Pendragon | PLC

2014 INTERIM REPORT

CONTENTS

BMW i8 available from Stratstone.com

PENDRAGON AT A GLANCE

£268m
GROSS PROFIT

139,000
NEW & USED UNIT SALES

14.4m
ANNUAL ROLLING WEBSITE HITS

223
FRANCHISE POINTS

>1MILLION
ANNUAL AFTERSALES TRANSACTIONS

65%
USED CAR UNIT GROWTH IN FIVE YEARS

9,012
EMPLOYEES

26
WORLDWIDE BRANDS

£2.1bn
REVENUE

SEAT Leon Cupra available from Evanshalshaw.com

PENDRAGON AT A GLANCE

Pendragon is the UK's leading automotive retailer with 223 franchise points

What we do

The UK's leading automotive retailer in the UK with 223 franchise points selling new and used vehicles and conducting service and repair activity (aftersales). We primarily operate in the UK under the brands of 'Stratstone' for the premium segment, 'Evans Halshaw' for the volume segment and 'Quicks' for the value segment. We also have a vehicle operation in California.

We have a number of complementary businesses within the Group which are: 'Pinewood' for dealership management systems, 'Leasing' for fleet and contract hire vehicles and 'Quickco' for wholesale vehicle parts.

Key Businesses

Stratstone is one of the UK's leading premium motor car retailers with 84 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Honda, Jaguar, Land Rover, Mercedes-Benz, MINI, Morgan, Porsche and Smart as well as five motorcycle franchises. This segment also contains the retail and service outlets for DAF commercial vehicles under the Chatfields brand name.

Evans Halshaw is the UK's leading volume motor car retailer, with 130 franchise points. Evans Halshaw holds franchises to retail and service Chevrolet, Citroen, Dacia, Ford, Hyundai, Kia, Nissan, Peugeot, Renault, SEAT and Vauxhall.

Quicks is our used car operation with six sites in the UK.

California represents the premium brands of Aston Martin, Land Rover and Jaguar with nine franchise points in Southern California.

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

Leasing is our fleet, leasing and contract hire solutions in the UK.

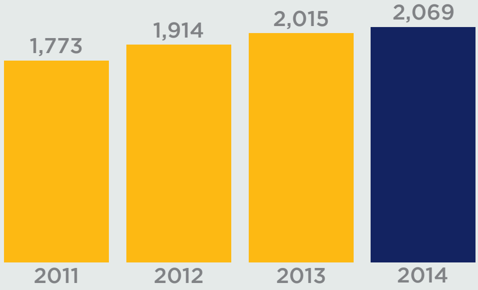
Quickco is our independent parts wholesale business serving internal and external customers in the UK.

