2012 INTERIM REPORT
PENDRAGON PLC

"THE UK'S LEADING AUTOMOTIVE RETAILER"

Pendragon | PLC

Pendragon at a Glance

Pendragon is the UK's leading automotive retailer with 236 worldwide franchise points.

OUR MARKETS

Pendragon's principal markets are the retailing of new and used vehicles and the service and repair of vehicles (aftersales). Pendragon also operates in the wholesale parts, leasing and dealership management system markets.

OUR BUSINESS

We operate with seven main segments: Stratstone, Evans Halshaw, Chatfields, California, Leasing, Quickco and Pinewood.

"The UK's Leading Automotive Retailer"

- ✔ No.1 Internet Vehicle retailer via Evanshalshaw.com and Stratstone.com.
- ✔ No.1 UK vehicle retailer by location with 227 UK nationwide locations.
- ✔ Leading and innovative used car and aftersales development programmes.
- ✔ Value Pricing our key proposition in the market.
- ✔ Growing and successful California business.
- ✔ Centralised UK call centre ensuring consistent communication and execution of services.
- ✔ Comprehensive range of support and complementary business ranging from parts distribution to fleet and contract hire activities.
- ✔ In-house software company in the top 3 within the marketplace delivering dealer systems.
- ✔ Dedicated, skilled and motivated employees.

OUR BUSINESS SUMMARY

KEY MARKETS

KEY BUSINESSES

Stratstone The UK's leading prestige motor car retailer with 94 franchise points including: Aston Martin, BMW, Ferrari, Honda, Jaguar, Land Rover, Lotus, Maserati, Mercedes-Benz, MINI, Porsche and Smart.

Evans Halshaw The UK's leading volume motor car retailer with 125 franchise points including: Chevrolet, Citroen, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall.

Chatfields Commercial vans and trucks retailer with eight franchise points in the UK including: DAF, Ford, Nissan and Renault.

California The prestige brands of Aston Martin, Land Rover and Jaguar with 9 franchise points in Southern California.

Leasing Fleet leasing and contract hire solutions in the UK.

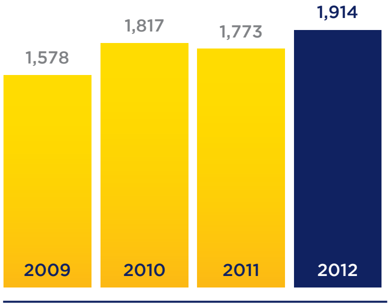
Quickco Independent parts wholesale business serving internal and external customers in the UK.

Pinewood In-house software company which supplies dealer management systems in the UK and South Africa.

FINANCIAL HIGHLIGHTS

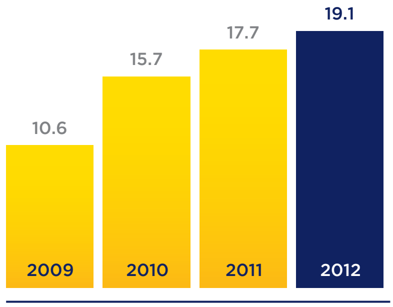
UNDERLYING REVENUE

£1,914m



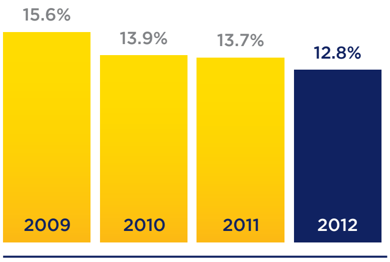
UNDERLYING PROFIT BEFORE TAX

£19.1m



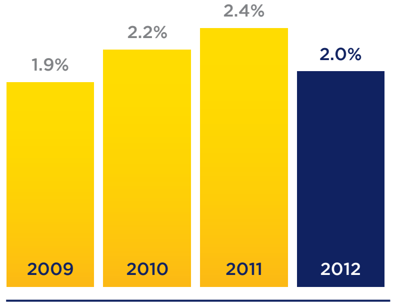
UNDERLYING GROSS MARGIN

12.8%



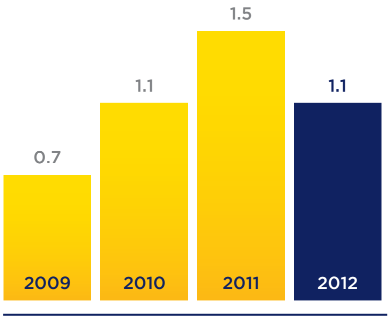
UNDERLYING OPERATING MARGIN

2.0%



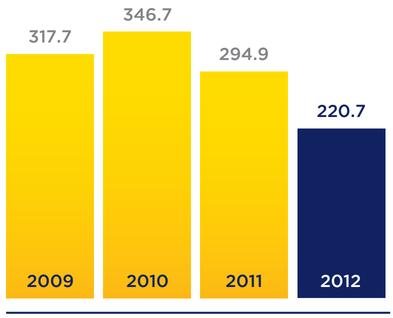
UNDERLYING EPS

1.1p



NET DEBT

£220.7m



FINANCIAL HIGHLIGHTS

BMW 3 Series

Financial Highlights – 6 months to 30 June £m	Underlying* 2012	Underlying* 2011	Total 2012	Total 2011
Revenue	**1,914.1**	1,773.2	**1,914.1**	1,773.2
Operating profit	**37.5**	42.5	**38.5**	42.3
Profit before tax	**19.1**	17.7	**23.6**	18.2
Earnings per share (pence)†	**1.1p**	1.5p	**1.2p**	1.5p
Operating margin (%)	**2.0%**	2.4%	**2.0%**	2.4%
Net borrowings	**-**	-	**220.7**	294.9

- Overall first half performance is in line with our expectations.
- New vehicle volume growth of 13.9% on a like for like basis# outperformed the market.
- Used vehicle volume growth of 7.5% on a like for like basis# outperformed the market.
- Website visits to Stratstone.com, Evanshalshaw.com and Quicks.co.uk up 24.5% over the prior year.

* Underlying results exclude items that are unusual due to their nature, size or incidence
# Like for like results include underlying businesses with 12 months comparative results only
† Restated to reflect the impact of the bonus element of the Rights Issue completed in August 2011

Trevor Finn, Chief Executive commented:

"Overall the Group delivered results for the first half in line with our expectations. Our New and Used sectors performed particularly well over the six month period, with results across the Group generally improving into the second quarter of 2012. Trading momentum in New and Used is expected to continue into the second half of the year and the Group's current performance remains consistent with the Board's expectations for the full year. In line with earlier statements, it remains the Board's intention that the Company resumes paying dividends in relation to its 2012 financial year and onwards."

INTRODUCTION, MARKETS & PERFORMANCE

Introduction Pendragon is the leading automotive retailer in the UK with 236 franchise points. Pendragon sells and services a broad range of new and used cars and commercial vehicles in the UK, has an operation in California and a substantial presence in the UK vehicle leasing, wholesale parts and dealership management system markets.

Pendragon's core vehicle businesses operate under the brands of Stratstone (for prestige vehicles) and Evans Halshaw (for volume vehicles) for the sale and servicing of new and used cars. Chatfields is Pendragon's commercial van and truck business.

Markets & Performance The UK is our principal market and splits into four key market sectors, listed as follows by order of profit opportunity to the Group: Aftersales services, used vehicle sales, new vehicle sales and support businesses.

