Issued: 04 August 2015 Press Release

PENDRAGON PLC - The UK's Leading Automotive Retailer Announces Interim Results to 30 June 2015

"Profits exceeding expectations, up 23% to £40.3 million, with market leading initiatives in place for future growth."

Financial Highlights

- Anticipated outturn for the full year is comfortably ahead of expectations.
- Underlying profit before tax up £7.5 million (+22.9%), from £32.8 million to £40.3 million. Underlying profit has more than doubled in three years.
- Strong operating leverage continues, with gross profit up 5.7% and underlying operating profit up 17.0%.
- Underlying earnings per share up 0.41p (+23.8%), from 1.72p to 2.13p.
- Interim dividend doubled to 0.6p per share following our 2014 final dividend of 0.6p per share.

Operational Highlights

- Record used performance with gross profitability up £6.0 million (+8.3%), like for like, assisted by market leading initiatives.
- Aftersales gross profit increased by £6.2 million (+6.7%), like for like, as we benefit from the growing vehicle market, which is set to continue.
- New gross profit increased, like for like, by £8.5 million (+11.3%).
- Visits to Evanshalshaw.com and Stratstone.com increased by 3.1 million (+39.7%), from 7.8 million to 10.9 million.

Trevor Finn, Chief Executive, commented:

"Our business continues to perform strongly across all sectors, owing to a combination of our strategy, market leading initiatives and favourable market conditions. We continue to be excited by the initiatives launched last year, 'Sell Your Car' and 'Move Me Closer', which appeal to customers from our key brands of Evanshalshaw.com and Stratstone.com. We plan to expand our footprint, by adding sites particularly in areas where we have no representation, which will provide further convenience to our customers. We have doubled our interim dividend in the period, aligning to our higher year dividend for 2014. The Group has had an encouraging start to the year and our anticipated outturn for the full year is comfortably ahead of expectations."

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

Summary of Contents

1. Financial Overview

Pendragon PLC Results	Underlying*			Total		
6 Months Ended 30 June £m	**2015**	**2014**	**YOY Change %**	**2015**	**2014**	**YOY Change %**
Revenue	**2,291.4**	**2,069.3**	**+10.7%**	**2,291.4**	**2,069.3**	**+10.7%**
Gross Profit	283.0	267.8	+5.7%	283.0	267.8	+5.7%
Operating Expenses	(226.7)	(220.0)	+3.0%	(226.7)	(220.0)	+3.0%
Other Income	-	0.3	-	21.7	1.6	+1,256.3%
Operating Profit	**56.3**	**48.1**	**+17.0%**	**78.0**	**49.4**	**+57.9%**
Interest	(16.0)	(15.3)	+4.6%	(17.2)	(16.2)	+6.2%
Profit Before Taxation	**40.3**	**32.8**	**+22.9%**	**60.8**	**33.2**	**+83.1%**
Tax Expense	(9.5)	(8.3)	+14.5%	(2.6)	(7.9)	-67.1%
Profit For The Period	**30.8**	**24.5**	**+25.7%**	**58.2**	**25.3**	**+130.0%**
Gross Margin (%)	12.4%	12.9%	-0.5%	12.4%	12.9%	-0.5%
Operating Margin (%)	2.5%	2.3%	+0.2%	3.4%	2.4%	+1.0%
Earnings Per Share (p)	2.13	1.72	+23.8%	4.03	1.77	+127.7%
Dividend Per Share (p)	0.60	0.30	+100.0%	0.60	0.30	+100.0%

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

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

Income Statement Highlights

Revenue increased by £222.1 million, up 10.7% on the prior year, mainly due to increases within the used and new vehicle departments. On a like for like basis, revenue increased by £264.6 million (+13.4%). We improved used revenues by 11.8%, new revenues by 16.5% and aftersales revenues by 5.0% on a like for like basis.

Underlying gross profit increased by £15.2 million (+5.7%) in the period and on a like for like basis by £21.9 million (+8.5%) over the prior year. We achieved another record performance in our used vehicle sector, with gross profit up £6.0 million (+8.3%) on a like for like basis. In the used vehicle sector, we continue to grow our presence and reputation. The new sector has increased gross profit by £8.5 million (+11.3%) on a like for like basis as the new car market continues to grow. Aftersales has grown by £6.2 million (+6.7%) on a like for like basis as a result of new car sales growth and growth in used vehicle sales increasing the vehicle parc. In the period, overall underlying gross margin reduced by 50 basis points, primarily as a result of the dilution effect of increased new and used vehicle sales.

Operating costs increased on a like for like basis by £12.2 million (+5.8%), of which more than half relates to variable costs (+10.2%) and the remainder to indirect costs. We have invested in television and internet advertising as part of the launch of 'Sell Your Car' and 'Move Me Closer', which we continue to roll out in Evans Halshaw. This has helped generate a 39.7% increase in website visits and contributed to our used performance exceeding the market.

Underlying operating profit increased by £8.2 million in the period and increased by £9.4 million on a like for like basis. Underlying interest costs increased by £0.7 million in the period, largely as a result of investment in vehicle stock. Our operating profit margin of 2.5% is a 20 basis points improvement on the prior year, assisted by strong operating leverage in the period.

Balance Sheet and Cash Flow

The Group has a strong balance sheet and low debt level and is in a strong position to reinvest at the appropriate return on investment. The following table summarises the cash flows and net debt of the Group for the six month periods ended 30 June 2015 and 30 June 2014 as follows:

Summary Cashflow and Net Debt 6 Months Ended 30 June £m	2015	2014
Underlying Operating Profit Before Other Income	**56.3**	**47.8**
Depreciation and Amortisation	12.7	9.9
Share Based Payments	1.0	0.8
Working Capital	26.1	0.3
Operating Cash Flow	**96.1**	**58.8**
Tax Paid	(13.4)	(2.9)
Underlying Net Interest	(14.8)	(14.6)
Replacement Capital Expenditure	(32.5)	(5.2)
Disposals	13.1	6.3
Dividends	(8.6)	(4.3)
Proceeds from Sale of Investments	22.4	-
Other	(6.6)	(4.2)
Reduction In Net Debt	**55.7**	**33.9**
Closing Net Debt	**53.1**	**105.7**

The Group's net debt was £53.1 million at 30 June 2015, a reduction of £55.7 million from 31 December 2014. Within the period the Group received proceeds of £22.4 million with respect to the disposal of the King Arthur Property S.a.r.L property investment of £10.0 million.