Jaguar F-Type Coupé available from Stratstone.com

INTERIM FINANCIAL HIGHLIGHTS

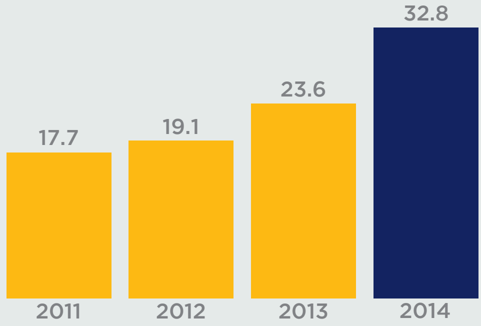
UNDERLYING REVENUE

£2,069m



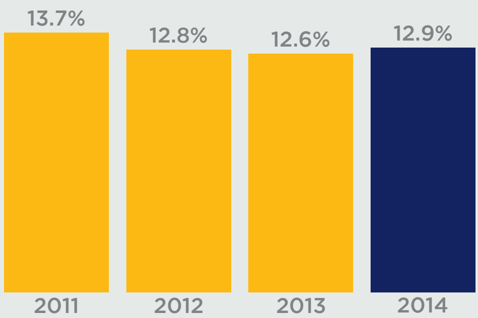
UNDERLYING PROFIT BEFORE TAX

£32.8m



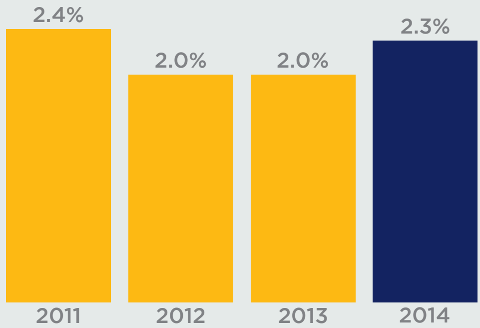
UNDERLYING GROSS MARGIN

12.9%



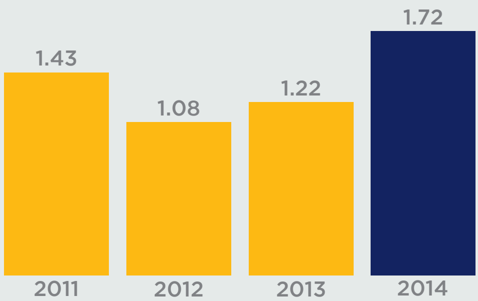
UNDERLYING OPERATING MARGIN

2.3%



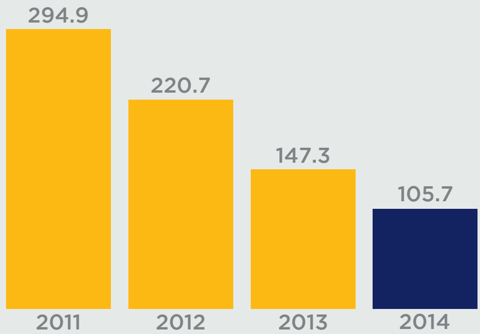
UNDERLYING EPS

1.72p



NET DEBT

£105.7m



"Pendragon PLC, the UK's leading car retailer, doubles underlying profit before tax in four years as its used car strategy delivers and new and aftersales markets grow."

Strategic Highlights

- We continue to deliver our strategy and have increased underlying profit before tax by £9.2 million, an increase of 39.0%.
- We continue to lead the internet transformation of the retail sector for vehicle sales and aftersales, with over 8 million visitors in the period, up 16.2%.
- We are progressing our geographical footprint expansion, to optimise our national coverage.

Operational Highlights

- Stratstone.com and Evanshalshaw.com increase operating profit by £6.0 million in the period.
- Aftersales gross profitability increase of 3.3% (like for like), assisted by our customer focussed service initiatives.
- Used gross profitability increase of 13.7% (like for like). Used gross profitability on a like for like basis has increased by £21.0 million or 38.9% in four years, reflecting our market leading strategy.
- New gross profitability increase of 9.4% (like for like), resulting from continuing improvement in the new car market.

Financial Highlights

- Strong operating leverage, with gross profit up 7.8% and operating profit up 16.3% (like for like).
- Underlying earnings per share up 0.50p (+41.0%), from 1.22p to 1.72p.
- Interim dividend up 0.2p per share (+200.0%), from 0.1p to 0.3p per share.
- Underlying profit before tax up £9.2 million (+39.0%), from £23.6 million to £32.8 million.
- Profit before tax up £16.5 million (+98.8%), from £16.7 million to £33.2 million.
- Net debt reduced to £105.7 million, producing a 0.8 debt : underlying EBITDA ratio, which is better than our target range of 1.0 to 1.5.

Trevor Finn, Chief Executive, commented:

"Strong performance in our used, aftersales and new departments generated growth in underlying profit before tax of 39.0%. The internet transformation of our business continues to yield sizeable benefits for the Group, as website visitors grew by 16.2%. The balance sheet, combined with our strong cashflow, now gives us the flexibility to invest in our national footprint. We are increasingly confident that we are positioning Pendragon for the future: to be number one on the internet; leverage our superior IT systems; complete our national footprint to increase customer touch-points, and offer customers value for money. Our performance for the full year remains comfortably in line with expectations and the Board has announced a dividend of 0.3p per share, in line with the final dividend for 2013."