Underlying revenue, gross profit and gross margin percentage by sector for the six months ended 30 June are shown below:

	2012 Underlying			2011 Underlying		
	Revenue £m	Gross profit £m	Gross margin %	Revenue £m	Gross profit £m	Gross margin %
Aftersales	164.4	98.5	59.9%	170.8	102.2	59.8%
Used	728.3	68.1	9.4%	679.5	65.1	9.6%
New	865.2	66.7	7.7%	764.9	59.4	7.8%
Trade/wholesale	108.1	(3.4)	(3.1)%	113.8	(0.0)	(0.1%)
Support	48.1	15.1	31.4%	44.2	15.5	35.1%
TOTAL	**1,914.1**	**245.0**	**12.8%**	**1,773.2**	**242.2**	**13.7%**

The aftersales market is determined by:

• the overall size of the car parc. The car parc is the number of cars in use on UK roads. In 2011 and each of the prior five years, the parc has been approximately 31 million vehicles.
• the demand for servicing and repair. The demand for servicing and repair is largely determined by consumers and legislative factors for safety, economy and performance and therefore is more resilient to economic conditions than other market sectors the Group operates within.
• the age profile of the car parc. Whilst the Group typically operates in the less than three year old age profile, targeting older age categories has become a key strategy for the Group, owing to reductions in the size of the less than three-year-old parc from 23% five years ago to 19% now. Given the increasing level of new vehicle sales, there is now expected to be an increase in the less than three-year-old car parc.

Like for like aftersales turnover is down by 3.6%, with the key variance due to reductions in new vehicle warranty turnover of 14.7%. However, like for like service retail turnover has shown a small improvement of 0.2%, the first increase since the 2008/9 recession. This is an encouraging demonstration of the success of our aftersales initiatives such as service plan products and our vehicle health check process. Aftersales margin has remained stable at 59.9%.

The used vehicle sector comprises the selling of vehicles from one party to another for all vehicles except newly registered vehicles. The market is determined by the number of transactions during the year and in the year ended December 2011 there were 6.8 million transactions, a fall of 0.4% on the previous year. 2012 quarter one data for the used car market, recently released by Experian PLC, confirms a market of 1.74 million units which is 0.2% higher than the prior year. No data is currently available for the used car market in quarter two of 2012.

During the period, the Group's like for like used units grew by 7.5% to 70,700. Overall, used margin is down slightly from 9.6% to 9.4%. As previously noted in our first quarter statement, used margin declined 90 basis points in that quarter against a strong comparative. This trend reversed in the second quarter this year with an improvement of 50 basis points over the same quarter in 2011. We expect this trend to show further improvement.

INTRODUCTION, MARKETS & PERFORMANCE *CONTINUED*

The new vehicle sector consists of the first registration of cars and commercial vehicles. In the last three years, car registrations have averaged under 2.0 million vehicles annually. The UK new car market is divided into retail and fleet markets. In the six months to the 30 June 2012 the retail market represented 45% of the new car market; and it operates at a higher margin compared to the fleet market. The fleet market represented 55% of the new car market in the first half of 2012. Fleet business is transacted at a higher risk and consumes higher working capital than the retail market. Accordingly, the Group is highly selective about the fleet business it conducts. The fleet market also contains the majority of Motability registrations which represent around 10% of the total market.

The following table provides the movement in the UK market registrations for the six months ended 30 June:

UK New Car Market	2012 '000	2011 '000	Variance %
Retail car market	476.3	438.2	8.7%
Fleet car market	581.4	591.4	(1.7%)
New car market	**1,057.7**	**1,029.6**	**2.7%**

UK retail car registrations, the key area of opportunity for the Group, grew by 8.7% compared to the prior year, with fleet and business registrations falling by 1.7%.

For the brands the Group represents, national UK retail registrations increased by 10.0% and fleet and business registrations fell by 3.0%, whereas total UK registrations increased by 2.2%. The Group's UK operations grew retail sales (excluding Motability) by 14.9% on a like for like basis owing to strong performance from our Stratstone brands. Fleet business grew by 51.8%, with total new vehicle sales up by 13.9% on a like for like basis. We expect this positive momentum in new car sales to continue in the second half. New margin was maintained at 7.7%.

Trade and wholesale losses were mainly incurred in the first quarter.

FINANCIAL PERFORMANCE SUMMARY

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

Financial Performance Summary – Pendragon PLC	2012 Underlying* £m	2012 Total £m	2011 Underlying* £m	2011 Total £m
Revenue	**1,914.1**	**1,914.1**	**1,773.2**	**1,773.2**
Underlying operating profit before other income	37.5	37.5	42.5	42.5
Non-underlying operating income before other income	-	0.8	-	-
Operating profit before other income	**37.5**	**38.3**	**42.5**	**42.5**
Other income – gain/(loss) on sales of property and businesses	-	0.2	-	(0.2)
Operating profit	**37.5**	**38.5**	**42.5**	**42.3**
Underlying net finance costs	(18.4)	(18.4)	(24.8)	(24.8)
Non-underlying net finance income	-	3.5	-	0.7
Profit before tax	**19.1**	**23.6**	**17.7**	**18.2**
Tax	(4.0)	(5.1)	(4.7)	(4.9)
Profit after tax	**15.1**	**18.5**	**13.0**	**13.3**
Basic earnings per share†	-	1.2p	-	1.5p
Underlying basic earnings per share†	1.1p	-	1.5p	-

† Restated to reflect the impact of the bonus element of the Rights Issue. * Underlying results exclude items that are unusual due to their nature, size or incidence

FINANCIAL PERFORMANCE SUMMARY *CONTINUED*

Revenue Underlying group revenue increased by £140.9 million for the six months to 30 June 2012 compared to 2011. Of the total increase, £100.3 million was due to increases in the new vehicle sector, with a further £48.8 million due to increases in the used vehicle sector. Within the new vehicle sector, approximately 74% of the increase was due to increased fleet activity from the leasing segment.

Underlying Operating Margin & Profit The underlying operating margin was 2.0% versus 2.4% in the prior year. The Group's underlying operating profit was £37.5 million in 2012 compared to £42.5 million in 2011 for the six months to 30 June. Underlying operating profit fell by £5.0m year on year due to the following factors: gross profitability increased by £2.8 million but this was offset by a £7.8 million increase in operating and overhead costs some of which are not expected to recur. The key aspects of the variance in overheads are: redundancy costs and team member related costs largely relating to new and used volume increases, property-related costs for heating, electricity, power, rates and property provisions, partly offset by a reduction in warranty provision.

Underlying Financing Costs Underlying financing costs were £18.4 million compared to £24.8 million in the prior year, reflecting the lower average debt level and revised terms as a result of the refinancing in the second half of 2011.

Underlying Profit Before Tax Underlying profit before tax was £19.1 million which compared to £17.7 million in the prior year, an increase of £1.4 million on the prior year.

Profit Before Tax Profit before tax was £23.6 million which compared to £18.2 million in the prior year, an increase of £5.4 million on the prior year.

Non-underlying items Non-underlying items consist of the following: net finance income of £1.6 million relating to pension assets and obligations, property gains of £0.2 million and VAT refunds including related interest received of £2.7 million.