As a consequence of this lower debt level and strong EBITDA performance, the debt : underlying EBITDA ratio has reduced from 0.8 at 31 December 2014 to 0.4 at 30 June 2015 and remains below our target range of 1.0 to 1.5. This reflects the appropriate balance of capital efficiency and growth potential, providing both a strong balance sheet and, with our strong cashflow generation and realisations from low performing assets, the ability to invest for the future.

Property, acquisitions and disposals

Our property portfolio is an important aspect of our business, with the Group operating from both leasehold and freehold properties. In addition, through strategic investment choices, including the decision to close some franchise points, we have a number of vacant property assets which we hold for sale. At 30 June 2015, the Group had £177.9 million of land and property assets (2014: £155.4

million). Additionally, the Group held property assets for sale of £11.6 million (2014: £13.5 million). Business disposals resulted in a profit on disposal of £8.0 million and property disposals resulted in a loss of £0.1 million. During the period, the Group reduced its franchise points by four, which included businesses which were low performing, requiring significant investment or surplus to requirements, and added four used vehicle points.

Pensions

The net liability for defined benefit pension scheme obligations has decreased from £66.4 million at 31 December 2014 to £47.6 million at 30 June 2015 (2014: £52.1 million). This reduction in obligations of £18.8 million is largely due to an appropriate increase in the discount rate applied.

Dividend

Following a final dividend of 0.6p per share in respect of 2014, we are delighted to announce an interim dividend of 0.6p per share taking our annualised dividend to 1.2p per share. We intend to maintain a progressive dividend approach in the future.

The interim dividend will be paid on 23 October 2015 for those shares registered on 25 September 2015.

Capital allocation

We have demonstrated a very strong record of cashflow generation and capital management, with a reduction in net debt of £293.6 million in the last five years. We operate a target of maintaining our debt : underlying EBITDA ratio between 1.0 and 1.5 times and since our interim report of last year, this ratio has been below 1 times (currently 0.4 times). We continue to expect strong cashflow generation and we have doubled the annualised dividend payable to shareholders.

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

In May 2016 the three year call period on the £175 million bond comes to an end. We are examining our funding structure opportunities in the context of our strong cashflow generation and investment plans whilst optimising shareholder returns and maintaining financial security.

Non-underlying Items

Non-underlying items for the six month periods ended 30 June 2015 and 30 June 2014:

Non-underlying Items 6 Months Ended 30 June £m	2015	2014
Gain on Disposal of Investments	13.8	-
Gain on Disposals	7.9	1.3
Pensions	(1.2)	(0.9)
Total	**20.5**	**0.4**

In the period, the Group sold its £10.0 million 6% investment in King Arthur Properties S.a.r.L for £23.8 million, which realised a profit of £13.8 million.

In the period, property and business disposal profits, net of impairments and associated property and business disposal costs, enhanced profitability by £7.9 million (2014: £1.3 million). The Group sold five franchise points in the period, yielding proceeds of £13.1 million.

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

2. Segmental Results

The Group has three segments which, combined, we refer to as the Motor Segment and three segments which, combined, we refer to as the Support Segment. The Motor Segment consists of: Stratstone, Evans Halshaw and California. In 2015, we have rebranded our Quicks businesses as Evans Halshaw and accordingly we have moved the Quicks segment as previously reported into the Evans Halshaw segment. A reconciliation of this change can be found in note 7 within the condensed interim financial statements at the end of this document. The Support Segment consists of: Pinewood, Leasing and Quickco. The following table shows the revenue, gross profit, operating costs and operating profit by segment for our Motor Segment for the six month periods ended 30 June 2015 and 30 June 2014:

Underlying Motor Segment 6 Months Ended 30 June	Stratstone		Evans Halshaw		California		Motor Segment	
£m (unless stated)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue:								
Aftersales	65.6	67.1	75.8	74.6	13.6	11.4	155.0	153.1
Used	367.1	352.2	547.9	492.2	32.9	28.4	947.9	872.8
New	451.6	395.1	619.1	544.6	74.2	61.5	1,144.9	1,001.2
Revenue	**884.3**	**814.4**	**1,242.8**	**1,111.4**	**120.7**	**101.3**	**2,247.8**	**2,027.1**
Gross Profit:								
Aftersales	38.4	39.2	55.1	52.4	7.0	6.0	100.5	97.6
Used	19.8	23.8	57.4	49.7	2.0	2.2	79.2	75.7
New	40.7	35.0	34.8	33.7	10.5	9.7	86.0	78.4
Gross Profit	**98.9**	**98.0**	**147.3**	**135.8**	**19.5**	**17.9**	**265.7**	**251.7**
Operating Costs	**(78.1)**	**(79.8)**	**(123.0)**	**(118.9)**	**(15.2)**	**(13.3)**	**(216.3)**	**(212.0)**
Operating Profit	**20.8**	**18.2**	**24.3**	**16.9**	**4.3**	**4.6**	**49.4**	**39.7**
Metrics:								
Gross Margin %	11.2%	12.0%	11.9%	12.2%	16.2%	17.7%	11.8%	12.4%
Units Sold ('000)	28.3	28.3	118.2	108.5	2.5	2.4	149.0	139.2

Stratstone (Stratstone.com)

Our Stratstone business is one of the UK's leading premium motor car retailers, with 76 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Jaguar, Land Rover, Mercedes-Benz, MINI, Morgan, Porsche and Smart vehicles as well as three motor-cycle franchises. This segment also contains our retail and service outlets for DAF commercial vehicles, under our Chatfields brand name.

Stratstone.com has had a strong year to date, on a like for like basis, operating profit increased by £3.6 million (+20.3%). The new department improved like for like gross profit by 19.1% as a result of strong retail growth performances in Land Rover, Mercedes-Benz, MINI and Porsche. Used revenue was up by 9.5% on a like for like basis in the period, albeit at a lower margin, resulting in a slight fall in used profitability. Aftersales has grown strongly in the period, with gross profit up 5.4% on a like for like basis as we benefit from a strong aftersales market in a number of franchises. We have now fully implemented and rolled out high definition video within used vehicles and within our aftersales activities.