FINANCIAL OVERVIEW

PENDRAGON PLC SUMMARY RESULTS

£m	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	YOY Change %
Underlying Revenue	**2,069.3**	**2,015.1**	**+2.7%**
Underlying Gross Profit	267.8	253.5	+5.6%
Underlying Operating Costs	(219.7)	(213.2)	+3.0%
Underlying Operating Profit	**48.1**	**40.3**	**+19.4%**
Underlying Interest	(15.3)	(16.7)	-8.4%
Underlying Profit Before Tax	**32.8**	**23.6**	**+39.0%**
Operating Profit	**49.4**	**40.1**	**+23.2%**
Interest	(16.2)	(23.4)	-30.8%
Profit Before Tax	**33.2**	**16.7**	**+98.8%**
Underlying Gross Margin (%)	12.9%	12.6%	+0.3%
Underlying Operating Margin (%)	2.3%	2.0%	+0.3%
Underlying Earnings Per Share (p)	1.72p	1.22p	+41.0%
Interim Dividend Per Share (p)	0.30p	0.10p	+200.0%

Income Statement Highlights

Our underlying revenue increased by £54.2 million, up 2.7% on the prior year, mainly due to increases within the used and new vehicle departments. On a like for like basis revenue increased by £102.5 million and we improved used revenue by 9.7% and new revenues by 2.5%.

Underlying gross profit increased by £14.3 million in the period and on a like for like basis by £19.4 million over the prior year. We continue to deliver on our strategy of growing the used sector of our business. The largest contributory factor to our overall increase in profitability is our used car department where we grew gross profit by £9.1 million on a like for like basis. We grew new and aftersales gross profit by £6.7 million and £3.1 million respectively over the prior year on a like for like basis. In the period, we increased gross margin by 30 basis points, to 12.9%, largely as a result of stronger margin from the used and new vehicle departments.

Operating costs increased on a like for like basis by £12.5 million of which £6.3 million are variable costs related to performance and £6.2 million are indirect costs including property costs for heat, light, power and vacant property costs.

Underlying operating profit increased by £7.8 million in the period, an increase of 19.4% on the prior year. By reducing our debt level, we achieved underlying interest savings of £1.4 million in the period. Our underlying profit before tax increased by £9.2 million. Our operating profit margin of 2.3% was 30 basis points higher than the prior year.

Non-underlying items in the period consisted of profit on the disposal of business and property of £1.3 million, compared to £nil in the prior year. Non-underlying interest in the period related to pension scheme finance charges and was £0.9 million. This compares to £8.6 million in 2013, which was made up of £8.0 million related to financing fees and costs and £0.6 million related to pension scheme finance charges.

Balance Sheet and Cash Flow

The following table summarises our cashflows and net debt for the six month periods ended 30 June 2014 and 30 June 2013:

SUMMARY CASH FLOW AND NET DEBT

£m	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013
Underlying Operating Profit Before Other Income	**47.8**	**40.3**
Depreciation and Amortisation	9.9	8.9
Non-underlying Items	-	1.0
Share Based Payments	0.8	0.8
Working Capital and Contract Hire Vehicle Movements	0.3	35.2
Operating Cash Flow	**58.8**	**86.2**
Tax (Paid) / Received	(2.9)	0.2
Underlying Net Interest Paid	(14.6)	(18.9)
Non-underlying Net Interest Paid and Financing Fees and Costs	-	(8.3)
Replacement Capital Expenditure	(5.2)	(3.8)
Disposals	6.3	12.5
Dividends	(4.3)	(1.4)
Other	(4.2)	2.6
Reduction In Net Debt	**33.9**	**69.1**
Closing Net Debt	**105.7**	**147.3**

Our net debt was £105.7 million at 30 June 2014, a reduction of £41.6 million from the prior year. At 30 June 2014 our debt : underlying EBITDA ratio was 0.8, which is better than our target range of 1.0 to 1.5. We believe this shows we have achieved an appropriate balance of capital efficiency and growth potential, giving us both a strong balance sheet and, combined with our strong cash flow generation, the ability to invest for the future.

