSED CONSOLIDATED BALANCE SHEET

	30.06.09 £m	restated * 30.06.08 £m	31.12.08 £m
Non-current assets			
Property, plant and equipment	**319.3**	376.5	336.3
Goodwill	**371.8**	419.8	372.2
Other intangible assets	**2.7**	2.0	2.4
Derivative financial instruments	**20.6**	-	38.5
Investment in joint venture	**-**	5.9	-
Total non-current assets	**714.4**	804.2	749.4
Current assets			
Inventories	**413.2**	842.7	655.8
Trade and other receivables	**134.8**	248.3	133.6
Cash and cash equivalents	**92.8**	71.5	154.6
Non-current assets classified as held for sale	**38.9**	55.7	37.3
Total current assets	**679.7**	1,218.2	981.3
Total assets	**1,394.1**	2,022.4	1,730.7
Current liabilities			
Interest bearing loans and borrowings	**(81.1)**	(27.4)	(82.2)
Trade and other payables	**(709.7)**	(1,208.4)	(922.5)
Deferred income	-	(0.9)	-
Current tax payable	**(19.7)**	(20.7)	(19.8)
Provisions	**(21.5)**	(3.5)	(33.4)
Total current liabilities	**(832.0)**	(1,260.9)	(1,057.9)
Non-current liabilities			
Interest bearing loans and borrowings	**(350.0)**	(326.7)	(468.2)
Derivative financial instruments	**-**	(5.0)	-
Deferred income	**(19.8)**	(19.8)	(19.7)
Deferred tax liabilities	**(2.7)**	(44.6)	(4.0)
Retirement benefit obligations	**(83.4)**	(49.1)	(65.4)
Provisions	**(6.7)**	(8.0)	(6.6)
Total non-current liabilities	**(462.6)**	(453.2)	(563.9)
Total liabilities	**(1,294.6)**	(1,714.1)	(1,621.8)
Net assets	**99.5**	308.3	108.9
Capital and reserves			
Called up share capital	**32.9**	32.8	32.8
Share premium account	**56.8**	56.8	56.8
Capital redemption reserve	**2.5**	2.5	2.5
Hedging reserve	**-**	1.4	-
Other reserves	**12.6**	12.6	12.6
Translation reserve	**(0.5)**	(0.5)	(1.7)
Retained earnings	**(4.8)**	202.7	5.9
Total equity attributable to equity shareholders of the Company	**99.5**	308.3	108.9

* see note 3
All amounts are unaudited

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Notes		6 Months to 30.06.09 £m	6 Months to 30.06.08 £m	12 Months to 31.12.08 £m
	Cash flows from operating activities			
	Profit / (loss) for the period	**6.0**	13.0	(160.1)
	Adjustment for income from joint venture	**-**	(0.5)	4.0
	Adjustment for net financing expense	**22.0**	20.6	60.5
	Adjustment for taxation	**5.4**	8.1	(40.5)
		33.4	41.2	(136.1)
	(Profit) / loss on sale of businesses and property	**(0.3)**	(2.1)	5.2
	Depreciation and amortisation	**24.9**	30.0	56.3
	Share based payments	**0.5**	0.2	0.2
	Impairment of property, plant and equipment	**-**	-	15.2
	Impairment of assets held for sale	**-**	-	11.9
	Goodwill impairment	**0.4**	6.8	58.1
	Decrease in working capital	**14.8**	18.3	42.8
	Cash generated from operations	**73.7**	94.4	53.6
	Interest paid	**(34.0)**	(32.0)	(75.1)
	Interest received	**0.5**	9.4	11.0
	Taxation (paid) / refunds received	**(0.1)**	-	15.0
	Net cash from operating activities	**40.1**	71.8	4.5
	Cash flows from investing activities			
	Proceeds from sale of businesses	**0.6**	3.1	7.7
	Purchase of property, plant and equipment	**(52.1)**	(77.6)	(150.1)
	Proceeds from sale of property, plant and equipment	**42.1**	60.5	130.6
	Receipts from sales of investments	**-**	0.1	0.1
	Net cash used in investing activities	**(9.4)**	(13.9)	(11.7)
	Cash flows from financing activities			
	Payment of capital element of finance lease rentals	**(1.6)**	(2.2)	(4.1)
	Repayment of unsecured bank loans	**(89.4)**	(24.0)	(44.0)
	Repayment of loan notes	**-**	(0.1)	-
	Proceeds from issue of unsecured loans	**-**	-	169.4
	Dividends paid to shareholders	**-**	(12.7)	(15.9)
	Net cash used in financing activities	**(91.0)**	(39.0)	105.4
	Effects of exchange rate changes on cash held	**(1.5)**	-	3.8
	Net (decrease) / increase in cash and cash equivalents	**(61.8)**	18.9	102.0
	Opening cash and cash equivalents	**154.6**	52.6	52.6
15	**Closing cash and cash equivalents**	**92.8**	71.5	154.6