Evans Halshaw (Evanshalshaw.com)

Our Evans Halshaw business is the UK's leading volume motor car retailer, with 124 franchise points. Evans Halshaw holds franchises to retail and service Citroen and DS, Dacia, Ford, Honda, Hyundai, Kia, Nissan, Peugeot, Renault, SEAT and Vauxhall vehicles.

Evanshalshaw.com increased like for like operating profit by a significant £7.6 million (+42.7%), with outstanding growth in the used vehicle department. On a like for like basis, used sales increased by 13.0% in the period and used gross profitability increased by 17.3%. Used continues to be a strategic area of focus for our business. We are benefiting from our market leading initiatives and a recovery in the used market.

Aftersales like for like gross profit increased by £3.3 million (+6.4%) as result of strong market conditions and our own initiatives. This is a key profit area and we are encouraged by this improvement in profitability. At Evans Halshaw, consumers can choose how they transact, from a variety of methods and channels for aftersales services. We believe our innovation and responsiveness to consumers' needs in this area gives us a competitive advantage. We increased our like for like new vehicle gross profit in the period by £1.4 million as a result of growing new vehicle volumes.

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

California

Our motor retail business in the US continues to achieve strong results from its nine franchise points in Southern California, which represent the Aston Martin, Jaguar and Land Rover brands. Operating profit is marginally behind the prior year as a result of an exceptionally strong comparator. New car performance continues to improve and the vehicle parc is growing for our brands. We continue to explore earnings enhancing opportunities to add to our existing US operations.

Support Businesses

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

The following table shows the revenue and operating profit for our Support Segment and the Group results, for each of the six month periods ended 30 June 2015 and 30 June 2014:

Underlying Support Segment and Group Results 6 Months Ended 30 June	Pinewood		Leasing		Quickco		Support Segment		Group Results*	
£m	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	5.9	5.3	4.7	8.7	33.0	28.2	43.6	42.2	2,291.4	2,069.3
Operating Profit	**4.3**	**4.3**	**1.4**	**3.3**	**1.2**	**0.8**	**6.9**	**8.4**	**56.3**	**48.1**
Operating Margin (%)	72.9%	81.1%	29.8%	37.9%	3.6%	2.8%	15.8%	19.9%	2.5%	2.3%

* Group comprises the total of the Motor Segment and Support Segment.

3. Strategic Progress

Strategy

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

Choice

Our 'Choice' pillar is our strategy to ensure that our consumers can access the largest and best choice of vehicles and servicing in the UK. Visits to Stratstone.com and Evanshalshaw.com increased by 21.1% over the prior year, to 18.8 million visitors on a rolling 12 months basis. Overall, we are attracting over 10.5 million online visitors more than we did five years ago. This channel is becoming a key aspect of our business to ensure we can give choice to our consumers.

We have been operating our 'Sell Your Car' initiative for a nearly a year. This initiative enables the consumer to have the choice to sell their car direct to us at Evanshalshaw.com (www.evanshalshaw.com/sell-your-car/). We will guarantee to pay more than 'webuyanycar.com' giving consumers a value choice too. This initiative is, in turn, enabling us to provide a greater selection of choice and value to consumers and to turn stock more quickly, given that this source of stock is acquired directly at our vehicle preparation and retailing premises.

In February 2015, we launched 'Move Me Closer' which enables the consumer to reserve a vehicle direct from their electronic device and choose to have it physically delivered to their nearest store location (www.evanshalshaw.com/move-me-closer/). Through this service, consumers can research and view online over 20,000 vehicles then inspect the vehicle they reserved at a physical location convenient to them.

Value

Our 'Value' pillar ensures that consumers get value with every single purchase via our frequently researched prices at both local and national levels. We have been operating our value pricing methodology since 2008, enabling us to provide pricing transparency to our customers.

Service

Our 'Service' pillar is ensuring that our consumers can transact easily with our business, with outstanding customer service. We monitor our customer satisfaction scores closely and regard as a key measure of our success the proportion of customers who have given us a four or five star rating for vehicle sales and aftersales service. We are pleased to report that on this measure our performance has increased from 83.4% at 31 December 2013 to 85.3% at 31 December 2014 to 85.6% at 30 June 2015. We continue to put the customer first in all we do.

Convenience

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

We have added three more Evans Halshaw sites in the period towards our plan of achieving 40 additional sites. We expect to add further locations in the second half of the year, financed by our cashflow and by recycling low performing assets.

Our 'Sell Your Car' initiative is now available at 42 retail locations in the UK, giving further convenience to our consumer and also providing an inflow of used cars for the business sourced directly from consumers.

Our People

Our people are key to the success of our business. We have always placed a significant focus on our team members to define and refine how we do business, communicate, and engage with our customers. As a result our people are the driver behind new processes and propositions for our customers.

We wish to thank our team members, who continue to be part of the journey at Pendragon PLC, and who enjoy the experience of being with a growing and forward-looking organisation.

4. Industry Insight and Outlook

New Sector

The new vehicle sector consists of the first registration of cars and commercial vehicles. In 2014, the UK new car market, the second largest market in Europe, increased by 9.3% over the prior year, with 2.476 million registrations (2013: 2.265 million). In the first half of 2015, the UK new market has increased by 7.0% over the prior year, with 1.377 million registrations.

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

The following table summarises the UK new car vehicle market, separating the retail and fleet components for the six month periods ended 30 June 2015 and 30 June 2014:

New Car Vehicle Registrations 6 Months Ended 30 June '000	2015	2014	Change	Change %
UK Retail Market	637.1	623.7	13.4	+2.1%
UK Fleet Market	739.8	663.6	76.2	+11.4%
UK New Market	**1,376.9**	**1,287.3**	**89.6**	**+7.0%**
Group Represented* UK Retail Market	434.6	420.5	14.1	+3.3%
Group Represented* UK Fleet Market	511.4	461.9	49.5	+10.7%
Group Represented* UK New Market	**946.0**	**882.4**	**63.6**	**+7.2%**

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

The UK commercial vehicle market, consisting of light commercial vehicles and trucks, had a market size of 363 thousand units in 2014, an increase of 11% over the prior year. At 30 June 2015, the market had increased by 21.8% over the prior year.