Dividend

We are delighted to announce that we will be paying an interim dividend of 0.3p a share, in line with the final dividend for 2013. The interim dividend will be paid on 27 October 2014 for those shares that are registered on 26 September 2014.

Given our strong trading performance and lower debt : underlying EBTIDA ratio, we believe it would be appropriate to review our dividend level for the full year.

DIVISIONAL RESULTS

The following table shows the revenue, gross profit, operating costs and operating profit by segment for our motor divisions for the six month periods ended 30 June 2014 and 30 June 2013:

MOTOR DIVISION SEGMENT RESULTS FOR SIX MONTHS ENDED 30 JUNE

£m	Stratstone		Evans Halshaw		Quicks		California		Motor Division	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue:										
Aftersales	67.1	68.7	73.3	72.5	1.3	1.4	11.4	12.2	153.1	154.8
Used	352.2	321.3	466.5	442.9	25.7	24.2	28.4	27.3	872.8	815.7
New	395.1	374.7	544.6	568.6	-	-	61.5	57.1	1,001.2	1,000.4
Revenue	**814.4**	**764.7**	**1,084.4**	**1,084.0**	**27.0**	**25.6**	**101.3**	**96.6**	**2,027.1**	**1,970.9**
Gross Profit:										
Aftersales	39.2	39.5	52.1	51.0	0.3	0.2	6.0	6.5	97.6	97.2
Used	23.8	19.5	47.2	42.9	2.5	2.7	2.2	2.3	75.7	67.4
New	35.0	32.8	33.7	33.3	-	-	9.7	7.3	78.4	73.4
Gross Profit	**98.0**	**91.8**	**133.0**	**127.2**	**2.8**	**2.9**	**17.9**	**16.1**	**251.7**	**238.0**
Operating Cost	**(79.8)**	**(77.0)**	**(115.2)**	**(112.0)**	**(3.7)**	**(3.8)**	**(13.3)**	**(13.1)**	**(212.0)**	**(205.9)**
Operating Profit	**18.2**	**14.8**	**17.8**	**15.2**	**(0.9)**	**(0.9)**	**4.6**	**3.0**	**39.7**	**32.1**
Metrics:										
Gross Margin %	12.0%	12.0%	12.3%	11.7%	10.4%	11.3%	17.7%	16.7%	12.4%	12.1%
Units Sold ('000)	28.3	27.5	104.8	104.4	3.7	3.9	2.4	2.2	139.2	138.0

Stratstone (Stratstone.com)

Our Stratstone business is one of the UK's leading premium motor car retailers, with 84 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Honda, Jaguar, Land Rover, Mercedes-Benz, MINI, Morgan, Porsche and Smart vehicles as well as five motor-cycle franchises. This segment also contains our retail and service outlets for DAF commercial vehicles, under the Chatfields brand name.

Stratstone's improved operating profit, up by 23.0%, is an increase of £3.4 million over the prior year. On a like for like basis, operating profit increased by £2.2 million with strong performance in all three departments: new, used and aftersales. We are particularly pleased with Stratstone's like for like performance in the used department, where gross profit was up 25.3% in the period, used volumes up 9.7% and margins ahead of the prior year. Providing customers online with high definition videos of their selected used vehicles has enhanced Stratstone's used vehicle proposition and has received excellent customer feedback. New vehicle gross profitability increased by 12.5% in the period on a like for like basis, largely due to stronger year on year volumes from BMW, Jaguar, Land Rover, Mercedes-Benz and Porsche brands. Aftersales continued to grow, with like for like gross profit up 4.8% and retail labour sales growth of 5.7% in the period. We believe aftersales has plenty of opportunity for further growth. This means that, in the short and medium term, we will be pursuing initiatives to add to our growth in this sector.

