PENDRAGON
PLC

FOR IMMEDIATE RELEASE **10 August 2010**

INTERIM RESULTS TO 30 JUNE 2010

Pendragon PLC, the UK's leading automotive retailer group, today reports interim results for the six months to 30 June 2010.

Summary

- Revenue of £1,833.0 million (2009: £1,586.4 million)
- Operating profit £39.0 million (2009: £33.4 million)
- Underlying operating margin 2.2% (2009: 1.9%)
- Profit before tax £13.3 million (2009: £4.8 million)
- Underlying profit before tax £15.7 million (2009: £10.6 million)
- Basic earnings per share 1.3p (2009: 0.2p)
- Adjusted earnings per share 1.6p (2009: 0.9p)
- Net borrowings £346.7 million (2009: £317.7 million)

Trevor Finn, Chief Executive, commented:

"I am pleased to announce a significant improvement in the Group's performance in the first half of 2010 as we continue to benefit from the business initiatives undertaken by management and the recovery in the market. The Group has a core business well positioned to move forward. In particular, we continue to see growth opportunities from our aftersales and used car operations, the most profitable parts of our business, and are reassured by their strong performance during the period. Assuming economic and market conditions remain stable, Pendragon is well placed to build on its strong start to 2010."

Enquiries:

Pendragon PLC	Trevor Finn, Chief Executive Tim Holden, Finance Director	Tel: 01623 725114
Finsbury	Rollo Head, Partner Gordon Simpson, Associate Partner	Tel: 0207 2513801

CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Introduction

Our improved financial results reflect the success we have had in reducing costs, driving operating efficiencies and improving our balance sheet, as well as the recovery in the market. This has led to an increase of 48.1% in underlying profit over the prior period to £15.7 million with strong recovery in Stratstone and improvement in the Evans Halshaw division. As previously reported, this is consistent with the "V" and "U" shaped recovery profiles of Stratstone and Evans Halshaw respectively.

Aftersales activities remain the key area of focus, being the most profitable area for the Group. Aftersales gross profit in the UK has increased by 0.6% on a like for like basis over the prior period. This is a further acceleration of the increase achieved between the second half of 2008 and the second half of 2009.

Prices in the UK used car market have fallen moderately since the end of December 2009. The latest available data from Experian PLC for the first quarter of 2010 shows that the used car market volume fell by 7.6%. However the Group has outperformed the market with first half used car volume increasing by 15.9% over the prior period.

During the period to June 2010 UK new car registrations grew by 19.9% with retail car registrations increasing by 24.6%. Excluding the additional volume generated by the scrappage scheme, retail registrations would have increased by 12.9%. Our new retail sales volumes have outperformed the market, increasing by 14.1% excluding the scrappage scheme.

Overall the business has achieved an operating profit of £39.0 million (2009: £33.4 million), underlying profit before tax of £15.7 million (2009: £10.6 million) and profit before tax of £13.3 million (2009: £4.8 million). We are reporting adjusted earnings per share of 1.6 pence for the period compared to 0.9 pence in 2009. As previously announced, management is focused on conservation of cash and reduction of borrowings therefore no interim dividend is proposed (2009: nil).

Cash generated from operations was £2.9 million in the first half which included a £57.6 million increase in working capital. The Group continues to generate cash but, as reported in our recent trading update, net debt is higher than planned. This is almost all due to increases in new vehicle stock related to new product launches. The cash impact of this additional stock requirement was approximately £35 million. We expect this will have reversed by the year end.

The Group recently hosted an investor visit to demonstrate some of the business initiatives currently underway, particularly in the aftersales and used car markets. For example, we are implementing a fully integrated vehicle health check process aimed at capturing and retaining data more effectively, increasing the opportunities to deliver incremental sales and ensuring competitive pricing. Further information on these initiatives is included in the presentation materials from the investor day on our website.

The Group continues to benefit from the business initiatives being implemented to emerge from the most challenging market conditions since the early nineties. The interim results illustrate the strong recovery that Pendragon has achieved. Pendragon is well placed to continue this strong first half performance in the second half of 2010.

Results

The results for the six months to 30 June 2010 are summarised as follows:

£m	2010	2009
Revenue	1,833.0	1,586.4
Underlying operating profit	40.1	29.3
Non-underlying operating income/(costs)	(1.4)	3.8
Operating profit before other income	38.7	33.1
Other income – gain on sales of property and businesses	0.3	0.3
Operating Profit	39.0	33.4
Net Finance costs	(25.7)	(28.6)
Profit before tax	13.3	4.8
Tax	(4.9)	(3.6)
Profit after tax	8.4	1.2
Underlying profit before tax	15.7	10.6
Earnings per share – basic	1.3p	0.2p
Earnings per share – adjusted	1.6p	0.9p
Dividend per share	0.0p	0.0p

	2010			2009		
	Revenue £m	Gross profit £m	Gross margin %	Revenue £m	Gross profit £m	Gross margin %
Aftersales	188.0	107.2	57.0	207.0	113.2	54.7
New	864.9	66.6	7.7	759.6	55.1	7.2
Used	608.6	63.9	10.5	480.9	61.4	12.8
Trade/wholesale	115.1	1.0	0.9	92.9	1.8	2.0

	2010			2009		
	Revenue £m	Gross profit £m	Gross margin %	Revenue £m	Gross profit £m	Gross margin %
Stratstone	672.4	93.9	14.0	541.9	84.4	15.5
Evans Halshaw	984.0	123.3	12.5	869.9	124.0	14.3
Chatfields	40.5	7.3	18.0	58.7	10.0	17.1
California	79.7	14.2	17.8	69.9	13.1	18.8
Support businesses	40.8	14.5	35.5	37.9	15.5	40.9

Revenue is up by £236.2 million excluding Support businesses. UK like for like turnover has increased by £273.4 million reflecting the improvement in new and used volume performance. It is expected that improvements in used volume over the prior period will continue into the second half.