The Group has a small and successful representation in California. The USA new vehicle market was 16.4 million in 2014, an increase of 6% over 2013 and the highest vehicle market since 2006. The

National Automobile Dealers' Association expects the USA market to be 16.9 million vehicles in 2015, an increase of 3%.

New Industry Insight

In previous statements we have shared our belief that the UK 2015 market will return to more normal growth than the prior year. We maintain these expectations. This is already being demonstrated, with the growth in retail registrations in the period being 2.1%, representing a more natural level of growth. We expect the second half rate of growth in retail sales to be a reduced rate to the first half and the current year's total new car market to reach 2.55 to 2.60 million units by the end of 2015. From 2016 we believe the UK new car market should run at a "natural" 2.5 million to 2.6 million units per annum level.

Used Sector

The used vehicle sector comprises the selling of vehicles by one party to another for all vehicles except newly registered vehicles. We had previously expected the market to grow by around 1.6% in 2015. In the first quarter of 2015, the used car market was 1.759 million, with growth of 0.5% on 2014 but we expect the growth rate to accelerate in the remaining quarters of the year. Around half of these transactions are conducted by franchised dealers and the balance by independent dealers and private individuals.

Used Industry Insight

We have previously modelled the impact of the new market volumes on the used car market and still believe we will see steady growth of 1% to 2% per annum over the next three years. When we segment the used market by age of vehicle, our analysis shows that the supply of vehicles that are less than six years old will continue to grow more rapidly for the next three years than vehicles older than six years. We have been tracking our used volume vehicle performance to the used vehicle market for those cars aged between 1 and 8 years old which represents our key market segment. Since 2009 and the implementation of our used car initiatives and strategies, we have doubled our market share from 2.5% to 4.9%.

Aftersales Sector

Aftersales encompasses the servicing, maintenance and repair of motor vehicles, including bodyshop repairs, and the retailing of parts and other motor related accessories. The main determinant of the aftersales market is the number of vehicles on the road, known as the 'vehicle parc'. The vehicle parc in the UK has risen to 33 million vehicles (cars only), having been typically around 32 million vehicles in the prior three years. The car parc can also be segmented into markets representing different age groups. Typically, around 20% of the car parc is represented by less than three year old cars, around 17% is represented by four to six year old cars and 63% is greater than seven year old cars.

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

Aftersales Industry Insight

The aftersales servicing and repair business will benefit from increased new and used car activity. As a result of the increased new vehicle supply, we are anticipating growth in the less than three year old car parc of around 8%. Interestingly in 2015, within the four to six year old vehicle parc, we are expecting growth of around 2% following a number of years of decline. Overall we expect good continuing growth in the vehicle parc for cars up to six years old for at least the next three years.

Outlook

The Group has delivered a strong performance across the used, aftersales and new sectors in the period owing to a combination of our own strategy and initiatives and favourable market conditions. The last four years of growth in new car sales will drive favourable market conditions in our aftersales and used car sectors for the medium term and we expect the new car market to be stable. We continue to be excited by our innovations from ‘Sell Your Car’ and ‘Move Me Closer’. We have been investing in marketing spend on these initiatives and will continue this investment in the second half of the year to help drive brand recognition and sales. In the medium term we are highly focussed on the further roll-out of footprint in the UK, particularly by adding sites in areas of where we have no representation, to provide further convenience to our customers. The Group has had an encouraging start to the year and our anticipated outturn for the full year is comfortably ahead of expectations.

5. Detailed Financials

Condensed Consolidated Income Statement

For the six months ended 30 June

	Note	Underlying £m	Non-underlying £m	**2015 £m**	Underlying £m	Non-underlying £m	2014 £m
Revenue		2,291.4	-	**2,291.4**	2,069.3	-	2,069.3
Cost of sales		(2,008.4)	-	**(2,008.4)**	(1,801.5)	-	(1,801.5)
Gross profit		283.0	-	**283.0**	267.8	-	267.8
Operating expenses		(226.7)	-	**(226.7)**	(220.0)	-	(220.0)
Operating profit before other income		56.3	-	**56.3**	47.8	-	47.8
Other income – gains on sale of businesses and property	6	-	7.9	**7.9**	-	1.3	1.3
Gain on disposal of investment	6	-	13.8	**13.8**	-	-	-
Other income – dividends received		-	-	**-**	0.3	-	0.3
Operating profit		56.3	21.7	**78.0**	48.1	1.3	49.4
Finance expense	8	(16.1)	(1.2)	**(17.3)**	(15.5)	(0.9)	(16.4)
Finance income	9	0.1	-	**0.1**	0.2	-	0.2
Net finance costs		(16.0)	(1.2)	**(17.2)**	(15.3)	(0.9)	(16.2)
Profit before taxation		40.3	20.5	**60.8**	32.8	0.4	33.2
Income tax (expense) / credit	10	(9.5)	6.9	**(2.6)**	(8.3)	0.4	(7.9)
Profit for the period		30.8	27.4	**58.2**	24.5	0.8	25.3
Earnings per share							
Basic earnings per share	12			**4.03p**			1.77p
Diluted earnings per share	12			**3.99p**			1.72p
Non GAAP measure							
Underlying basic earnings per share	12	2.13p			1.72p		
Underlying diluted earnings per share	12	2.09p			1.67p		

All amounts are unaudited

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

	2015 £m	2014 £m
Profit for the period	**58.2**	25.3
Other comprehensive income:		
Items that will never be reclassified to profit and loss		
Defined benefit plan remeasurement gains and (losses)	**18.6**	(9.1)
Income tax relating to defined benefit plan remeasurement gains and (losses)	**(3.7)**	1.8
	14.9	(7.3)
Items that are or may be reclassified to profit and loss		
Foreign currency translation differences of foreign operations	**0.2**	-
Fair value gains on investments reclassified to profit and loss	**(14.0)**	-
	(13.8)	-
Other comprehensive income for the period, net of tax	**1.1**	(7.3)
Total comprehensive income for the period	**59.3**	18.0