OPERATIONAL REVIEW

The Group is divided operationally into eight distinct trading segments. The core vehicle retail businesses consist of two segments, Stratstone and Evans Halshaw. Additionally, the Group has segments for our Chatfields truck business and California. Support businesses consist of the following four segments: Leasing, Quickco, Pinewood and Central.

Results by Segment and Sector Underlying revenue, gross profit and operating profit by segment for the six months ended 30 June are shown below:

Segment Results - Pendragon PLC	2012 Underlying			2011 Underlying		
	Revenue £m	Gross profit £m	Opertaing profit £m	Revenue £m	Gross profit £m	Opertaing profit £m
Stratstone	720.7	85.0	13.2	634.8	81.9	15.5
Evans Halshaw	1,012.5	123.7	12.7	974.6	123.9	14.4
Chatfields	48.5	6.8	1.1	36.1	6.8	1.1
California	84.3	14.4	2.6	83.5	14.1	2.5
Support businesses	48.1	15.1	7.9	44.2	15.5	9.0
TOTAL	**1,914.1**	**245.0**	**37.5**	**1,773.2**	**242.2**	**42.5**

OPERATIONAL REVIEW *CONTINUED*

Stratstone is the UK's leading prestige motor car retailer with 94 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Honda, Jaguar, Land Rover, Lotus, Maserati, Mercedes-Benz, Mini, Porsche and Smart as well as four motorcycle franchises. The underlying results for the six months ended 30 June are as follows:

Underlying - Stratstone	Revenue £m	Gross profit £m	Gross margin %	Underlying operating profit £m	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	700.3	82.8	11.8%	13.8	2.0%	26.2	1,908
Acquired	18.0	2.3	12.7%	0.2	1.0%	0.7	1,320
Disposed	2.4	(0.1)	(3.2%)	(0.8)	(34.2%)	0.1	(1,259)
H1 2012	**720.7**	**85.0**	**11.8%**	**13.2**	**1.8%**	**27.0**	**1,844**
H1 2011	634.8	81.9	12.9%	15.5	2.4%	22.2	2,107

Revenues were up by 13.6% year on year on a like for like basis owing to strong growth both in used and new volume. Like for like gross profit increased by 3.6% in the period owing to increases in used and new activity. Aftersales has been impacted by a reduction in warranty work. However, like for like retail sales are up by 1.2%, which is an encouraging performance. Used volume increased by 24.6% on a like for like basis in Stratstone, with used retail gross profit increasing by 0.8% on a like for like basis.

The following table provides the movement in the UK market registrations for the brands that Stratstone represents, for the six months ended 30 June:

Stratstone New Car Market	2012 '000	2011 '000	Variance %
Retail car market	102.7	91.3	12.5%
Fleet car market	102.7	95.6	7.4%
New car market	**205.4**	**186.9**	**9.9%**

Stratstone like for like retail sales (excluding motability) increased by 19.9% and like for like fleet sales increased by 14.3%. Overall, new gross profit increased by 19.4% on a like for like basis owing to strong performance from the Land Rover, Mercedes-Benz, BMW and Porsche franchises largely attributable to new product roll-out.

Evans Halshaw is the UK's leading volume motor car retailer, with 125 franchise points. Evans Halshaw holds franchises to sell and service Chevrolet, Citroen, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall. The underlying results for the six months ended 30 June are as follows:

Underlying - Evans Halshaw	Revenue £m	Gross profit £m	Gross margin %	Underlying operating profit £m	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	1,011.9	123.8	12.2%	13.1	1.3%	94.9	762
Disposed	0.6	(0.1)	(9.8%)	(0.4)	(66.3%)	0.1	(365)
H1 2012	**1,012.5**	**123.7**	**12.2%**	**12.7**	**1.3%**	**95.0**	**761**
H1 2011	974.6	123.9	12.7%	14.4	1.5%	90.2	764

OPERATIONAL REVIEW *CONTINUED*

Revenues were up by 5.6% year on year on a like for like basis owing to strong growth in both new and used volume. Like for like gross profit increased by 2.0% in the period owing to increases in used and new activity. Similar to Stratstone, Evans Halshaw aftersales have been impacted by a reduction in warranty work with like for like retail sales behind last year by 1.0%. Used volume increased by 3.4% on a like for like basis following strong compounding growth in the prior year, with used retail gross profit increasing by 8.1%.

The following table provides the movement in the UK market registrations for the brands that Evans Halshaw represents, for the six months ended 30 June:

Evans Halshaw New Car Market	2012 '000	2011 '000	Variance %
Retail car market	203.4	187.0	8.8%
Fleet car market	303.7	323.5	(6.1%)
New car market	**507.1**	**510.5**	**(0.7%)**

Evans Halshaw like for like retail sales (excluding motability) increased by 12.1% and like for like fleet sales increased by 63.4%. Overall new gross profit increased by 10.0% on a like for like basis in the period helped in particular by stronger performance from the Vauxhall and Ford franchises.

Chatfields is our commercial vans and trucks segment with eight franchise points. Chatfields holds franchises to retail and/or service Ford, DAF, Nissan and Renault. Revenues increased on a like for like basis by 34.6% largely due to improvements in new activity. New retail units increased by 82.9% on a like for like basis which is an encouraging indicator of recovery from the economic recession. Overall, like for like gross profit increased by 1.3% which was largely as a result of new activity. Encouragingly, used volume increased by 9.7% on a like for like basis as a further indicator of recovery within this sector.

The underlying results for the six months ended 30 June 2012 are as follows:

Underlying - Chatfields	Revenue £m	Gross profit £m	Gross margin %	Underlying operating profit £m	Underlying operating margin %	Total units sold '000	Gross profit per unit £
H1 2012	**48.5**	**6.8**	**14.0%**	**1.1**	**2.3%**	**1.0**	**1,282**
H1 2011	36.1	6.8	18.8%	1.1	3.0%	0.7	1,396

California consists of nine franchise points in Southern California which operate Aston Martin, Jaguar and Land Rover brands. Revenue increased by 0.9% on a like for like basis over the prior year. Gross profit increased by 2.3% on a like for like basis as result of used and aftersales improvements.

The underlying results for the six months ended 30 June are as follows:

Underlying - California	Revenue £m	Gross profit £m	Gross margin %	Underlying operating profit £m	Underlying operating margin %	Total units sold '000	Gross profit per unit £
H1 2012	**84.3**	**14.4**	**17.1%**	**2.6**	**3.1%**	**2.1**	**3,932**
H1 2011	83.5	14.1	16.9%	2.5	3.0%	1.9	4,044

OPERATIONAL REVIEW *CONTINUED*

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 parts wholesale distribution.

The underlying results for the six months ended 30 June are summarised as follows:

Underlying - Support Businesses	Revenue £m	Gross profit £m	Gross margin %	Operating profit £m	Operating margin %
H1 2012	**48.1**	**15.1**	**31.4%**	**7.9**	**16.4%**
H1 2011	44.2	15.5	35.0%	9.0	20.3%

Contract Hire and Leasing Market and Performance The contract hire and leasing business generated an operating profit of £2.9 million from £3.7 million in the prior period. The fleet size has reduced to 9,400 at 30 June 2012 from 10,000 at 30 June 2011.

Dealer Management Systems Market and Performance Pinewood Technologies, one of three main dealer management systems suppliers in the UK, continues to grow year on year. Operating profit for the six months to 30 June was £4.3 million which was broadly in line with the prior year.