Underlying operating profit was £40.1 million compared to £29.3 million in the first half of last year. The underlying operating margin was 2.2% (2009: 1.9%). The improvement in operating margin of 0.3% is mainly due to further improvements in our aftersales gross margin, strong volume performance from used cars and increased new gross margins and volumes. Aftersales margin improvements helped counteract a marginal fall in volume as a result of the slow start to the year due to the adverse weather conditions. Within the UK, despite a fall in used car gross margin as the market stabilised against a very strong 2009, improvements in used volume ensured used like for like gross profit was up 5.9%. Gross margins from the new car department have been strong in Stratstone and stable within Evans Halshaw with improvements in new retail volume across both divisions. Excluding scrappage, the volume improvements have been more pronounced in Stratstone reflecting the stronger recovery in the premium sector.

Non-underlying items relate to dealership closures, property disposals and pension costs. In total we sold or closed 11 franchise points in the first half which resulted in total closure costs of £1.4 million (2009: £6.1 million). Other income relating to property disposals was £0.3 million in 2010 (2009: £0.3 million).

Underlying financing costs of £24.4 million compare to the previous half year cost of £18.7 million, reflecting the fact that the prior year charge incorporated four months of the lower interest charge up to the refinancing in April 2009.

Balance sheet and cash flow

We have continued to focus on maintaining strong control over our balance sheet which has flexed in line with our trading requirements. We have increased new car stocks, including consignment stock, by £43.6 million since the year end to ensure we achieve our new car objectives. Furthermore, in order to accomplish our increase in used volume, used car stocks have increased by £22.6 million since the year end.

Net borrowings are £346.7 million at 30 June 2010 compared to the year end figure of £315.4 million. Operating cash inflow for the first six months was £2.9 million, which compares with £73.7 million generated in the same period in 2009. The operating cash flow includes an increase in working capital investment of £57.6 million (2009: £14.8 million decrease). This is almost all due to increases in new vehicle stock related to new product launches but we expect this will have reversed by the year end.

Net investment in property, plant and equipment for the six months was £11.8 million (2009: £12.1 million). This includes refurbishments, movements in contract hire fleet and loan vehicles provided to aftersales service customers. Net proceeds from property disposals were £1.7 million (2009: £2.1 million).

Financing facilities are operating comfortably within all covenants. A scheduled repayment of term loan amounting to £20.0 million was made in June.

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

£m	2010		2009	
	Revenue	Underlying Operating profit	Revenue	Underlying Operating profit
Stratstone	672.4	17.1	541.9	8.1
Evans Halshaw	984.0	12.1	869.0	11.2
Chatfields	40.5	1.1	58.7	1.2
California	79.7	2.1	69.9	0.3
Support businesses	40.8	7.7	37.9	8.5

Motor retail business

Our franchised motor retail activities are principally in the UK with a well established small business in California. We currently operate 266 franchise points, of which 9 are in California.

Aftersales activities remain the key area of focus, being the most profitable area for the group. UK aftersales gross profit on a like for like basis increased marginally by 0.6% when comparing the first half of 2009 to the first half of 2010 illustrating the benefit of our business initiatives.

Prices in the UK used car market have fallen moderately since the end of December 2009. Used wholesale prices, according to data from British Car Auctions, fell by 8.6% from December 2009 to May 2010. In terms of the used volume market conditions, the latest available data from Experian PLC is for quarter 1 2010 and illustrates that the used car market fell by 7.6%. We are pleased to report that for the half year our like for like used volume in the UK increased by 15.9%. Excluding the impact of stock constraints last year, our underlying used volumes have outperformed the market.

During the period to June 2010 UK new car registrations grew by 19.9% with retail car registrations increasing by 24.6%. Excluding the additional volume from the scrappage scheme, retail registrations would have increased by 12.9%. Our new retail sales volumes have outperformed the market having increased by 14.1% excluding the scrappage scheme. Within new vehicle retail sales, as previously forecasted and commented, a faster recovery has occurred within the Stratstone division versus a more moderate recovery in the Evans Halshaw division.

In the UK we operate 257 franchised points of which 112 are prestige, branded as Stratstone, 127 are Evans Halshaw volume dealerships and 18 are truck dealerships trading under the Chatfields brand. The results are summarised in the following sections.

Stratstone is the UK's leading prestige motor car retailer with 112 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Honda, Jaguar, Land Rover, Lotus, Maserati, Mercedes, MINI, Porsche, SAAB, Smart and Volvo. The results for the first six months of this year are as follows:

	Revenue	Gross profit	Gross margin	Underlying operating profit	Underlying operating margin	Total units sold	Gross profit per unit
	£m	£m	%	£m	%	'000	£
Existing	672.1	93.9	14.0	17.2	2.6	24.8	2,158
Disposed	0.3	0.0	4.6	(0.1)	(32.0)	0.0	1,139
H1 2010	**672.4**	**93.9**	**14.0**	**17.1**	**2.5**	**24.8**	**2,158**
H1 2009	541.9	84.4	15.5	8.1	1.5	22.5	1,837

Revenues were up by 24.1% year on year and up 30.8% on a like for like basis. Like for like aftersales gross margins are strong at 59.7%, marginally up on the prior year. The aftersales business has produced a 1.6% increase in gross profit on a like for like basis. This represents 43.1% of the gross profit of the division which is behind last year but reflects the effect of the improvements in the new and used departments.