NOTES

1. Pendragon PLC is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

These condensed consolidated interim financial statements were approved by the board of directors on 18 August 2009 and are unaudited.

3. Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial Services 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 2008 except for the adoption on 1 January 2009 of IAS 1 "Presentation of Financial Statements" (revised 2007) and IFRS 8 "Operating Segments".

(a) Determination and presentation of operating segments
As of 1 January 2009 the Group adopted IFRS 8 "Operating Segments". The Group determines and presents operating segments based on the information that internally is provided to the Board, who are the Group's chief operating decision maker. This is consistent with the segments previously presented in accordance with IAS 14 "Segment Reporting". The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(b) Presentation of financial statements
The Group applies revised IAS 1 "Presentation of Financial Statements" (revised 2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 30 June 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NOTES continued

(c) Restatement

IFRIC 14 "IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was adopted in the prior year as described in the Company's published consolidated financial statements for the year ended 31 December 2008. As a consequence of the adoption of IFRIC 14 the prior period has been restated to the extent that on the balance sheet there has been an increase in the retirement benefit obligation of £40.8 million and a decrease in the deferred tax liability of £11.4 million. As a consequence retained earnings decreased by £29.4 million. On the consolidated statement of comprehensive income the other comprehensive income for the period increased by £3.0 million.

(d) Amendment to IFRS 2 "Share-based Payment - Vesting Conditions and Cancellations"

This amendment clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. There will be no impact upon the financial statements.

There are a number of other accounting standards that have become effective in the current period. However, there is no material impact upon the financial statements.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 2008.

During the six months ended 30 June 2009 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 19 below.

5. The comparative figures for the financial year ended 31 December 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

NOTES continued

6. Non-recurring items

Expenses and income incurred or received during the year, which due to their size and nature of being items that are typically non-recurring, are drawn out for separate disclosure as non-recurring items.

	6 Months to 30.06.09 £m	6 Months to 30.06.08 £m	12 Months to 31.12.08 £m
Within operating expenses:			
Goodwill impairment	**(0.4)**	(6.8)	(58.1)
Impairment of property, plant and equipment	**-**	-	(15.2)
Operating losses and closure costs incurred on closed businesses	**(6.1)**	(4.5)	(19.7)
Impairment of assets held for sale	**-**	(2.5)	(11.9)
Redundancy costs	**-**	-	(5.4)
Inventory write down	**-**	-	(24.9)
Professional fees	**(1.3)**	-	(1.5)
VAT assessment provision	**11.6**	-	(26.8)
Exceptional VAT refund - net of costs	**-**	6.6	6.8
	3.8	(7.2)	(156.7)
Within other income - gains / (losses) on the sale of businesses and property:			
Gains on the sale of businesses	**0.1**	0.7	0.9
Gains / (losses) on the sale of property	**0.2**	1.4	(6.1)
	0.3	2.1	(5.2)
Within finance expense:			
Refinancing related professional costs and bank waiver fees	**(1.4)**	-	(11.2)
Within finance income:			
Interest received on VAT refund	**-**	8.3	8.3
Within share of profit / (loss) before tax from joint venture:			
Impairment of investment in joint venture	**-**	-	(6.2)
Total non-recurring items	**2.7**	3.2	(171.0)

Goodwill impaired during the period was £0.4 million (2008: £6.8 million).