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

	Share capital £m	Share premium £m	Other reserves £m	Translation differences £m	Retained earnings £m	**Total £m**
Balance at 1 January 2015	72.8	56.8	15.1	(0.6)	195.8	**339.9**
Total comprehensive income for 2015						
Profit for the period	-	-	-	-	58.2	**58.2**
Other comprehensive income for the period, net of tax	-	-	-	0.2	0.9	**1.1**
Total comprehensive income for the period	-	-	-	0.2	59.1	**59.3**
Issue of ordinary shares	0.2	-	-	-	(0.2)	**-**
Dividends paid	-	-	-	-	(8.6)	**(8.6)**
Own shares issued under share schemes	-	-	-	-	1.2	**1.2**
Own shares purchased under share schemes	-	-	-	-	(7.5)	**(7.5)**
Share based payments	-	-	-	-	1.0	**1.0**
Balance at 30 June 2015	73.0	56.8	15.1	(0.4)	240.8	**385.3**
Balance at 1 January 2014	71.9	56.8	15.1	(0.9)	162.3	**305.2**
Total comprehensive income for 2014						
Profit for the period	-	-	-	-	25.3	**25.3**

Other comprehensive income for the period, net of tax	-	-	-	**-**	(7.3)	**(7.3)**
Total comprehensive income for the period	-	-	-	**-**	18.0	**18.0**
Issue of ordinary shares	0.4	-	-	**-**	(0.4)	**-**
Dividends paid	-	-	-	**-**	(4.3)	**(4.3)**
Own shares purchased under share schemes	-	-	-	**-**	(4.2)	**(4.2)**
Share based payments	-	-	-	**-**	0.8	**0.8**
Balance at 30 June 2014	72.3	56.8	15.1	(0.9)	172.2	**315.5**

Condensed Consolidated Balance Sheet

	Note	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Non-current assets				
Property, plant and equipment		**330.8**	292.5	312.0
Goodwill		**363.1**	365.4	365.4
Other intangible assets		**6.5**	5.3	6.1
Investments		**1.4**	10.0	24.0
Deferred tax assets		**18.6**	23.3	23.9
Total non-current assets		**720.4**	696.5	731.4
Current assets				
Inventories		**761.1**	626.9	676.1
Trade and other receivables		**163.6**	137.3	117.9
Cash and cash equivalents	15	**149.6**	94.9	91.4
Assets classified as held for sale	14	**11.6**	13.5	11.6
Total current assets		**1,085.9**	872.6	897.0
Total assets		**1,806.3**	1,569.1	1,628.4
Current liabilities				
Trade and other payables		**(1,038.4)**	(863.3)	(884.1)
Deferred income	18	**(27.4)**	(19.2)	(26.2)
Current tax payable		**(20.6)**	(34.3)	(33.0)
Provisions	17	**(2.1)**	(3.1)	(2.5)
Total current liabilities		**(1,088.5)**	(919.9)	(945.8)
Non-current liabilities				
Interest bearing loans and borrowings		**(202.7)**	(200.6)	(200.2)
Trade and other payables		**(32.7)**	(24.3)	(31.0)
Deferred income	18	**(44.4)**	(51.0)	(41.6)
Retirement benefit obligations		**(47.6)**	(52.1)	(66.4)
Provisions	17	**(5.1)**	(5.7)	(3.5)
Total non-current liabilities		**(332.5)**	(333.7)	(342.7)
Total liabilities		**(1,421.0)**	(1.253.6)	(1,288.5)
Net Assets		**385.3**	315.5	339.9
Capital and reserves				
Called up share capital		**73.0**	72.3	72.8
Share premium account		**56.8**	56.8	56.8
Capital redemption reserve		**2.5**	2.5	2.5
Other reserves		**12.6**	12.6	12.6
Translation reserve		**(0.4)**	(0.9)	(0.6)
Retained earnings		**240.8**	172.2	195.8
Total equity attributable to equity shareholders of the company		**385.3**	315.5	339.9

All amounts are unaudited

Condensed Consolidated Cash Flow Statement

	Note	For the six months ended 30 June 2015 £m	For the six months ended 30 June 2014 £m	For the twelve months ended 31 December 2014 £m
Cash flows from operating activities				
Profit for the period		**58.2**	25.3	49.8
Adjustment for net financing expense		**17.2**	16.2	32.6
Adjustment for taxation		**2.6**	7.9	14.8
Adjustment for dividend received		**-**	(0.3)	(4.2)
		78.0	49.1	93.0
Depreciation and amortisation		**12.7**	9.9	27.0
Share based payments		**1.0**	0.8	1.5
Profit on sale of businesses and property		**(7.9)**	(1.3)	(3.2)
Gain on disposal of investments		**(13.8)**	-	-
Impairment of assets held for sale		**-**	1.0	1.0
Reversal of impairment of assets held for sale		**-**	(1.0)	(1.0)
Changes in inventories	20	**(56.3)**	(23.0)	(60.1)
Changes in trade and other receivables		**(45.8)**	(34.1)	(15.1)
Changes in trade and other payables		**145.4**	63.5	83.5
Changes in retirement benefit obligations		**(1.4)**	(1.3)	(2.9)
Changes in provisions		**1.2**	3.0	0.2
Movement in contract hire vehicle balances	19	**(17.0)**	(7.8)	(17.5)
Cash generated from operations		**96.1**	58.8	106.4
Interest paid		**(14.9)**	(14.8)	(29.5)
Interest received		**0.1**	0.2	0.5
Taxation paid		**(13.4)**	(2.9)	(8.3)
Net cash from operating activities		**67.9**	41.3	69.1
Cash flows from investing activities				
Dividends received		**-**	0.3	4.2
Proceeds from sale of businesses		**13.1**	0.2	1.1
Purchase of property, plant and equipment		**(68.8)**	(33.6)	(96.7)
Proceeds from sale of property, plant and equipment		**36.3**	34.5	65.6
Proceeds from the sale of investments		**22.4**	-	-
Net cash from / (used in) investing activities		**3.0**	1.4	(25.8)
Cash flows from financing activities				
Proceeds on issue of shares (net of costs paid)		**-**	-	0.4
Dividends paid to shareholders		**(8.6)**	(4.3)	(8.6)
Own shares acquired		**(7.5)**	(4.2)	(4.7)
Own shares issued under share schemes		**1.2**	-	1.0
Proceeds from issue of bond and loans		**2.2**	2.3	1.6
Net cash outflow from financing activities		**(12.7)**	(6.2)	(10.3)
Net increase in cash and cash equivalents		**58.2**	36.5	33.0
Opening cash and cash equivalents		**91.4**	58.4	58.4
Closing cash and cash equivalents	15	**149.6**	94.9	91.4