Total vehicle unit volumes within our Stratstone franchises were up 10.4% over last year and on a like for like basis were up 19.7%. Like for like used volume has increased by 16.9% against the prior period. Total revenue has increased principally due to strong performance in new cars, with the prestige car market recovering more quickly than the volume sector. Within the Stratstone market sector for retail vehicles registrations are up by 12.6% on the prior year excluding scrappage. Stratstone new retail sales, excluding scrappage, are up 20.2% which has outperformed the market. This improvement in volume has been complemented with an improvement in gross margin largely resulting from the strong Jaguar and Land Rover product mix. Overall gross margin has declined slightly as a result of used car margins returning to more normalised levels.

Evans Halshaw is the UK's leading volume motor car retailer, with 127 franchise points. Evans Halshaw holds franchises to sell and service Chevrolet, Citroen, Fiat, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall. The results for the first six months of this year are as follows:

	Revenue	**Gross profit**	**Gross margin**	**Underlying operating profit**	**Underlying operating margin**	**Total units sold**	**Gross profit per unit**
	£m	**£m**	**%**	**£m**	**%**	**'000**	**£**
Existing	984.0	123.3	12.5	12.1	1.2	88.2	785
Disposed	-	-	-	-	-	-	-
H1 2010	**984.0**	**123.3**	**12.5**	**12.1**	**1.2**	**88.2**	**785**
H1 2009	869.9	124.0	14.3	11.2	1.3	83.3	832

Total revenues were up 13.1% with like for like revenues up by 14.1% over the prior period. Like for like aftersales margins are stronger than the prior year at 58.6% which is an increase of 5.1%. Aftersales continues to be a core aspect of the business contributing 43.8% of the gross profits of the division.

Total vehicle unit volumes were up 5.8% with like for like volumes up 6.5% versus the prior half year. The improvement in unit volumes is largely in new retail and used car activity with fleet volume declining in line with our strategy to reduce our exposure to this sector. Like for like used volume has increased by 15.9% against the prior period. New retail market volume for the brands we represent, excluding scrappage, has increased by 14.6% whereas our retail sales volume has increased by 13.1%. Eliminating Kia and Hyundai, which were key beneficiaries of the scrappage scheme, the market would have increased by 10.5% versus an Evans Halshaw improvement of 12.9%. Overall gross profits have declined by £0.7 million year on year, although 2009 included £1.9m of gross profit in respect of businesses closed in 2009. Underlying operating profits have increased by £0.9 million which illustrates our continued focus on managing our cost base.

Chatfields is our commercial vans and trucks retailer with 18 franchise points. Chatfields holds franchises to retail and/or service Iveco, DAF and LDV. Revenues were down 31.0% year on year following the exit from retailing Iveco which is shown within the non-underlying element of the results to the 30 June 2010. Like for like aftersales margins are strong at 38.6% which is in line with the prior year. The aftersales business has produced 83.8% of the gross profits of the division which is behind last year but further illustrates the slow recovery in the new and used truck and commercial vehicle sector reflecting current economic conditions.

California consists of 9 franchise points in Southern California which operate Aston Martin, Jaguar and Land Rover brands. Turnover increased by 14.1% over the 2009 period largely as result of new and used vehicle sales. Gross profit increased by £1.0m and operating profit by £1.8m versus 2009. In common with the UK, the Jaguar and Land Rover brands have been particularly strong in California.

Support businesses

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

The results for the first half of 2010 are summarised as follows:

	Revenue	Gross profit	Gross margin	Underlying operating profit	Underlying operating margin
	£m	£m	%	£m	%
H1 2010	**40.8**	**14.5**	**35.5**	**7.7**	**19.0**
H1 2009	37.9	15.5	40.9	8.5	22.3

The contract hire and leasing business generated an operating profit of £2.9 million from £3.4 million in the prior period due a reduction in the size of the fleet. The fleet size has reduced to 11.8 thousand from 13.2 thousand at 31 December 2009.

Pinewood Technologies, one of three main Dealer Management Systems suppliers in the UK, continues to grow year on year. Revenue is up a significant 24.1% for the six months to June 2010 compared to 2009 with operating profit up 7.7% from £3.9m to £4.2m for the same period.

Quickco, our independent genuine parts wholesale business, improved its revenue by 4.8% compared to the prior period and operating profit reduced by £0.6m.

Risks and uncertainties

We set out in our 2009 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 and adverse economic conditions, the level of new vehicle production, vehicle manufacturer dependencies, changes to manufacturers' incentive programmes, used vehicle prices, franchise agreements, liquidity and financing, regulatory compliance, competition, reliance on certain members of management staff, failure of information systems, reliance on the use of significant estimates and legislative changes in relation to the distribution and sales of vehicles. These were set out on pages 17-19 and page 26 of the 2009 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.