Parts Wholesale Market and Performance Quickco, our independent genuine parts wholesale business, achieved an operating profit for the six months to 30 June of £0.7 million versus a prior year of £0.9 million.

Quicks is our new internet focussed used car business and is currently operating with seven sites. The business has been developed on locations points within the UK on former franchised dealership sites or surplus properties. Investment in systems and processes developed in the business continues and, where appropriate these are being deployed in the Group. For the six months to the 30 June 2012 the business made a loss before tax of £2.7 million including all its central and developmental costs for the period compared to £1.5 million in 2011. The results of this business are currently reported within the Evans Halshaw segment due to its similar customer base although it is branded as Quicks. The business is on a gradual trajectory towards achieving a break-even status which is the goal in the medium term.

Internet Performance Our internet presence is an important differentiator for the Group and continues to grow. Website visits to Stratstone.com, Evanshalshaw.com and Quicks.co.uk are up 24.5% over the prior year and this is helping achieve the new and used volume increases.

BALANCE SHEET & NET DEBT

Balance Sheet The Group is focussed on managing the balance sheet to ensure that the Debt: Underlying EBITDA target of 1.5:1 can be achieved. The Group continues to operate comfortably within the existing facility covenants.

The Group is highly focused on controlling working capital and the balance sheet. Inventory at the 30 June 2012 has fallen by £41.9 million compared to the 31 December 2011. Of this £31.3 million is due to a reduction in new stock. Debtors increased by £25.3 million which is largely result of increased new activity at the 30 June 2012 compared to 31 December 2011. Trade and other payables decreased by £20.0 million in the period.

Overall, there was a £1.6 million cash inflow from movements in working capital.

Net Debt The Group's net debt at 30 June 2012 was £220.7 million which compares to £246.8 million at 31 December 2011 and £294.9 million at 30 June 2011. The Group continues to be committed to reduce borrowings to achieve the Debt: Underlying EBITDA target as set out in our 2011 annual report and is making substantial progress towards achieving this objective.

CASH FLOW

The directors have been in discussion with the Financial Reporting Review Panel regarding of the Group's cash flow disclosures in respect of contract hire vehicles compliance with International Financial Reporting Standards. As a result of those discussions, in these interim results the directors have amended the presentation of the contract hire cash flows and have restated the comparative cash flow information for the six months ended 30 June 2011 and the year ended 31 December 2011 so that all cash flow relating to the Groups' contract hire operations are classified as operating. The correction represented a reclassification of cash outflows of £31.3 million, related to the Group's contract hire operations, which were reported in the 2011 consolidated cash flow statements within investing activities to operating activities. There is no impact on the net cash flows, the opening and closing cash position, the income statement or statement of financial position as previously reported. The impact is summarised as follows:

Cash flow restatement	Previously reported £m	Adjustment £m	Restated £m
For the year ended 31 December 2011:			
Net cash from operating activities	83.9	(31.3)	52.6
Net cash used in investing activities	(55.1)	31.3	(23.8)
For the period ended 30 June 2011:			
Net cash from operating activities	63.7	(13.9)	49.8
Net cash used in investing activities	(30.0)	13.9	(16.1)

Information to provide further clarity to the reader of the accounts on reconciling items relating to contract hire vehicles has additionally been provided in the form of a supporting note to the 'Consolidated Cash Flow Statement' in the interim results and this approach will be adopted going forward.

In addition, the directors have reconsidered the classification of deferred income relating to contract hire vehicles and certain warranty and other products. As a result, £42.4 million reported with trade and other payables and £5.8 million reported within provisions at 31 December 2011 (£31.7 million and £3.9 million at 30 June 2011) is now included within deferred income. There is no effect on profit for the period or on net assets previously reported.

The financial statements for the year ended 31 December 2012 will also include additional information to provide increased transparency of the Group's contract hire assets. The property, plant and equipment note will be expanded to disclose contract hire vehicles as a separate class of asset and amounts transferred to inventory at the end of the contract hire period.

DIVIDEND

As indicated in the 2011 accounts, it remains the Board's intention that the Company resumes paying dividends in relation to its 2012 financial year and onwards, subject to a review of the Group's position at the relevant time.

RISKS & 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 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 34-38 and pages 50-51 of the 2011 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.

OUTLOOK

The Group's initiatives in the aftersales sector have helped alleviate the reduction in the key market of the less than three-year-old car parc. The Group's strategy to focus on the used sector will continue. Given the improving trend in used margin shown in the second quarter of this year we expect continued positive performance from used cars. The new sector is showing encouraging signs of recovery in all divisions which has helped support profitability in the period. Our Stratstone.com, Evanshalshaw.com and Quicks.co.uk websites remain central to our long-term business growth. Visits to these websites rose by 24.5% in the period. The expected stability of aftersales coupled with continuing used gross margin improvement and a new car market that is expected to grow further is encouraging for the second half of the year. Overall, the Group continues to progress and is performing in line with the Board's expectations for the full year.

TREVOR FINN
Chief Executive
7 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

	Note	Underlying £m	Non-Underlying £m	**2012 £m**	Underlying £m	Non-Underlying £m	2011 £m
Revenue		1,914.1	-	**1,914.1**	1,773.2	-	1,773.2
Cost of sales		(1,669.1)	-	**(1,669.1)**	(1,531.0)	-	(1,531.0)
Gross profit		245.0	-	**245.0**	242.2	-	242.2
Operating expenses		(207.5)	0.8	**(206.7)**	(199.7)	-	(199.7)
Operating profit before other income		37.5	0.8	**38.3**	42.5	-	42.5
Other income –gains / (losses) on sale of businesses and property		-	0.2	**0.2**	-	(0.2)	(0.2)
Operating profit		37.5	1.0	**38.5**	42.5	(0.2)	42.3
Finance expense	8	(18.7)	(9.5)	**(28.2)**	(25.1)	(10.3)	(35.4)
Finance income	9	0.3	13.0	**13.3**	0.3	11.0	11.3
Net finance costs		(18.4)	3.5	**(14.9)**	(24.8)	0.7	(24.1)
Profit before taxation		19.1	4.5	**23.6**	17.7	0.5	18.2
Income tax expense	10	(4.0)	(1.1)	**(5.1)**	(4.7)	(0.2)	(4.9)
Profit for the period		15.1	3.4	**18.5**	13.0	0.3	13.3
Profit for the period attributable to:							
Equity shareholders of the parent		15.1	2.4	**17.5**	13.0	0.3	13.3
Non-controlling interests (pension related)		-	1.0	**1.0**	-	-	-
		15.1	3.4	**18.5**	13.0	0.3	13.3
Earnings per share							
Basic earnings per share	12			**1.2p**			1.5p*
Diluted earnings per share	12			**1.2p**			1.4p*

Non GAAP measure			
Underlying basic earnings per share	12	**1.1p**	1.5p*
Underlying diluted earnings per share	12	**1.1p**	1.4p*