Group tangible fixed assets and assets held for sale have been reviewed for possible impairments. As a result of this review no impairment charge is deemed necessary for the period (2008: £2.5 million).

Losses incurred on the closure of businesses amounted to £6.1 million (2008: £4.5 million). These costs include wind down expenses, losses on assets, redundancy and vacant property occupancy costs.

NOTES continued

At 31 December 2008 the Group had made provision of £26.8 million in respect of assessments raised by HM Revenue and Customs over the VAT treatment of sales of vehicles to certain disabled customers and the VAT treatment of partial exemption within our finance and insurance operations. The latter issue has been resolved during the period with HM Revenue and Customs conceding the case. As a consequence of this the provision in respect of this matter of £16.2 million has been released.

The Group is in continuing discussions with HM Revenue and Customs over the VAT treatment of sales of vehicles to certain disabled customers. We have received VAT assessments in respect of this issue and received advice that it is possible that the Group will not be successful defending the claim. We continue to defend our position but deem it appropriate to increase our provision by £4.6 million as a best estimate of further amounts payable in respect of this issue (including potential interest and penalties). The total provision for VAT assessments as a consequence of these two movements has therefore decreased to £15.2 million at 30 June 2009.

During the previous period a VAT refund of £6.6 million net of costs in respect of VAT overpaid on demonstrator vehicles over the period 1973 to 1996 was received together with a receipt of associated interest of £8.3 million disclosed within finance income.

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

Other income, being the profit on disposal of businesses and property comprises £0.1 million profit on the disposal of motor vehicle dealerships (2008: £0.7 million) and a £0.2 million profit on sale of properties (2008: £1.4 million).

Following the successful refinancing of the Group in April 2009, this resulted in a change to the previous financing arrangements. As a consequence, the difference between the carrying amount of the previous financing and the recognition of the new financing at its fair value, together with the financing costs incurred, have been recognised in the income statement. In the previous year the Group incurred a fee of £2.9 million in respect of deferral of covenant measurements at the year end as part of the bank refinancing negotiations. Under IAS 39, this amount should have been treated as modification of terms of the loan and as such amortised over the life of the loan using the effective interest rate method. Management considered there was no future economic benefit derived from that payment as it related only to the deferral of covenant measurements at December 2008 and as such recorded that amount directly in the income statement as a non-recurring item. In addition the non-recurring professional fees and costs of £8.3 million in respect of the refinancing of the Group were expensed in 2008 and presented as a non-recurring item.

In the first half of 2009, as a result of the successful three year refinancing of the Group, the Board concluded that it was not necessary to pursue equity raising. Professional costs of £1.3 million which had been incurred in respect of preparatory work in this respect have therefore been expensed as a non-recurring item.