Current trading and prospects

Despite challenging economic conditions, the business has performed strongly against the prior year and has performed in line with expectations to the half year. Aftersales remains an area of focus and opportunity for the Group. Used car volumes have improved with used margins returning to a more normalised state. The new car market has recovered as we predicted in 2009 with stronger recovery in the prestige sector and a more moderate recovery in the volume sector.

At this stage we see the rest of the year remaining in line with our expectations as we continue to build on the strong start to 2010.

TREVOR FINN
Chief Executive
10 August 2010

Condensed Consolidated Income Statement

Interim Results
for the six months ended 30 June 2010

	6 Months to 30.06.10			restated* 6 Months to 30.06.09		Year to 31.12.09	
	Underlying £m	Non-underlying £m	**Total £m**	Underlying £m	Total £m	Underlying £m	Total £m
Revenue	1,817.4	15.6	**1,833.0**	1,578.3	1,586.4	3,172.7	3,191.7
Cost of sales	(1,564.2)	(13.7)	**(1,577.9)**	(1,331.3)	(1,338.7)	(2,683.5)	(2,699.6)
Gross profit	253.2	1.9	**255.1**	247.0	247.7	489.2	492.1
Operating expenses	(213.1)	(3.3)	**(216.4)**	(217.7)	(214.6)	(435.8)	(436.5)
Operating profit/(loss) before other income	40.1	(1.4)	**38.7**	29.3	33.1	53.4	55.6
Other income – gain on sale of businesses and property	-	0.3	**0.3**	-	0.3	-	1.1
Operating profit / (loss)	40.1	(1.1)	**39.0**	29.3	33.4	53.4	56.7
Finance expenses (note 8)	(24.8)	(10.6)	**(35.4)**	(19.9)	(37.5)	(45.0)	(72.7)
Finance income (note 9)	0.4	9.3	**9.7**	1.2	8.9	1.7	17.3
Net finance costs	(24.4)	(1.3)	**(25.7)**	(18.7)	(28.6)	(43.3)	(55.4)
Profit / (loss) before taxation	15.7	(2.4)	**13.3**	10.6	4.8	10.1	1.3
Income tax expense (note 10)	(5.6)	0.7	**(4.9)**	(4.8)	(3.6)	(2.9)	(0.5)
Profit / (loss) for the period	10.1	(1.7)	**8.4**	5.8	1.2	7.2	0.8
Earnings per share							
Basic earnings per ordinary share (note 12)			**1.3p**		0.2p		0.1p
Diluted earnings per ordinary share (note 12)			**1.2p**		0.2p		0.1p

*see note 3

All amounts are unaudited

Condensed Consolidated Statement of Comprehensive Income

	6 Months to 30.0610 £m	Restated* 6 Months to 30.06.09 £m	12 Months to 31.12.09 £m
Profit for the period	**8.4**	1.2	0.8
Other comprehensive income:			
Foreign currency translation differences of foreign operations	**0.3**	1.2	1.1
Defined benefit plan actuarial gains and losses	**(3.8)**	(26.8)	(28.2)
Income tax relating to defined benefit plan actuarial gains and losses	**1.1**	7.5	7.9
Adjustment in respect of minimum funding requirement on defined benefit plans	**(8.3)**	2.9	2.9
Income tax relating to adjustment in respect of minimum funding requirement on defined benefit plans	**2.3**	(0.8)	(0.8)
Other comprehensive income for the period, net of tax	**(8.4)**	(16.0)	(17.1)
Total comprehensive income for the period	**-**	(14.8)	(16.3)

*see note 3

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves £m	Translation differences £m	Accumulated profit £m	**Total £m**
Balance at 1 January 2009	32.8	56.8	15.1	(1.7)	10.7	**113.7**
Total comprehensive income for 2009						
Profit for the year	-	-	-	-	0.8	**0.8**
Other comprehensive income for the year, net of tax	-	-	-	1.1	(18.2)	**(17.1)**
Total comprehensive income for the year	-	-	-	1.1	(17.4)	**(16.3)**
Issue of ordinary shares	0.3	-	-	-	(0.3)	-
Share based payments	-	-	-	-	8.5	**8.5**
Balance at 31 December 2009	33.1	56.8	15.1	(0.6)	1.5	**105.9**
Balance at 1 January 2010	33.1	56.8	15.1	(0.6)	1.5	**105.9**
Total comprehensive income for 2010						
Profit for the period	-	-	-	-	8.4	**8.4**
Other comprehensive income for the period, net of tax	-	-	-	0.3	(8.7)	**(8.4)**
Total comprehensive income for the period	-	-	-	0.3	(0.3)	**-**
Issue of ordinary shares	0.1	-	-	-	(0.1)	**-**
Share based payments	-	-	-	-	0.7	**0.7**
Balance at 30 June 2010	33.2	56.8	15.1	(0.3)	1.8	**106.6**

The loss included in retained earnings for 2009 of £17.4m represents a profit attributable to owners of the parent of £0.8m and actuarial losses and minimum funding adjustments on defined benefit pension plans of £18.2m (£25.3m less tax £7.1m).

The loss included in retained earnings for six month period to 30 June 2010 of £0.3m represents a profit attributable to owners of the parent of £8.4m and actuarial losses and minimum funding adjustments on defined benefit pension plans of £8.7m (£12.1m less tax £3.4m).