All amounts are unaudited

* restated to reflect the impact of the bonus element of the Rights Issue completed in August 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2012 £m	2011 £m
Profit for the period	**18.5**	13.3
Other comprehensive income:		
Foreign currency translation differences of foreign operations	**0.1**	(0.2)
Defined benefit plan actuarial gains and losses	**(8.5)**	21.8
Income tax relating to defined benefit plan actuarial gains and losses	**2.0**	(5.7)
Adjustment in respect of minimum funding requirement on defined benefit plans	**3.4**	(24.4)
Income tax relating to adjustment in respect of minimum funding requirement on defined benefit plans	**(0.8)**	6.4
Other comprehensive income for the period, net of tax	**(3.8)**	(2.1)
Total comprehensive income for the period	**14.7**	11.2
Total comprehensive income for the period attributable to:		
Equity shareholders of the parent	**13.7**	11.2
Non-controlling interests (pension related)	**1.0**	-
	14.7	11.2

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 earning £m	Non-controlling interests £m	Total £m
Balance at 1 January 2012	71.0	56.8	15.1	(0.3)	90.3	34.3	**267.2**
Total comprehensive income for 2012							
Profit for the period	-	-	-	-	17.5	1.0	**18.5**
Other comprehensive income for the period, net of tax	-	-	-	0.1	(3.9)	-	**(3.8)**
Total comprehensive income for the period	-	-	-	0.1	13.6	1.0	**14.7**
Issue of ordinary shares	0.2	-	-	-	(0.2)	-	**-**
Distribution from Pension Partnership to pension scheme	-	-	-	-	-	(1.2)	**(1.2)**
Share based payments	-	-	-	-	0.4	-	**0.4**
Balance at 30 June 2012	71.2	56.8	15.1	(0.2)	104.1	34.1	**281.1**
Balance at 1 January 2011	33.4	56.8	15.1	(0.5)	6.4	-	**111.2**
Total comprehensive income for 2011							
Profit for the period	-	-	-	-	13.3	-	**13.3**
Other comprehensive income for the period, net of tax	-	-	-	(0.2)	(1.9)	-	**(2.1)**
Total comprehensive income for the period	-	-	-	(0.2)	11.4	-	**11.2**
Share based payments	-	-	-	-	0.4	-	**0.4**
Balance at 30 June 2011	33.4	56.8	15.1	(0.7)	18.2	-	**122.8**

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2012 £m	restated* 30 June 2011 £m	restated* 31 December 2011 £m
Non-current assets				
Property, plant and equipment		**290.4**	292.6	299.4
Goodwill		**368.7**	367.7	367.7
Other intangible assets		**3.9**	3.7	3.8
Derivative financial instruments		**8.6**	11.7	21.5
Deferred tax assets		**12.5**	-	13.7
Total non-current assets		**684.1**	675.7	706.1
Current assets				
Inventories		**523.5**	558.5	565.4
Trade and other receivables		**126.6**	118.9	101.3
Derivative financial instruments		**10.4**	10.4	-
Cash and cash equivalents	16	**95.7**	95.4	101.4
Non-current assets classified as held for sale	15	**26.9**	28.5	29.0
Total current assets		**783.1**	811.7	797.1
Total assets		**1,467.2**	1,487.4	1,503.2
Current liabilities				
Interest bearing loans and borrowings		**(61.3)**	(347.5)	(64.3)
Trade and other payables		**(737.3)**	(794.2)	(757.3)
Deferred income	19	**(22.0)**	(18.0)	(22.2)
Current tax payable		**(26.4)**	(24.7)	(25.0)
Provisions	18	**(2.9)**	(7.8)	(0.7)
Total current liabilities		**(849.9)**	(1,192.2)	(869.5)
Non-current liabilities				
Interest bearing loans and borrowings		**(274.1)**	(64.9)	(305.4)
Deferred income	19	**(45.2)**	(36.6)	(44.9)
Deferred tax liabilities		**-**	(3.2)	-
Retirement benefit obligations		**(11.5)**	(62.1)	(8.0)
Provisions	18	**(5.4)**	(5.6)	(8.2)
Total non-current liabilities		**(336.2)**	(172.4)	(366.5)
Total liabilities		**(1,186.1)**	(1,364.6)	(1,236.0)
Net assets		**281.1**	122.8	267.2
Capital and reserves				
Called up share capital		**71.2**	33.4	71.0
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		**(0.2)**	(0.7)	(0.3)
Retained earnings		**104.1**	18.2	90.3
Total equity attributable to equity shareholders of the Company		**247.0**	122.8	232.9
Non-controlling interests		**34.1**	-	34.3
Total equity		**281.1**	122.8	267.2

All amounts are unaudited. *See note 3 for details of restatement

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	6 Months to 30 June 2012 £m	restated* 6 Months to 30 June 2011 £m	restated* 12 Months to 31 December 2011 £m
Cash flows from operating activities				
Profit for the period		**18.5**	13.3	39.8
Adjustment for net financing expense		**14.9**	24.1	54.0
Adjustment for taxation		**5.1**	4.9	(15.8)
		38.5	42.3	78.0
Depreciation and amortisation		**9.4**	9.4	19.1
Share based payments		**0.4**	0.4	0.8
(Profit) / loss on sale of businesses and property		**(0.2)**	0.2	(0.4)
Impairment of property, plant and equipment		**-**	-	0.1
Impairment of assets held for sale		**-**	-	0.9
Changes in inventories	21	**41.6**	(50.4)	(33.3)
Changes in trade and other receivables		**(26.0)**	(8.7)	8.2
Changes in trade and other payables		**(2.4)**	101.8	64.6
Changes in retirement benefit obligations		**-**	(9.5)	(10.8)
Changes in provisions		**(0.6)**	(1.8)	(4.4)
Movement in contract hire vehicle balances	20	**(11.0)**	(11.2)	(26.7)
Cash generated from operations		**49.7**	72.5	96.1
Interest paid		**(20.8)**	(21.8)	(47.7)
Interest received		**2.2**	0.3	5.7
Taxation paid		**(1.3)**	(1.2)	(1.5)
Net cash from operating activities		**29.8**	49.8	52.6
Cash flows from investing activities				
Business acquisitions, net of cash acquired		**(2.6)**	-	-
Proceeds from sale of businesses		**-**	0.9	0.9
Purchase of property, plant and equipment		**(34.6)**	(36.2)	(72.1)
Proceeds from sale of property, plant and equipment		**34.7**	19.2	47.4
Net cash used in investing activities		**(2.5)**	(16.1)	(23.8)
Cash flows from financing activities				
Proceeds on issue of shares (net of costs paid)		**-**	-	70.8
Payment of capital element of finance lease rentals		**-**	(0.5)	(0.9)
Repayment of bank loans		**(38.3)**	(30.0)	(77.5)
Proceeds from issue of loans		**6.6**	-	2.1
Payment of transaction costs related to loans and borrowings		**-**	-	(13.0)
Distribution from Pension Partnership to pension scheme		**(1.2)**	-	(0.2)
Net cash used in financing activities		**(32.9)**	(30.5)	(18.7)
Net (decrease) / increase in cash and cash equivalents		**(5.6)**	3.2	10.1
Opening cash and cash equivalents		**101.4**	91.2	91.2
Effects of exchange rate changes on cash held		**(0.1)**	1.0	0.1
Closing cash and cash equivalents	16	**95.7**	95.4	101.4

* See note 3 for details of restatement

Reconciliation of net cash flow to movement in net debt

	6 Months to 30 June 2012 £m	6 Months to 30 June 2011 £m	12 Months to 31 December 2011 £m
Net (decrease) / increase in cash and cash equivalents	**(5.6)**	3.2	10.1
Payment of capital element of finance lease rentals	**-**	0.5	0.9
Repayment of bank loans	**38.3**	30.0	77.5
Proceeds from issue of loans	**(6.6)**	-	(2.1)
Non-cash movements	**-**	(3.1)	(7.7)
Decrease in net debt in the period	**26.1**	30.6	78.7
Opening net debt	**(246.8)**	(325.5)	(325.5)
Closing net debt	**(220.7)**	(294.9)	(246.8)

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.