NOTES continued

7. Segmental analysis

6 month period to 30 June 2009	Stratstone £m	Evans Halshaw £m	Chatfields £m	Contracts £m	Parts £m	Technology £m	Central £m	**Total £m**
Total gross segment turnover	611.8	869.9	58.7	17.2	33.7	13.8	-	**1,605.1**
Inter-segment turnover	-	-	-	(5.1)	(11.3)	(10.4)	-	**(26.8)**
	611.8	869.9	58.7	12.1	22.4	3.4	-	**1,578.3**
Revenue from non-recurring activities	4.8	3.3	-	-	-	-	-	**8.1**
Revenue from external customers	616.6	873.2	58.7	12.1	22.4	3.4	-	**1,586.4**
Operating profit	12.4	15.1	1.4	3.5	1.5	4.0	(8.6)	**29.3**
Other income and non-recurring items	(4.1)	(2.4)	-	-	-	-	10.6	**4.1**
Share of post tax profit from joint venture	-	-	-	-	-	-	-	**-**
Net finance cost	(1.8)	(1.9)	(0.5)	(1.2)	-	0.1	(16.7)	**(22.0)**
Profit before tax	6.5	10.8	0.9	2.3	1.5	4.1	(14.7)	**11.4**
Reconciliation to tables in CEO review								
Operating profit as above	12.4	15.1	1.4	3.5	1.5	4.0	(8.6)	**29.3**
Allocation of central overheads	(4.0)	(3.9)	(0.2)	(0.2)	(0.2)	(0.1)	8.6	**-**
Segment result as presented in CEO tables	8.4	11.2	1.2	3.3	1.3	3.9	-	**29.3**

6 month period to 30 June 2008	Stratstone £m	Evans Halshaw £m	Chatfields £m	Contracts £m	Parts £m	Technology £m	Central £m	**Total £m**
Total gross segment turnover	968.0	1,348.6	102.6	23.4	36.5	17.1	-	**2,496.2**
Inter-segment turnover	-	-	-	(7.7)	(14.1)	(13.4)	-	**(35.2)**
	968.0	1,348.6	102.6	15.7	22.4	3.7	-	**2,461.0**
Revenue from non-recurring activities	2.2	14.4	-	-	-	-	-	**16.6**
Revenue from external customers	970.2	1,363.0	102.6	15.7	22.4	3.7	-	**2,477.6**
Operating profit	18.7	20.3	3.2	6.4	0.3	3.7	(6.3)	**46.3**
Other income and non-recurring items	(5.7)	(5.6)	-	-	-	-	6.2	**(5.1)**
Share of post tax profit from joint venture	-	-	-	-	-	-	0.5	**0.5**
Net finance cost	(3.9)	(1.8)	(0.5)	(2.4)	0.1	0.2	(12.3)	**(20.6)**
Profit before tax	9.1	12.9	2.7	4.0	0.4	3.9	(11.9)	**21.1**
Reconciliation to tables in CEO review								
Operating profit as above	18.7	20.3	3.2	6.4	0.3	3.7	(6.3)	**46.3**
Allocation of central overheads	(2.9)	(2.7)	(0.2)	(0.2)	(0.2)	(0.1)	6.3	**-**
Segment result as presented in CEO tables	15.8	17.6	3.0	6.2	0.1	3.6	-	**46.3**

NOTES continued

7. Segmental analysis continued

Year ended 31 December 2008	Stratstone £m	Evans Halshaw £m	Chatfields £m	Contracts £m	Parts £m	Technology £m	Central £m	Total £m
Total gross segment turnover	1,506.6	2,271.2	174.5	39.6	76.8	25.9	-	**4,094.6**
Inter-segment turnover	-	-	-	(23.1)	(28.8)	(17.2)	-	**(69.1)**
	1,506.6	2,271.2	174.5	16.5	48.0	8.7	-	**4,025.5**
Revenue from non-recurring activities	106.1	30.8	-	-	-	-	-	**136.9**
Revenue from external customers	1,612.7	2,302.0	174.5	16.5	48.0	8.7	-	**4,162.4**
Operating profit	5.9	13.1	4.0	9.0	1.8	7.3	(15.3)	**25.8**
Other income and non-recurring items	(56.9)	(33.0)	(13.2)	(8.8)	-	-	(50.0)	**(161.9)**
Share of post tax profit from joint venture	-	-	-	-	-	-	(4.0)	**(4.0)**
Net finance cost	(8.7)	(4.1)	(1.2)	(4.7)	0.2	0.5	(42.5)	**(60.5)**
Profit before tax	(59.7)	(24.0)	(10.4)	(4.5)	2.0	7.8	(111.8)	**(200.6)**
Reconciliation to tables in CEO review								
Operating profit as above	5.9	13.1	4.0	9.0	1.8	7.3	(15.3)	**25.8**
Allocation of central overheads	(7.0)	(7.0)	(0.4)	(0.3)	(0.3)	(0.3)	15.3	**-**
Segment result as presented in CEO tables	(1.1)	6.1	3.6	8.7	1.5	7.0	-	**25.8**

The segments disclosed above are consistent with those segments formerly disclosed under IAS 14. We do not consider there to have been any material change of the assets of the segments during the period under review.