Reconciliation of Net Cash Flow to Movement in Net Debt

	For the six months ended 30 June 2015 £m	For the six months ended 30 June 2014 £m	For the twelve months ended 31 December 2014 £m
Net increase in cash and cash equivalents	**58.2**	36.5	33.0
Proceeds from issue of bond and loans (net of directly attributable transaction costs)	**(2.2)**	(2.3)	(1.6)
Non-cash movements	**(0.3)**	(0.3)	(0.6)
Decrease in net debt in the period	**55.7**	33.9	30.8
Opening net debt	**(108.8)**	(139.6)	(139.6)
Closing net debt	**(53.1)**	(105.7)	(108.8)

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

Notes

1 **Basis of preparation**

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 2015 comprise the Company and its subsidiaries (together referred to as the 'Group').

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 2015 are unaudited but have been reviewed by the auditors.

2 **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

These condensed consolidated interim financial statements were approved by the board of directors on 4 August 2015.

3 **Significant accounting policies**

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2014, except as explained below.

Adoption of new and revised standards:

The following standards and interpretations are applicable to the Group and have been adopted in 2015 as they are mandatory for the year ended 31 December 2015.

• IAS 19: Defined Benefit Plans: Employee Contributions – this clarifies the treatment of contributions from employees or third parties.
• IFRIC Interpretation 21 Levies – provides guidance on when to recognise a liability for a levy imposed by a government.
• Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets – amends the disclosure requirements in IAS 36 Impairment of Assets with regard to the measurement of the recoverable amount of impaired assets.
• Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting – provides guidance on the treatment on novation of hedging derivatives.

There are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 December 2015. The above standards have not had a significant impact of the financial statements of the Group.

4 Estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

The fair values of most financial instruments held by the Group approximate to carrying value, the most notable exception to this being the listed debt. At 30 June 2015 the carrying amount of the Group's listed debt (before setting off issue costs) is £175.0m and the fair value (a Level 1 valuation, i.e. determined from readily observable market data) is £185.7m. Assets held for resale are held at fair value less costs to sell and the fair value (a Level 2 valuation, determined based on prices for similar assets) is £11.6m. The Group has an equity interest in the unquoted entity King Arthur Holdings S.a.r.L which is held at fair value through other comprehensive income. The fair value of this interest is valued at £1.4m using a Level 2 methodology based on the actual proceeds from the actual sales of this asset.

During the six months ended 30 June 2015 management reassessed its estimates and assumptions in respect of employee post retirement benefit obligations. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates and return on assets, details of which are provided in note 21 below.

The estimate in respect of the anticipated tax rate to be applied for the full financial year 2015 and subsequently used in the preparation of the results for the six month period to 30 June 2015 are set out in note 10.

5 Comparative figures

The comparative figures for the financial year ended 31 December 2014 are extracted from the Group's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

6 Non-underlying items

Non-underlying income and expenses are items that have non-trading attributes due to their size, nature or incidence.

	2015	2014
	£m	£m
Within operating expenses:		
Impairment of assets held for sale	**-**	(1.0)
Reversal of impairment on assets classified as held for sale	**-**	1.0
	-	-
Within other income - gains on the sale of businesses, property and investments:		
Profit on the sale of businesses	**8.0**	0.2
(Loss) / gain on the sale of property	**(0.1)**	1.1
Gain on disposal of investment	**13.8**	-
	21.7	1.3
Within finance expense:		
Net interest on pension scheme	**(1.2)**	(0.9)
	(1.2)	(0.9)
Total non-underlying items before taxation	**20.5**	0.4

Group tangible fixed assets and assets held for sale have been reviewed for possible impairments in the light of economic conditions. As a result of this review there was no impairment charge against assets held for sale recognised in the period (2014: £1.0m). During the previous year a release of £1.0m was made on de-classification of assets held for sale.

Other income, being the profit on disposal of businesses and property comprises £0.1m loss on termination of property leases (2014: profit on disposal £1.1m) and a profit on the disposal of motor vehicle dealerships of £8.0m (2014: £0.2m).

On 28 January 2015, King Arthur Holdings S.a.r.L disposed of its only subsidiary company, King Arthur Properties S.a.r.L. The Group will receive £23.8m in total in respect of dividends and the repayment of share capital. As at 30 June 2015, the Group had received £22.4m in respect of this with further proceeds of £1.4m received in July 2015.

The net interest expense on pension obligations in respect of the defined benefit schemes closed to future accrual is shown as a non-underlying item due to the volatility and non-trading nature of this amount. A net interest expense of £1.2m has been recognised during the period (2014: £0.9m).