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 2012 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 2012 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 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 2011, which are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

These condensed consolidated interim financial statements were approved by the board of directors on 7 August 2012.

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 2011, 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 2012 as they are mandatory for the year ended 31 December 2012, however, the adoption of these standards has had no significant impact.

3. Significant accounting policies *continued*

- Amendments to IFRS 7 Disclosures - Transfers of Financial Assets: will require additional disclosures about transfers of financial assets, e.g. securitisations and should enable users to understand the possible effects of any risks that may remain with the transferor. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- Amendment to IAS12 - Deferred Tax: Recovery of Underlying Assets: provides an exception to the measurement principle that the measurement of deferred tax assets and liabilities is based on the expected manner of recovery or settlement of the underlying asset or liability. The exception is in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.

There are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 December 2012.

Restatement

The directors have been in discussion with the Financial Reporting Review Panel regarding the compliance of the Group's cash flow disclosures in respect of contract hire vehicles with International Financial Reporting Standards. As a result of those discussions, in these Interim Results the directors have amended the presentation of the contract hire cash flows and have restated the comparative cash flow information for the six months ended 30 June 2011 and the year ended 31 December 2011 so that all cash flows relating to the Group's contract hire operations are reclassified from investing to operating activities, as detailed in the table below.

There is no effect on the opening and closing cash position, comprehensive income or net assets as previously reported. Additional information on reconciling items relating to contract hire vehicles is also provided in support of 'Net cash from operating activities' in notes 20 and 21.

The table below reflects the adjustments made to the comparative amounts for the periods to 30 June 2011 and 31 December 2011.

Consolidated Cash Flow Statement	6 months to 30 June 2011 £m	12 months to 31 December 2011 £m
Contract hire vehicle balances		
Decrease in depreciation charge	8.8	18.1
Decrease in movements in inventories	(10.1)	(24.6)
Decrease in movement in trade and other payables	5.0	12.6
Decrease in interest paid	(1.0)	(1.5)
Increase in movement of contract hire vehicle balances	11.2	26.7
Decrease in net cash from operations	13.9	31.3
Decrease in purchase of property, plant and equipment	(24.0)	(55.9)
Decrease of proceeds from sale of property, plant and equipment	10.1	24.6
Decrease in cash used in investing activities	(13.9)	(31.3)
Net cash flow movement	-	-

3. Significant accounting policies *continued*

In addition, the directors have reconsidered the classification of deferred income relating to contract hire vehicles and certain warranty and other products. As a result, £42.4m reported within trade and other payables and £5.8m reported within provisions at 31 December 2011 (£31.7m and £3.9m at 30 June 2011) is now included within deferred income. There is no effect on profit for the period or on net assets previously reported.

The financial statements for the year ended 31 December 2012 will also include additional information to provide increased transparency of the Group's contract hire assets. The property, plant and equipment note will be expanded to disclose contract hire vehicles as a separate class of asset and amounts transferred to inventory at the end of the contract hire period.

The table below reflects the adjustments made to the comparative amounts as at 30 June 2011 and 31 December 2011.

Consolidated Balance Sheet	As at 30 June 2011 £m	As at 31 December 2011 £m
a) Warranty		
Increase in deferred income - current	2.4	4.1
Increase in deferred income - non-current	1.5	1.7
Decrease in provisions - current	(2.4)	(4.1)
Decrease in provisions – non-current	(1.5)	(1.7)
b) Contract Hire		
Increase in deferred income - current	15.5	17.9
Increase in deferred income - non-current	16.2	24.5
Decrease in trade and other payables	(31.7)	(42.4)
	-	-

There is no consequence on the Consolidated Income Statement and consequently no impact on earnings per share measurements.

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 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 2011.

During the six months ended 30 June 2012 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 22 below.

The estimates in respect of the anticipated tax rate to be applied for the full financial year 2012 and subsequently used in the preparation of the results for the six month period to 30 June 2012 are set out in note 10.

5. Comparative Figures

The comparative figures for the financial year ended 31 December 2011 are extracted from the Group's statutory accounts for that financial year as amended by the restatement set out in note 3. 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

Income and expenses incurred or received during the period, 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.

	2012 £m	2011 £m
Within operating expenses:		
VAT assessment refunds	**0.8**	-
Within other income - gains on the sale of businesses and property:		
Losses on the sale of businesses	**-**	(0.1)
Gains / (losses) on the sale of property	**0.2**	(0.1)
	0.2	(0.2)
Within finance expense:		
Interest on pension scheme obligations	**(9.5)**	(10.3)
Within finance income:		
Interest on pension scheme assets	**11.1**	11.0
Interest on VAT refunds	**1.9**	-
	13.0	11.0
Total non-underlying items	**4.5**	0.5
Total non-underlying items for the period attributable to:		
Equity shareholders of the parent	**3.5**	0.5
Non-controlling interests (pension related)	**1.0**	-
	4.5	0.5

6. Non-underlying items *continued*

A VAT refund of £0.8m, net of costs, was recognised in the period in respect of VAT overpaid on demonstrator vehicles over the period from 1973 to 1996. Associated interest received of £1.9m is disclosed within finance income.

Other income, being the profit on disposal of businesses and property comprises £0.2m profit on sale of properties (2011: loss £0.1m). There was a loss on the disposal of motor vehicle dealerships in the previous period of £0.1m.

The net financing return on pension obligations in respect of the defined benefit schemes closed to future accrual is shown as a non-underlying item due to the volatility of this amount. A net credit of £1.6m has been recognised during the period (2011: £0.7m), of which £1.0m is attributable to the non-controlling interests (2011: £nil).

7. Segmental analysis

6 month period to 30 June 2012	Stratstone £m	Evans Halshaw £m	Chatfields £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	720.7	1,012.5	48.5	84.3	27.6	34.5	14.9	-	**1,943.0**
Inter-segment turnover	-	-	-	-	(8.5)	(10.4)	(10.0)	-	**(28.9)**
Revenue from external customers	720.7	1,012.5	48.5	84.3	19.1	24.1	4.9	-	**1,914.1**
Operating profit before non-underlying items	15.3	14.9	1.3	2.6	3.1	0.9	4.4	(5.0)	**37.5**
Other income and non-underlying items	-	-	-	-	-	-	-	1.0	**1.0**
Operating profit	15.3	14.9	1.3	2.6	3.1	0.9	4.4	(4.0)	**38.5**
Finance expense	(2.1)	(2.5)	(0.1)	(0.4)	-	-	-	(23.1)	**(28.2)**
Finance income	-	-	-	-	-	-	0.2	13.1	**13.3**
Profit before tax	13.2	12.4	1.2	2.2	3.1	0.9	4.6	(14.0)	**23.6**
Reconciliation to tables in Chief Executive's operational review									
Operating profit as above	15.3	14.9	1.3	2.6	3.1	0.9	4.4	(5.0)	**37.5**
Allocation of central costs	(2.1)	(2.2)	(0.2)	-	(0.2)	(0.2)	(0.1)	5.0	**-**
Segment result as presented in CEO tables	13.2	12.7	1.1	2.6	2.9	0.7	4.3	-	**37.5**
Depreciation and amortisation	2.7	4.4	0.2	0.7	10.3	0.1	0.5	-	**18.9**