8. Finance costs

	6 Months to 30.06.09 £m	6 Months to 30.06.08 £m	12 Months to 31.12.08 £m
Interest expense:			
Interest payable on bank borrowings	**6.6**	8.9	20.4
Interest payable on loan notes	**4.0**	4.8	9.6
Debt issuance costs	**1.1**	0.4	0.9
Refinancing related professional costs and bank waiver fees	**1.4**	-	11.2
Vehicle stocking plan interest	**6.7**	15.1	28.5
Interest payable on finance leases	**0.2**	0.3	0.5
Interest on pension scheme obligations	**9.6**	9.5	18.7
Less interest capitalised	**-**	-	(0.1)
	29.6	39.0	89.7
Fair value loss – interest rate swaps	**-**	-	0.1
Unwinding of discounts in contract hire residual values	**1.3**	2.1	4.4
Total finance costs	**30.9**	41.1	94.2

NOTES continued

9. Finance income

	6 Months to 30.06.09 £m	6 Months to 30.06.08 £m	12 Months to 31.12.08 £m
Fair value gains – interest rate swaps	**0.7**	0.3	-
Interest receivable on bank deposits	**0.5**	1.1	2.7
Interest on pension scheme assets	**7.7**	10.8	22.7
Exceptional interest income on VAT refund (note 6)	**-**	8.3	8.3
Total finance income	**8.9**	20.5	33.7

10. Based upon the anticipated profit before taxation for the full year, the effective tax rate for 2009 is estimated at 48.5% (2008: 38.4%). The effective rate for 2009 is higher than the current UK tax rate due to the relatively high value of expenses recognised in the income statement that are not tax deductible (namely goodwill impairment and depreciation on showrooms).

11. There was no final dividend paid in respect of 2008 (2007: 2.00p per ordinary share amounting to £12.7 million). No interim dividend is proposed (2008: 0.50p per ordinary share).

12. Earnings per share

	6 Months to 30.06.09 pence	6 Months to 30.06.08 pence	12 Months to 31.12.08 pence
Basic earnings / (losses) per share	**0.9**	2.0	(25.2)
Effect of adjusting items	**(0.2)**	(0.5)	22.2
Adjusted earnings / (losses) per share	**0.7**	1.5	(3.0)
Diluted earnings / (losses) per ordinary share	**0.9**	2.0	(25.2)

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

Number of shares (millions)	30.06.09 Number	30.06.08 Number	31.12.08 Number
Weighted average number of shares used in basic and adjusted earnings per share calculation	**637.0**	636.0	636.1
Weighted average number of dilutive shares under option	**30.4**	1.2	-
Diluted weighted average number of shares used in diluted earnings per share calculation	**667.4**	637.2	636.1

NOTES continued

12. Earnings per share continued

Earnings	**6 Months 30.06.09 £m**	6 Months 30.06.08 £m	12 Months 31.12.08 £m
Earnings for basic and diluted earnings per share calculation	**6.0**	13.0	(160.1)
Adjusting items:			
Goodwill impairment	**0.4**	6.8	58.1
Impairment of investment of joint venture	**-**	-	6.2
Impairment of property, plant and equipment	**-**	-	15.2
Impairment of assets held for sale	**-**	2.5	11.9
Losses incurred on closed businesses	**6.1**	-	19.7
Redundancy costs	**-**	-	5.4
Exceptional VAT refund (note 6)	**-**	(6.6)	(6.8)
Profit / (loss) on business and property disposals	**(0.3)**	(2.1)	5.2
Refinancing related professional costs and bank waiver fees	**1.4**	-	11.2
Professional fees	**1.3**	-	1.5
VAT assessment provision	**(11.6)**	-	26.8
Inventory write down	**-**	-	24.9
Exceptional interest income on VAT refund (note 4)	**-**	(8.3)	(8.3)
Tax effect of adjusting items	**1.1**	4.1	(30.1)
Earnings / (losses) for adjusted earnings per share calculation	**4.4**	9.4	(19.2)