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

7 Segmental analysis

Changes in reporting structure

The Group has revised its reporting segments. In January 2015 the Group re-organised its management and reporting structure. The significant change was that the Quicks used car operation was brought under the management of the Evans Halshaw operation and this is reflected in the internal reporting structure as presented to the Chief Operating Decision Maker. In the 2015 financial statements therefore the Quicks segment is no longer reported separately. The results of the Quicks segment for the comparative period has been aggregated into the Evans Halshaw segment and is restated as follows for the period ended 30 June 2014:

	As Reported 30 June 2014		Evans Halshaw Segment As Restated
	Evans Halshaw	Quicks	
	£m	£m	£m
Total gross segment turnover	1,084.4	27.0	**1,111.4**
Inter-segment turnover	-	-	**-**
Revenue from external customers	1,084.4	27.0	**1,111.4**
Operating profit before non-underlying items	20.2	(0.9)	**19.3**
Other income and non-underlying items	-	-	**-**
Operating profit	20.2	(0.9)	**19.3**
Finance expense	(1.4)	(0.2)	**(1.6)**
Finance income	-	-	**-**
Profit before tax	18.8	(1.1)	**17.7**
Reconciliation to tables in the Segmental Results Section			
Operating profit as above	20.2	(0.9)	**19.3**
Allocation of central costs	(2.4)	-	**(2.4)**
Result presented in Segmental results table	17.8	(0.9)	**16.9**
Depreciation and amortisation	4.5	0.1	**4.6**

For the six months ended 30 June 2015	Stratstone £m	Evans Halshaw £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	Total £m
Total gross segment turnover	884.3	1,242.8	120.7	4.7	37.5	15.9	-	**2,305.9**
Inter-segment turnover	-	-	-	-	(4.5)	(10.0)	-	**(14.5)**
Revenue from external customers	884.3	1,242.8	120.7	4.7	33.0	5.9	-	**2,291.4**

Operating profit before non-underlying items	24.9	28.5	4.3	1.6	1.4	4.4	(8.8)	**56.3**
Other income and non-underlying items	-	-	-	-	-	-	21.7	**21.7**
Operating profit	24.9	28.5	4.3	1.6	1.4	4.4	12.9	**78.0**
Finance expense	(1.5)	(1.4)	(0.2)	-	-	-	(14.2)	**(17.3)**
Finance income	-	-	-	-	-	-	0.1	**0.1**
Profit before tax	23.4	27.1	4.1	1.6	1.4	4.4	(1.2)	**60.8**

Reconciliation to tables in the Segmental Results section

Operating profit as above	24.9	28.5	4.3	1.6	1.4	4.4	(8.8)	**56.3**
Allocation of central costs	(4.1)	(4.2)	-	(0.2)	(0.2)	(0.1)	8.8	**-**
Result presented in Segmental results table	20.8	24.3	4.3	1.4	1.2	4.3	-	**56.3**

Depreciation and amortisation	3.6	6.2	0.7	14.3	0.1	0.2	-	**25.1**

For the six months ended 30 June 2014	Stratstone £m	Evans Halshaw* £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	Total £m
Total gross segment turnover	814.4	1,111.4	101.3	8.7	37.1	15.2	-	**2,088.1**
Inter-segment turnover	-	-	-	-	(8.9)	(9.9)	-	**(18.8)**
Revenue from external customers	814.4	1,111.4	101.3	8.7	28.2	5.3	-	**2,069.3**
Operating profit before non-underlying items	20.7	19.3	4.6	3.5	1.0	4.4	(5.4)	**48.1**
Other income and non-underlying items	-	-	-	-	-	-	1.3	**1.3**
Operating profit	20.7	19.3	4.6	3.5	1.0	4.4	(4.1)	**49.4**
Finance expense	(1.5)	(1.6)	(0.2)	-	-	-	(13.1)	**(16.4)**
Finance income	-	-	-	-	-	-	0.2	**0.2**
Profit before tax	19.2	17.7	4.4	3.5	1.0	4.4	(17.0)	**33.2**

Reconciliation to tables in the Segmental Results section

	Stratstone	Evans Halshaw*	California	Leasing	Quickco	Pinewood	Central	Total
Operating profit as above	20.7	19.3	4.6	3.5	1.0	4.4	(5.4)	**48.1**
Allocation of central costs	(2.5)	(2.4)	-	(0.2)	(0.2)	(0.1)	5.4	**-**
Result presented in Segmental results table	18.2	16.9	4.6	3.3	0.8	4.3	-	**48.1**
Depreciation and amortisation	3.0	4.6	0.7	12.8	0.1	0.1	-	**21.3**

* As restated – see above

8 Finance expense

Recognised in profit and loss	**2015 £m**	2014 £m
Interest payable on bond, bank borrowings and loan notes	**7.4**	7.6
Vehicle stocking plan interest	**7.7**	7.1
Net interest on pension scheme obligations (non-underlying – see note 6)	**1.2**	0.9
Total interest expense in respect of financial liabilities held at amortised cost	**16.3**	15.6
Unwinding of discounts in contract hire residual values	**1.0**	0.8
Total finance expense	**17.3**	16.4

9 Finance income

Recognised in profit and loss	**2015 £m**	2014 £m
Interest receivable on bank deposits	**0.1**	0.2
Total finance income	**0.1**	0.2

10 Taxation

Based upon the anticipated profit on underlying activities for the full year, the effective rate on underlying profit for 2015 is estimated at 23.6% (2014: 25.5%). The effective rate for 2015 is higher than the current rate of UK tax due to the proportion of profit taxed at a higher rate in the US. On 8 July 2015, the Chancellor stated his intention to reduce the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. These have yet to be substantively enacted so therefore deferred tax has been provided at the current corporation tax rate of 20%.

11 Dividends

	2015	2014
	£m	£m
Final Dividend paid in respect of 2014 of 0.6p (2013: 0.3p) per ordinary share	**8.6**	4.3

An Interim dividend of 0.6p (2014: 0.3p) per ordinary share totalling £8.7m (2014: £4.3m) will be paid on 23 October 2015.

12 Earnings per share

	2015	2014
	pence	pence
Basic earnings per share	**4.03**	1.77
Effect of adjusting items	**(1.90)**	(0.05)
Underlying basis earnings per share (Non GAAP measure)	**2.13**	1.72
Diluted earnings per share	**3.99**	1.72
Effect of adjusting items	**(1.90)**	(0.05)
Underlying diluted earnings per share (Non GAAP measure)	**2.09**	1.67

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

	2015	2014
Number of shares (millions)	**number**	number
Weighted average number of shares used in basic and adjusted earnings per share calculation	**1,445.1**	1,425.8
Weighted average number of dilutive shares under option	**12.2**	45.7
Diluted weighted average number of shares used in diluted earnings per share calculation	**1,457.3**	1,471.5

	2015	2014
Earnings	**£m**	£m
Profit for the period	**58.2**	25.3
Adjusting items:		
Non-underlying items attributable to the parent (see note 6)	**(20.5)**	(0.4)
Tax effect of non-underlying items	**(6.9)**	(0.4)
Earnings for adjusted earnings per share calculation	**30.8**	24.5

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

13 **Business and property disposals**

During the period the Group disposed of certain assets of motor vehicle dealerships generating net proceeds of £13.1m (2014: £0.2m) and a profit on disposal of £8.0m (2014: £0.2m).