7. Segmental analysis *continued*

6 month period to 30 June 2011	Stratstone £m	Evans Halshaw £m	Chatfields £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	634.8	974.5	36.1	83.5	28.2	31.4	15.0	-	**1,803.5**
Inter-segment turnover	-	-	-	-	(8.7)	(11.1)	(10.5)	-	**(30.3)**
Revenue from external customers	634.8	974.5	36.1	83.5	19.5	20.3	4.5	-	**1,773.2**
Operating profit before non-underlying items	17.2	16.2	1.3	2.5	3.9	1.1	4.5	(4.2)	**42.5**
Other income and non-underlying items	-	-	-	-	-	-	-	(0.2)	**(0.2)**
Operating profit	17.2	16.2	1.3	2.5	3.9	1.1	4.5	(4.4)	**42.3**
Finance expense	(1.6)	(2.3)	-	(0.5)	-	-	-	(31.0)	**(35.4)**
Finance income	-	-	-	-	-	-	0.2	11.1	**11.3**
Profit before tax	15.6	13.9	1.3	2.0	3.9	1.1	4.7	(24.3)	**18.2**
Reconciliation to tables in Chief Executive's operational review									
Operating profit as above	17.2	16.2	1.3	2.5	3.9	1.1	4.5	(4.2)	**42.5**
Allocation of central costs	(1.7)	(1.8)	(0.2)	-	(0.2)	(0.2)	(0.1)	4.2	**-**
Segment result as presented in CEO tables	15.5	14.4	1.1	2.5	3.7	0.9	4.4	-	**42.5**
Depreciation and amortisation	2.0	4.3	0.2	0.8	10.6	0.1	0.2	-	**18.2**

8. Finance expense

Recognised in profit and loss	**2012 £m**	2011 £m
Interest payable on bank borrowings and loan notes	**10.4**	17.3
Vehicle stocking plan interest	**7.5**	6.4
Interest on pension scheme obligations (non-underlying - see note 6)	**9.5**	10.3
Total interest expense	**27.4**	34.0
Net fair value expense in respect of hedging relationships	**-**	0.4
Unwinding of discounts in contract hire residual values	**0.8**	1.0
Total finance expense	**28.2**	35.4

9. Finance income

Recognised in profit and loss	**2012 £m**	2011 £m
Interest receivable on bank deposits	**0.3**	0.3
Interest on VAT refunds (non-underlying - see note 6)	**1.9**	-
Interest on pension scheme assets (non-underlying - see note 6)	**11.1**	11.0
Total finance income	**13.3**	11.3

10. Taxation

Based upon the anticipated profit on ordinary activities for the full year, the effective rate for 2012 is estimated at 21.0% (2011:27.1%). The effective rate for 2012 is lower than the current rate of UK tax due to our estimate of the recognition of anticipated prior year tax credits. The Chancellor of the Exchequer announced on 21 March 2012 that the main rate of corporation tax will reduce from 26% to 24% from 1 April 2012. The Chancellor also stated his intention to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 and a further reduction of 1% to 22% from 1 April 2014. The rate reduction to 23% was substantively enacted on 3 July 2012. Had the rate reduction been substantively enacted by the balance sheet date it would have had the effect of reducing the deferred tax asset at that date by £0.5m.

11. Dividends

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

12. Earnings per share

	2012 £m	restated * 2011 £m
Basic earnings per share	**1.2**	1.5
Effect of adjusting items	**(0.1)**	-
Underlying basic earnings per share (Non GAAP measure)	**1.1**	1.5

Diluted earnings per ordinary share	**1.2**	1.4
Effect of adjusting items	**(0.1)**	-
Underlying diluted earnings per share (Non GAAP measure)	**1.1**	1.4

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

Number of shares (millions)	**2012 Number**	restated * 2011 Number
Weighted average number of shares used in basic and adjusted earnings per share calculation	**1,401.1**	909.9
Weighted average number of dilutive shares under option	**28.9**	40.4
Diluted weighted average number of shares used in diluted earnings per share calculation	**1,430.0**	950.3

Earnings	**2012 £m**	2011 £m
Profit before taxation	**18.5**	13.3
less attributable to non-controlling interests (pension related)	**(1.0)**	-
Earnings for basic and diluted earnings per share calculation	**17.5**	13.3
Adjusting items:		
Non-underlying items attributable to the parent (see note 6)	**(3.5)**	(0.5)
Tax effect of adjusting items	**1.1**	0.2
Earnings for adjusted earnings per share calculation	**15.1**	13.0

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

* Restated to reflect the impact of the bonus element of the Rights Issue completed in August 2011.

13. Business combinations

On 6 January 2012 the Group acquired the trade and assets of the BMW and MINI franchise in Leeds from Jardine Motors Plc for a total cash consideration paid on completion of £2.6m. The acquisition represents a further strengthening of the Group's representation of the BMW brand in Yorkshire.

The amounts recognised in the 2012 financial statements in respect of identifiable assets acquired and liabilities assumed are:

	Fair Value £m
Financial assets:	
Property, plant and equipment	**0.2**
Inventory	**1.2**
Receivables	**0.2**
Total identifiable assets	**1.6**
Goodwill	**1.0**
Total consideration - satisfied in cash	**2.6**

Acquisition related costs are less than £0.1m and are included in administration expenses.

The goodwill acquired represents the excess of consideration paid over the fair value of identifiable assets and liabilities and represents the expected benefits from expanding the existing representation with BMW in the Yorkshire area. The goodwill is expected to be deductible for tax purposes over the life of the asset.

The acquired receivables had both a gross contractual value and fair value of £0.2m and have been subsequently collected.

The acquired business contributed revenue of £18.0m and a profit before taxation of £0.1m in the period since acquisition. As the business was acquired in the first week of the year those values are representative of what the business would have contributed had the business been acquired at the start of the annual reporting period.

14. Business and property disposals

During the period there have been no business disposals. In the previous period the Group disposed of certain assets of two motor vehicle dealerships generating net proceeds of £0.9m and a loss on disposal of £0.1m.

The Group sold property generating net proceeds of £5.0m (2011: £1.0m) and a profit on disposal of £0.2m (2011: loss £0.1m).

15. Non-current 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 2012 on re-measurement of these properties to the lower of their carrying amount and their fair value less costs to sell (2011: £nil).

In addition three dealership businesses are scheduled for sale in the second half of the year. The sales will include property and other items of plant and equipment which have been re-classified as non-current assets held for sale. No impairment losses have been recognised in respect of these assets.

During the period to 30 June 2012 non-current assets classified as held for sale were disposed of and realised a profit of £0.2m on disposal.