Condensed Consolidated Balance Sheet

	30.06.10	30.06.09	31.12.09
	£m	£m	£m
Non-current assets			
Property, plant and equipment	**300.0**	319.3	307.8
Goodwill	**371.4**	371.8	371.4
Other intangible assets	**3.3**	2.7	3.1
Derivative financial instruments	**33.1**	20.6	23.3
Deferred tax assets	**1.9**	-	3.5
Total non-current assets	**709.7**	714.4	709.1
Current assets			
Inventories	**518.1**	413.2	445.2
Trade and other receivables	**131.9**	134.8	107.4
Cash and cash equivalents	**63.7**	92.8	86.8
Non-current assets classified as held for sale	**25.1**	38.9	26.6
Total current assets	**738.8**	679.7	666.0
Total assets	**1,448.5**	1,394.1	1,375.1
Interest bearing loans and borrowings	**(67.0)**	(81.1)	(66.9)
Trade and other payables	**(741.2)**	(709.7)	(691.6)
Current tax payable	**(24.2)**	(19.7)	(24.8)
Provisions	**(17.3)**	(21.5)	(17.8)
Total current liabilities	**(849.7)**	(832.0)	(801.1)
Non-current liabilities			
Interest bearing loans and borrowings	**(376.5)**	(350.0)	(358.6)
Deferred income	**(19.8)**	(19.8)	(19.8)
Deferred tax liabilities	**-**	(2.7)	-
Retirement benefit obligations	**(88.9)**	(83.4)	(81.8)
Provisions	**(7.0)**	(6.7)	(7.9)
Total non-current liabilities	**(492.2)**	(462.6)	(468.1)
Total liabilities	**(1,341.9)**	(1,294.6)	(1,269.2)
Net assets	**106.6**	99.5	105.9
Capital and reserves			
Called up share capital	**33.2**	32.9	33.1
Share premium account	**56.8**	56.8	56.8
Capital redemption reserve	**2.5**	2.5	2.5
Other reserves	**12.6**	12.6	12.6
Translation reserve	**(0.3)**	(0.5)	(0.6)
Retained earnings	**1.8**	(4.8)	1.5
Total equity attributable to equity shareholders of the Company	**106.6**	99.5	105.9

All amounts are unaudited

Condensed Consolidated Cash Flow Statement

	6 Months to 30.06.10 £m	restated* 6 Months to 30.06.09 £m	12 Months to 31.12.09 £m
Cash flows from operating activities			
Profit for the period	**8.4**	1.2	0.8
Adjustment for net financing expense	**25.7**	28.6	55.4
Adjustment for taxation	**4.9**	3.6	0.5
	39.0	33.4	56.7
Profit on sale of businesses and property	**(0.3)**	(0.3)	(1.1)
Depreciation and amortisation	**21.1**	24.9	47.8
Share based payments	**0.7**	0.5	0.5
Impairment of property, plant and equipment	**-**	-	0.8
Impairment of assets held for sale	**-**	-	1.4
Reversal of impairment of assets held for sale	**-**	-	(1.0)
Goodwill impairment	-	0.4	0.8
(Increase) / decrease in working capital	**(57.6)**	14.8	(12.6)
Cash generated from operations	**2.9**	73.7	93.3
Interest paid	**(21.2)**	(26.2)	(47.3)
Interest received	**0.3**	0.5	0.9
Taxation (paid) / refunds received	**(0.7)**	(0.1)	2.3
Net cash (used in) / from operating activities	**(18.7)**	47.9	49.2
Cash flows from investing activities			
Proceeds from sale of businesses	**0.1**	0.6	0.6
Purchase of property, plant and equipment	**(46.1)**	(52.1)	(103.8)
Proceeds from sale of property, plant and equipment	**36.0**	42.1	90.3
Net cash used in investing activities	**(10.0)**	(9.4)	(12.9)
Cash flows from financing activities			
Payment of capital element of finance lease rentals	**(1.2)**	(1.6)	(3.1)
Repayment of bank loans	**(20.0)**	(89.4)	(88.8)
Proceeds from bank loans	**25.0**	-	-
Payment of transaction costs related to loans and borrowings	**-**	(7.8)	(8.1)
Net cash from / (used in) financing activities	**3.8**	(98.8)	(100.0)
Effects of exchange rate changes on cash held	**1.8**	(1.5)	(4.1)
Net decrease in cash and cash equivalents	**(23.1)**	(61.8)	(67.8)
Opening cash and cash equivalents	**86.8**	154.6	154.6
Closing cash and cash equivalents (note 15)	**63.7**	92.8	86.8

*see note 3

Notes

1. Basis of preparation

Pendragon PLC is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities.

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

The condensed set of financial statements for the six months ended 30 June 2010 are unaudited but have been reviewed by the auditors. The independent review report is set out below.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as 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 2009.

These condensed consolidated interim financial statements were approved by the board of directors on 10 August.

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 2009.

Adoption of new and revised standards

The following standards and interpretations are applicable to the Group and have been adopted in 2010 as they are mandatory for the year ended 31 December 2010.

• IFRS 3 (revised 2008), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28 'Investments in associates' and IAS 31 'Interests in joint ventures'.

The revised standard continues to apply the acquisition method to business combinations with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. All acquisition related costs should be expensed.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the year ending 31 December 2010 but are not currently relevant for the Group.

• Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions
• Amendments to IAS 39 – Eligible Hedged Items
• Amendments to IFRIC 9 and IAS 39 – Embedded Derivatives
• IFRIC 17 – Distribution of Non-Cash Assets to Owners
• IFRIC 18 – Transfers of Assets from Customers

In addition to the above, amendments to a number of standards under the annual improvements project to IFRS, which are mandatory for the year ended 31 December 2010, have been adopted in the year. None of these amendments have had a material impact on the Group’s financial statements.

New standards and interpretations not yet adopted

The following standards and interpretations have been published, endorsed by the EU, and are available for early adoption, but have not yet been applied by the Group in these financial statements.

• Amendments to IAS 32 ‘Classification of Rights Issues’ — requires that rights, options or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights options

or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
• IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' - deals with how entities should measure equity instruments issued in a debt for equity swap. It addresses the accounting for such a transaction by the debtor only.

The above new standards, amendments to standards or interpretations will become mandatory for the Group's 2011 consolidated financial statements and are not expected to have a material impact.

Prior year adjustment

At 31 December 2008, the Group accrued £6.6m of professional fees, which comprised the lender's own professional fees that the Group had by that date agreed to reimburse and fees for professional services provided directly to the Group in relation to the refinancing which was concluded last year. Although the professional services were performed in 2009, the directors took the view that these costs were unavoidable at 31 December 2008 and accrued for them accordingly at that date. However, having examined the accounting in more detail, the directors have concluded that these costs should not have been accrued in the 2008 accounts because the service had not been provided at that date. Instead they were expensed in the period ended 30 June 2009. Consequential adjustments have also been made in respect of the tax effect of these amounts being a £1.8m reduction in the tax charge for that period. Full details of this adjustment are provided in the 2009 Annual Report in note 1(c) to the Financial Statements on page 45.

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 2009.

During the six months ended 30 June 2010 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 18 below.

5. The comparative figures for the financial year ended 31 December 2009 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 498(2)or(3) of the Companies Act 2006.

6. Non-underlying items

Expenses and income incurred or received during the year, which due to their size, nature or incidence do not form part of underlying profit, are drawn out for separate disclosure as non-underlying items.

	6 Months to 30.06.10 £m	restated* 6 Months to 30.06.09 £m	12 Months to 31.12.09 £m
Within turnover:			
Turnover from closed businesses	**15.6**	8.1	19.0
Within cost of sales:			
Cost of sales of closed businesses	**(13.7)**	(7.4)	(16.1)
Within operating expenses:			
Operating expenses and closure costs incurred on closed businesses	**(3.3)**	(6.8)	(11.5)
Goodwill impairment	**-**	(0.4)	(0.8)
Impairment of property, plant and equipment	**-**	-	(0.8)
Impairment of assets held for sale	**-**	-	(1.4)
Reversal of impairment and depreciation adjustment on assets de-classified as held for sale	**-**	-	1.0
Redundancy costs	**-**	-	(2.1)
Professional fees	**-**	(1.3)	(1.3)
VAT assessment provision	**-**	11.6	16.2
	(3.3)	3.1	(0.7)
Within other income - gains on the sale of businesses and property:			
Gains on the sale of businesses	**-**	0.1	0.1
Gains on the sale of property	**0.3**	0.2	1.0
	0.3	0.3	1.1
Within finance expense:			
Interest on pension scheme obligations	**(10.6)**	(9.6)	(19.4)
Net loss on refinancing	**-**	(8.0)	(8.3)
	(10.6)	(17.6)	(27.7)
Within finance income:			
Interest on pension scheme assets	**9.3**	7.7	15.6
Total non-underlying items	**(2.4)**	(5.8)	(8.8)

* see note 3

Goodwill impaired during the period was £nil (2009 : £0.4m).

Losses incurred on the closure of business amounted to £1.4m (2009 : £6.1m). These costs include wind down expenses, losses on assets, redundancy and vacant property occupancy costs.

At 31 December 2009 the Group had made provision of £10.6m in respect of assessments raised by HM Revenue and Customs over the VAT treatment of sales of vehicles to certain disabled customers. There have been no further developments in order to resolve this issue and therefore the provision is retained at its opening amount. During the year ended 31 December 2009 a VAT provision in respect of the VAT treatment of partial exemption within our finance and insurance business was reversed releasing £16.2m as a non-underlying credit following the resolution of that particular case.

In the first half of 2009, as a result of the successful 3 year refinancing of the Group, the Board concluded that it was not necessary to pursue an option of equity raising. Professional costs of £1.3m which had been incurred in respect of preparatory work in this respect were expensed in the prior period as a non-underlying item.

Other income, being the profit on disposal of businesses comprises £0.3m profit on sale of properties (2009 : £0.2m). There was no profit on the disposal of motor vehicle dealerships during the period (2009 : £0.1m).

The net financing return on pension obligations in respect of the defined benefit schemes closed to future accrual was previously included within underlying profit but due to the volatility of this amount it is now shown as a non-underlying item. The 2009 comparatives have been updated accordingly. A net cost of £1.3m has been incurred during the period (2009 : £1.9m).

During the previous period, a net loss of £8.0m was recorded upon the successful completion of the refinancing on 30 April 2009. This comprised refinancing related costs of £22.4m and a fair value gain on the inception of the loan of £14.4m.