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

13. Business disposals

During the period the Group has disposed of a motor vehicle dealership generating proceeds of £0.6 million and a profit on disposal of £0.1 million. In addition the Group sold properties generating proceeds of £2.1 million and profits of £0.2 million.

Capital expenditure in relation to new property and development of existing properties amounted to £3.9 million. Other capital expenditure and disposals relate principally to motor vehicles. There are no significant capital commitments at 30 June 2009.

NOTES continued

14. Assets held for sale

The Group holds a number of freehold properties that are currently being marketed for sale which are expected to be disposed of during the next 12 months. No impairment losses have been recognised in the income statement for the six months to 30 June 2009 on remeasurement of these properties to the lower of their carrying amount and their fair value less costs to sell (2008: £2.5 million).

During the period to 30 June 2009 non-current assets classified as held for sale disposed of realised a profit of £0.2 million.

The major classes of assets comprising the assets held for sale are:

	30.06.09 £m	30.06.08 £m	31.12.08 £m
Goodwill	**-**	0.6	-
Property, plant and equipment	**38.9**	55.1	37.3
	38.9	55.7	37.3

15. Cash and cash equivalents

	30.06.09 £m	30.06.08 £m	31.12.08 £m
Bank balances and cash equivalents	**92.8**	71.5	154.6

16. Net borrowings

	30.06.09 £m	30.06.08 £m	31.12.08 £m
Cash and cash equivalents (note 15)	**92.8**	71.5	154.6
Current interest bearing loans and borrowings	**(81.1)**	(27.4)	(82.2)
Non-current interest bearing loans and borrowings	**(350.0)**	(326.7)	(468.2)
Derivative financial instruments	**20.6**	(5.0)	38.5
	(317.7)	(287.6)	(357.3)

NOTES continued

17. Refinancing

As a result of the adverse trading conditions experienced in the prior year the Group negotiated new borrowing facilities and on 30 April 2009 new loan agreements restructuring the existing loans and loan notes have been made as follows:

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

Loan notes	Expiry date	Fair value at 30.06.09	Fair value net of swaps at 30.06.09
5.65% USD 110 million loan notes 2011	April 2012	69.1	**57.7**
5.95% USD 67 million loan notes 2014	February 2014	43.0	**34.8**
5.95% GBP 17 million loan notes 2014	February 2014	18.1	**17.1**
		130.2	**109.6**

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

Hedge accounting in relation to the exchange and interest rate swaps remain effective.

Terms of refinancing

Margin

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

USD denominated loan notes: a new coupon of 9.310%

GBP denominated loan notes: a new coupon of 9.834%

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

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

Restructuring fee

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

NOTES continued

17. Refinancing continued

Warrants

7.5% of the issued share capital at 30 April 2009 (or the cash equivalent of such 2.5% payable on the earlier of maturity or repayment of facilities).

Success and stabilisation fee

At each anniversary of the facility agreements, 1% of the commitments at that date, payable in cash or shares of the Company, or 1.25% if settlement is deferred. At repayment or maturity, 1% of the commitments at that date pro-rata for the period of time elapsed between the final anniversary and the date of repayment or maturity, payable in cash or shares of the Company. At maturity or repayment, 2.50% of the commitments at that date, payable in cash or shares of the Company.