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Property, plant and equipment	**26.9**	28.5	29.0

16. Cash and cash equivalents

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Bank balances and cash equivalents	**95.7**	95.4	101.4

17. Net borrowings

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Cash and cash equivalents (note 16)	**95.7**	95.4	101.4
Current interest bearing loans and borrowings	**(61.3)**	(347.5)	(64.3)
Non-current interest bearing loans and borrowings	**(274.1)**	(64.9)	(305.4)
Derivative financial instruments	**19.0**	22.1	21.5
	(220.7)	(294.9)	(246.8)

18. Provisions

	30 June 2012 £m	restated* 30 June 2011 £m	restated* 31 December 2011 £m
Warranty cost provision	**-**	0.4	1.1
Vacant property	**7.5**	7.5	7.0
VAT Assessment	**0.8**	5.5	0.8
	8.3	13.4	8.9
Non-current	**5.4**	5.6	8.2
Current	**2.9**	7.8	0.7
	8.3	13.4	8.9

* Details of the restatement are provided in note 3.

19. Deferred income

	30 June 2012 £m	restated* 30 June 2011 £m	restated* 31 December 2011 £m
Property leases - sale and leaseback proceeds excess over fair value and fixed rental increases	**18.8**	19.0	18.9
Warranty policies sold	**5.7**	3.9	5.8
Contract hire leasing income	**42.7**	31.7	42.4
	67.2	54.6	67.1
Non-current	**45.2**	36.6	44.9
Current	**22.0**	18.0	22.2
	67.2	54.6	67.1

* Details of the restatement are provided in note 3.

20.Changes in contract hire vehicle balances

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Depreciation	**9.5**	8.8	18.1
Changes in trade and other payables and deferred income	**(2.5)**	5.0	12.6
Purchases of contract hire vehicles	**(17.2)**	(24.0)	(55.9)
Unwinding of discounts in contract hire residual values	**(0.8)**	(1.0)	(1.5)
	(11.0)	(11.2)	(26.7)

21. Changes in inventories

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Movement in inventory	**31.3**	(60.5)	(57.9)
Transfer value of contract hire vehicles from fixed assets to inventory	**10.3**	10.1	24.6
Cash flow decrease / (increase) in movements in inventory	**41.6**	(50.4)	(33.3)

22. Pension scheme obligations

The net liability for defined benefit obligations has increased from £8.0m at 31 December 2011 to £11.5m at 30 June 2012. The increase of £3.5m comprises a credit to the income statement of £1.6m, a net actuarial loss of £8.5m and non-recognition of surplus adjustments of £3.4m. 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 2011. The assumptions subject to change are the discount rate of 4.6% (31 Dec 2011: 4.85%), the inflation rate (RPI) of 2.8% (31 Dec 2011: 3.0%), the inflation rate (CPI) of 2.0% (31 Dec 2011: 2.2%) the rate of increase of pensions in payment of 2.6% (31 Dec 2011: 2.73%).

23. 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. Payments of £1.2m were made during the period from the Pendragon Scottish Pension Partnership to the trustees in respect of income distributions of £1.0m and capital repayments of £0.2m.

24. 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 are set out in the Chief Executive's operational review.

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,

TG Finn
Chief Executive

TP Holden
Finance Director

7 August 2012

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 2012 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, 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 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

M Steventon
for and on behalf of KPMG Audit Plc
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

7 August 2012

SHAREHOLDER INFORMATION

Financial calendar

Final results for 2012 announced	February 2013
Annual general meeting	May 2013

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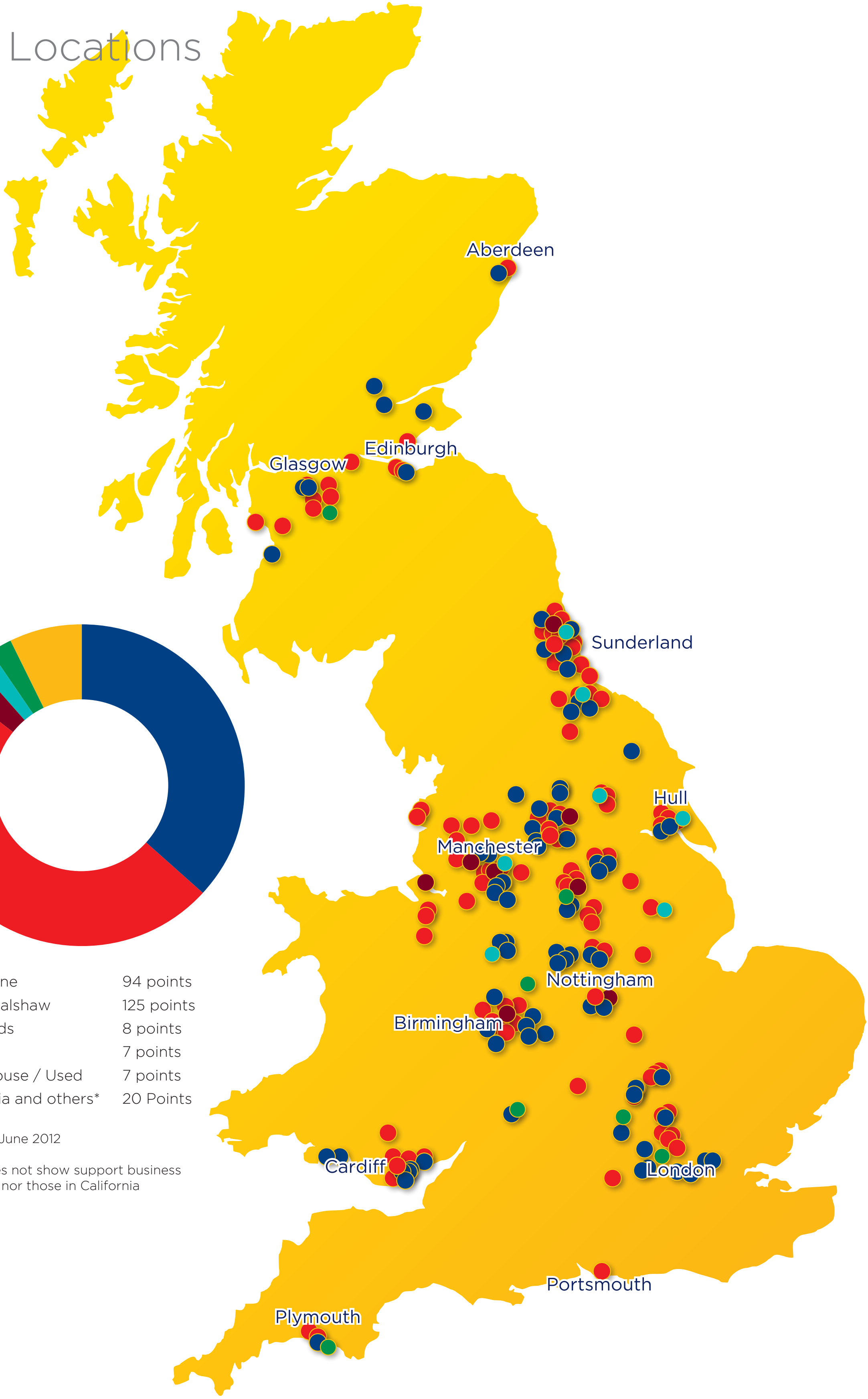
Key Locations



Stratstone	94 points
Evans Halshaw	125 points
Chatfields	8 points
Quicks	7 points
Motorhouse / Used	7 points
California and others*	20 Points

As at 30 June 2012

*Map does not show support business locations nor those in California

Pendragon | PLC

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