7 Segmental analysis

6 month period to 30 June 2010	Stratstone £m	Evans Halshaw £m	Chatfields £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	672.4	984.0	40.5	79.7	21.7	33.3	15.5	-	**1,847.1**
Inter-segment turnover	-	-	-	-	(8.6)	(9.7)	(11.4)	-	**(29.7)**
	672.4	984.0	40.5	79.7	13.1	23.6	4.1	-	**1,817.4**
Revenue from non-underlying activities	15.3	0.3	-	-	-	-	-	-	**15.6**
Revenue from external customers	687.7	984.3	40.5	79.7	13.1	23.6	4.1	-	**1,833.0**
Operating profit before non-underlying items	20.3	15.3	1.3	2.1	3.1	0.8	4.3	(7.1)	**40.1**
Other income and non-underlying items	(1.3)	(0.1)	-	-	-	-	-	0.3	**(1.1)**
Operating profit	19.0	15.2	1.3	2.1	3.1	0.8	4.3	(6.8)	**39.0**
Finance expense	-	(1.6)	(0.1)	(0.5)	-	-	-	(33.2)	**(35.4)**
Finance income	0.3	-	-	-	-	-	0.1	9.3	**9.7**
Profit before tax	19.3	13.6	1.2	1.6	3.1	0.8	4.4	(30.7)	**13.3**

Reconciliation to tables in Chief Executive's operational review

	Stratstone £m	Evans Halshaw £m	Chatfields £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Operating profit as above	20.3	15.3	1.3	2.1	3.1	0.8	4.3	(7.1)	**40.1**
Allocation of central costs	(3.2)	(3.2)	(0.2)	-	(0.2)	(0.2)	(0.1)	7.1	**-**
Segment result as presented in CEO tables	17.1	12.1	1.1	2.1	2.9	0.6	4.2	-	**40.1**

6 month period to 30 June 2009	Stratstone £m	Evans Halshaw £m	Chatfields £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	541.9	869.9	58.7	69.9	17.2	33.7	13.8	-	**1,605.1**
Inter-segment turnover	-	-	-	-	(5.1)	(11.3)	(10.4)	-	**(26.8)**
	541.9	869.9	58.7	69.9	12.1	22.4	3.4	-	**1,578.3**
Revenue from non-underlying activities	4.8	3.3	-	-	-	-	-	-	**8.1**
Revenue from external customers	546.7	873.2	58.7	69.9	12.1	22.4	3.4	-	**1,586.4**
Operating profit before non-underlying items	12.1	15.1	1.4	0.3	3.5	1.5	4.0	(8.6)	**29.3**
Other income and non-underlying items	(4.1)	(2.4)	-	-	-	-	-	10.6	**4.1**
Operating profit	8.0	12.7	1.4	0.3	3.5	1.5	4.0	2.0	**33.4**
Finance expense	(1.3)	(1.9)	(0.5)	(0.5)	(1.2)	-	-	(32.1)	**(37.5)**
Finance income	-	-	-	-	-	-	0.1	8.8	**8.9**
Profit before tax	6.7	10.8	0.9	(0.2)	2.3	1.5	4.1	(21.3)	**4.8**

Reconciliation to tables in Chief Executive's operational review

Operating profit as above	12.1	15.1	1.4	0.3	3.5	1.5	4.0	(8.6)	**29.3**
Allocation of central costs	(4.0)	(3.9)	(0.2)	-	(0.2)	(0.2)	(0.1)	8.6	**-**
Segment result as presented in CEO tables	8.1	11.2	1.2	0.3	3.3	1.3	3.9	-	**29.3**

Year ended 31 December 2009	Stratstone £m	Evans Halshaw £m	Chatfields £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	1,149.1	1,709.8	107.6	139.7	29.6	67.9	21.2	-	**3,224.9**
Inter-segment turnover	-	-	-	-	(12.8)	(25.3)	(14.1)	-	**(52.2)**
	1,149.1	1,709.8	107.6	139.7	16.8	42.6	7.1	-	**3,172.7**
Revenue from non-underlying activities	11.2	7.8	-	-	-	-	-	-	**19.0**
Revenue from external customers	1,160.3	1,717.6	107.6	139.7	16.8	42.6	7.1	-	**3,191.7**
Operating profit before non-underlying items	24.2	19.9	1.6	1.3	8.3	2.0	8.7	(12.6)	**53.4**
Other income and non-underlying items	(4.1)	(0.1)	-	-	-	-	-	9.0	**3.3**
Operating profit	20.1	18.3	1.6	1.3	8.3	2.0	8.7	(3.6)	**56.7**
Finance expense	(1.8)	(2.6)	(0.7)	(1.7)	-	-	-	(65.9)	**(72.7)**
Finance income	-	-	-	-	0.2	0.1	0.1	16.9	**17.3**
Profit before tax	18.3	15.7	0.9	(0.4)	8.5	2.1	8.8	(52.6)	**1.3**

Reconciliation to tables in Chief Executive's operational review

Operating profit as above	24.2	19.9	1.6	1.3	8.3	2.0	8.7	(12.6)	**53.4**
Allocation of central costs	(5.6)	(5.7)	(0.4)	-	(0.3)	(0.3)	(0.3)	12.6	**-**
Segment result as presented in CEO tables	18.6	14.2	1.2	1.3	8.0	1.7	8.4	-	**53.4**