The cost of the success and stabilisation fees and all elements of the lenders margin are considered to be ongoing costs of financing, which were not incurred at the date of refinancing and as such are to be amortised over the life of the loan using the effective interest rate.

Covenants

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

Security

The Group has granted security over certain of its assets, not subject to any other arrangements, mainly comprising property, debtors and certain vehicle stocks. The balance sheet value of these assets at 30 June 2009 is £505 million.

Professional fees

Total professional fees of the refinancing were £8.3 million which were expensed in 2008 as a non-recurring item. Further professional fees of £2.6 million have been expensed in 2009 as a non-recurring item as part of the accounting for the extinguishment of the existing loan arrangements, as discussed below.

Recognition of loan

Existing loan arrangements which were in place as at 30 April 2009 have been extinguished in full as part of this refinancing exercise. Costs of £17.3 million incurred on refinancing have been expensed during the period in line with IAS39 "Financial Instruments" and the new loan finance has been recognised at fair value, which the directors consider, having consulted with their lenders and advisors is £386.2 million. The net effect of this on the 2009 financial statements is to recognise a loss in the income statement, amounting to £1.4 million which is shown as a non-recurring finance cost.

NOTES continued

17. Refinancing continued

Financing of overseas businesses

The Group has facilities to finance our property holding company in the Netherlands and to fund our US businesses. As part of the refinancing, the following facilities have been agreed:

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

The refinanced Netherlands facility results in an increased margin over that previously payable of 1.75%. An arrangement fee of 1% of the commitment was paid during the period together with a fee of 5% of the average outstanding commitment over the term, payable at maturity or repayment of the facility.

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

Both facilities are not subject to covenants but security over assets has been granted, mainly comprising property, debtors and certain vehicle stocks (included within the £505m quoted above).

18. Provisions

	30.06.09 £m	30.06.08 £m	31.12.08 £m
Warranty service provision	**6.3**	8.9	7.4
Vacant property	**6.7**	2.6	5.8
VAT Assessment (note 6)	**15.2**	-	26.8
Total	**28.2**	11.5	40.0
Non-current	**6.7**	8.0	6.6
Current	**21.5**	3.5	33.4
Total	**28.2**	11.5	40.0

19. Pension scheme obligations

The net liability for defined benefit obligations has increased from £65.4 million at 31 December 2008 to £83.4 million at 30 June 2009. The increase of £18.0 million comprises contributions of £7.9 million, a charge to the income statement of £2.0 million and a net actuarial loss of £23.9 million. The net actuarial loss has arisen in part to changes in the principal assumptions used in the valuation of the scheme's assets and liabilities over those used at 31 December 2008. The assumptions subject to change are the inflation rate 3.5% (2008: 3.0%) and the rate of increase in pensions in payment to 3.6% (2008: 3.2%). The discount rate remains unchanged at 6.3%.

NOTES continued

20. 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.

21. Going concern

On 30 April 2009, the Group concluded facility negotiations with its lenders, as set out in note 17. The directors have assessed the future funding requirements of the Group and the Company and compared them to the level of committed available borrowing facilities. The assessment included a detailed review of financial forecasts, financial instruments and hedging arrangements and a review of group cash flow projections. As explained in the CEO Review trading conditions remain challenging, however, the Group's forecasts and projections, taking account of reasonably possible scenarios, show that the Group should be able to operate within the level of its borrowing facilities for the foreseeable future.

Having undertaken this work, the directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

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

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

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

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

By order of the Board,

TG Finn
Chief Executive,

DR Forsyth
Finance Director

18 August 2009

INDEPENDENT REVIEW REPORT TO PENDRAGON PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Cash Flow Statement, Condensed Consolidated Statement of Recognised Income and Expense and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

G Watts
for and on behalf of KPMG Audit Plc
Chartered Accountants
Birmingham
18 August 2009

SHAREHOLDER INFORMATION

Financial calendar

Final results for 2009 announced	February 2010
Annual general meeting	April 2010

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