The Group sold property generating net proceeds of £nil (2014: £6.1m) and a loss on disposal of £0.1m (2014: profit £1.1m).

14 **Assets classified as 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 2015 on re-measurement of these properties to the lower of their carrying amount and their fair value less costs to sell (2014: £1.0m). No impairment losses have been released in the period relating to assets that ceased to be classified as held for sale (2014: £1.0m).

During the period to 30 June 2015 there were no disposals of assets classified as held for sale. During the previous year disposals of assets classified as held for sale realised a profit of £0.4m on disposal.

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

	30 June 2015	30 June 2014	31 December 2014
	£m	£m	£m
Property, plant and equipment	**11.6**	13.5	11.6

15 **Cash and cash equivalents**

	30 June 2015	30 June 2014	31 December 2014
	£m	£m	£m
Bank balances and cash equivalents	**149.6**	94.9	91.4

16 **Net borrowings**

	30 June 2015	30 June 2014	31 December 2014
	£m	£m	£m
Cash and cash equivalents (note 15)	**149.6**	94.9	91.4
Non-current interest bearing loans and borrowings	**(202.7)**	(200.6)	(200.2)
	(53.1)	(105.7)	(108.8)

17 Provisions

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Vacant Property	**6.6**	8.2	5.4
VAT assessment	**0.6**	0.6	0.6
	7.2	8.8	6.0
Non-current	**5.1**	5.7	3.5
Current	**2.1**	3.1	2.5
	7.2	8.8	6.0

18 Deferred income

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Property leases – sale and leaseback proceeds excess over fair value and fixed rental increases	**14.9**	17.3	15.2
Warranty policies sold	**7.0**	6.0	6.0
Contract hire leasing income	**49.9**	46.9	46.6
	71.8	70.2	67.8
Non-current	**44.4**	51.0	41.6
Current	**27.4**	19.2	26.2
	71.8	70.2	67.8

19 Changes in contract hire vehicle balances

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Depreciation	**12.4**	11.4	23.2
Changes in trade and other payables and deferred income	**2.9**	7.4	8.0
Purchases of contract hire vehicles	**(31.3)**	(25.8)	(47.1)
Unwinding of discounts in contract hire residual values	**(1.0)**	(0.8)	(1.6)
	(17.0)	(7.8)	(17.5)

20 Change in inventories

	30 June 2015	30 June 2014	31 December 2014
	£m	£m	£m
Movement in inventory	(85.0)	(24.4)	(73.6)
Inventory changes in business combinations and disposals	(0.9)	-	(0.6)
Impact of exchange differences	-	-	(0.2)
Non cash movement in consignment vehicles	12.8	(5.2)	(1.4)
Transfer value of contract hire vehicles from fixed assets to inventory	16.8	6.6	15.7
Cash flow increase in movements in inventory	(56.3)	(23.0)	(60.1)

21 Pension scheme obligations

The net liability for defined benefit obligations has decreased from £66.4m at 31 December 2014 to £47.6m at 30 June 2015. The decrease of £18.8m comprises a net interest expense of £1.2m recognised in the income statement, a net remeasurement gain of £18.6m and contributions paid of £1.4m. The net remeasurement gain has arisen in part due to changes in the principal assumptions used in the valuation of the scheme's liabilities over those used at 31 December 2014. The assumptions subject to change are the discount rate of 3.90% (31 Dec 2014: 3.60%), the inflation rate (RPI) of 3.2% (31 Dec 2014: 3.0%), the inflation rate (CPI) of 2.2% (31 Dec 2014: 2.0%) and the rate of increase of pensions in payment of 2.80% (31 Dec 2014: 2.67%).

22 Related party transactions

There have been no new related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Group during that period and there have been no changes in the related party transactions described in the last annual report that could do so.

23 Risks and uncertainties

The Board maintains a policy of continuous identification and review of risks which may cause our actual future Group results to differ materially from expected results. The principal risks identified were: failure to adopt the right strategy or failure of our adopted strategy to be effectively implemented or to deliver the desired results, dependence on vehicle manufacturers for the success of our business, failure to meet competitive challenges to our business model or sector, European economic instability affecting the UK in particular impacting used vehicle prices, UK governmental spending constraints, changes to the type of vehicles sold or the amount of road use, availability of debt funding, funding requirements of the occupational pension scheme, significant litigation or regulator action against or otherwise impacting the Group, failure of systems, reliance on the use of estimates, failure to attract, develop, motivate and retain good quality team members, failure to provide safe working and retail environments and failure to control environmental hazards. The Board has recently reviewed the risk factors and confirms that they should remain valid for the rest of the current year. The Board considers the main areas of risk and uncertainty that could impact profitability to be used vehicle prices and economic and business conditions.

24 Adoption of Financial Reporting Standard (FRS) 101 – Reduced Disclosure Framework

Following the publication of FRS 100 'Application of Financial Reporting Requirements' by the Financial Reporting Council, Pendragon PLC is required to change its accounting framework for its entity financial statements, which is currently UK GAAP, for its financial year commencing 1 January 2015. The Board considers that it is in the best interests of the Group for Pendragon PLC to adopt FRS101 'Reduced Disclosure Framework'. No disclosures in the current UK GAAP financial statements would be omitted on adoption of FRS 101. A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in Pendragon PLC may serve objections to the use of the disclosure exemptions on Pendragon PLC, in writing, to its registered office (Loxley House, Little Oak Drive, Annesley, Nottingham, NG15 0DR) not later than 4 September 2015.

Responsibility Statement

We confirm that to the best of our knowledge:

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

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

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

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

By order of the Board

T G Finn
Chief Executive

T P Holden
Finance Director
4 August 2015

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 2015 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 Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

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

4 August 2015