8. Finance costs

	6 Months to 30.06.10 £m	6 Months to 30.06.09 £m	12 Months to 31.12.09 £m
Recognised in profit and loss:			
Interest payable on bank borrowings and loan notes	**20.0**	11.7	31.7
Net loss on refinancing (non-underlying-see note 6)	**-**	8.0	8.3
Vehicle stocking plan interest	**3.8**	6.7	10.9
Interest payable on finance leases	**0.2**	0.2	0.4
Interest on pension scheme obligations (non-underlying-see note 6)	**10.6**	9.6	19.4
	34.6	36.2	70.7
Unwinding of discounts in contract hire residual values	**0.8**	1.3	2.0
Total finance costs	**35.4**	37.5	72.7

9. Finance income

	6 Months to 30.06.10 £m	6 Months to 30.06.09 £m	12 Months to 31.12.09 £m
Net fair value gain in respect of hedging relationships	**0.1**	0.7	0.8
Interest receivable on bank deposits	**0.3**	0.5	0.9
Interest on pension scheme assets (non-underlying-see note 6)	**9.3**	7.7	15.6
Total finance income	**9.7**	8.9	17.3

10. Taxation

Based upon the anticipated profit on ordinary activities before taxation for the full year, the effective tax rate for 2010 is estimated at 33.4% (2009 : 48.5%). The effective rate for 2010 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).

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by £0.1m. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities/assets accordingly.

11. Dividends

No dividends have been paid or proposed during this and the prior period.

12. Earnings per share

	6 Months to 30.06.10 pence	6 Months to 30.06.09 pence	12 Months to 31.12.09 pence
Basic earnings per share	**1.3**	0.2	0.1
Effect of adjusting items	**0.3**	0.7	1.0
Adjusted earnings per share	**1.6**	0.9	1.1
Diluted earnings per ordinary share	**1.2**	0.2	0.1

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

Number of shares (millions)	30.06.10 Number	30.06.09 number	31.12.09 number
Weighted average number of shares used in basic and adjusted earnings per share calculation	**642.7**	637.0	639.4
Weighted average number of dilutive shares under option	**36.9**	30.4	36.8
Diluted weighted average number of shares used in diluted earnings per share calculation	**679.6**	667.4	676.2

Earnings	**6 Months to 30.06.10 £m**	6 Months to 30.06.09 £m	12 Months to 31.12.09 £m
Earnings for basic and diluted earnings per share calculation	**8.4**	1.2	0.8
Adjusting items:			
Goodwill impairment	**-**	0.4	0.8
Impairment of property, plant and equipment	**-**	-	0.8
Impairment of assets held for sale	**-**	-	1.4
Reversal of impairment and depreciation adjustment on assets de-classified as held for sale	**-**	-	(1.0)
Losses incurred on closed businesses	**1.4**	6.1	8.6
Redundancy costs	**-**	-	2.1
Profit on business and property disposals	**(0.3)**	(0.3)	(1.1)
Net loss on refinancing	**-**	8.0	8.3
Professional fees	**-**	1.3	1.3
Net interest on pension schemes	**1.3**	1.9	3.8
VAT assessment provision	**-**	(11.6)	(16.2)
Tax effect of adjusting items	**(0.7)**	(1.2)	(2.4)
Earnings for adjusted earnings per share calculation	**10.1**	5.8	7.2

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 certain assets of two motor vehicle dealership generating proceeds of £0.1m. There was no profit on disposal of these businesses. In addition the Group sold properties generating proceeds of £1.7m and profits of £0.3m.

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 2010 on remeasurement of these properties to the lower of their carrying amount and their fair value less costs to sell (2009 : £nil).

During the period to 30 June 2010 non-current assets classified as held for sale disposed of realised a profit of £0.3m.

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

	30.06.10 £m	30.06.09 £m	31.12.09 £m
Property, plant and equipment	**25.1**	38.9	26.6

15. Cash and cash equivalents

	30.06.10 £m	30.06.09 £m	31.12.09 £m
Bank balances and cash equivalents	**63.7**	92.8	86.8

16. Net borrowings

	30.06.10 £m	30.06.09 £m	31.12.09 £m
Cash and cash equivalents (note 15)	**63.7**	92.8	86.8
Current interest bearing loans and borrowings	**(67.0)**	(81.1)	(66.9)
Non-current interest bearing loans and borrowings	**(376.5)**	(350.0)	(358.6)
Derivative financial instruments	**33.1**	20.6	23.3
	(346.7)	(317.7)	(315.4)

17. Provisions

	30.06.10	30.06.09	31.12.09
	£m	£m	£m
Warranty service provision	**6.6**	6.3	6.0
Vacant property	**7.1**	6.7	9.1
VAT Assessment (see note 6 above)	**10.6**	15.2	10.6
	24.3	28.2	25.7
Non-current	**7.0**	6.7	7.9
Current	**17.3**	21.5	17.8
	24.3	28.2	25.7

18. Pension scheme obligations

The net liability for defined benefit obligations has increased from £81.8m at 31 December 2009 to £88.9m at 30 June 2010. The increase of £7.1m comprises contributions of £6.3m, a charge to the income statement of £1.3m and a net actuarial loss and minimum funding adjustments of £12.1m. 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 2009. The assumptions subject to change are the discount rate of 5.5% (2009 : 5.7%), the inflation rate of 3.3% (2009 : 3.5%) and the rate of increase of pensions in payment of 3.17% (2009 : 3.37%).

19. 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.

20. Risks and uncertainties

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

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,

TP Holden
Finance Director

10 August 2010

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 2010 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Balance Sheet, Condensed Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial 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 2010 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
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
10 August 2010