Evans Halshaw (Evanshalshaw.com)

Our Evans Halshaw business is the UK's leading volume motor car retailer, with 130 franchise points. Evans Halshaw holds franchises to retail and service Chevrolet, Citroen, Dacia, Ford, Hyundai, Kia, Nissan, Peugeot, Renault, SEAT and Vauxhall vehicles.

Evans Halshaw improved operating profit by 17.1%, with an increase of £2.6 million over 2013. Like for like operating profit increased by £2.9 million, with strong performance from used and aftersales, together with significant operating leverage. In the period, Evans Halshaw focussed on improving used margin, resulting in like for like used gross profit increasing by £4.2 million, an improvement of 9.8%. Aftersales like for like gross profit increased by 3.4%, with retail labour sales increasing by 3.7% in the period. 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 is giving us an advantage. We marginally increased our like for like new vehicle gross profit in the period, as we improved our new vehicle margin by 30 basis points.

Quicks (Quicks.co.uk)

At Quicks, our dedicated used car business, we retail used motor vehicles and provide associated aftersales services. We take the opportunity in Quicks to test systems and processes prior to full implementation across the Group. In the period, Quicks performed in line with the prior year, but, on a like for like basis, the business improved by £0.1 million.

California

Our motor retail business in the US continues to achieve record performing results from its nine franchise points in Southern California, which represent the Aston Martin, Jaguar and Land Rover brands. These outlets increased operating profit by £1.6 million over the prior year, due to strong new car performance, albeit in exceptionally strong local market conditions. The unusually strong local market conditions commenced in the second half of last year and will make the comparator profit a challenge to repeat in the second half of this year.

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.

We are expecting the Quickco business to perform somewhat below last year due to a change in commercial terms with its major manufacturer partner.

The following table shows the revenue and operating profit for our support businesses and the Group results, for the six month periods ended 30 June 2014 and 30 June 2013:

UNDERLYING SUPPORT SECTOR RESULTS FOR SIX MONTHS ENDED 30 JUNE

£m	Pinewood		Leasing		Quickco		Support Total		Group Total†	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	5.3	5.0	8.7	11.6	28.2	27.6	42.2	44.2	2,069.3	2,015.1
Operating Profit	**4.3**	**4.3**	**3.3**	**2.8**	**0.8**	**1.1**	**8.4**	**8.2**	**48.1**	**40.3**
Operating Margin %	81.1%	86.0%	37.9%	24.1%	2.8%	4.0%	19.9%	18.6%	2.3%	2.0%

† The Group total comprises the motor division total and support total.

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 objectives are: number one online motor retailer, value pricing, superior IT platform and national footprint.

Number One Online Motor Retailer

In our sector, as with all types of retailing, online channels are a key differentiator. Online visits to Stratstone.com, Evanshalshaw.com and Quicks.co.uk increased by 16.2% over the prior year. Overall online visits to these sites exceeded 14.4 million in the 12 months ended 30 June 2014. We are continuing to invest in initiatives to support our online pillar.

Value Pricing

Our value pricing provides consumers with the assurance of frequently researched prices. This ensures we offer our best pricing proposition to used car buyers in the market at all times. We continue to invest in developing this area, as we increase our stock range, our geographical footprint and consumer base.

Superior IT Platform

Our business benefits from an IT platform superior to those of our competitors, owing to the strength and expertise of our in-house technology company. This enables us to directly monitor, control, report and analyse our results and the progress we are making against our objectives. This platform also makes us quicker to react to customer demands and needs, enabling us to transform the customer experience in a number of areas. For example, within aftersales, we now offer customers a fully integrated online service booking, supported by a video vehicle health check for them to view.

National Footprint and Scale

Our business has the largest footprint and scale in the UK. This brings benefits for our customers, as they can visit our stores at locations convenient to them, both for vehicle selection and purchasing, and for aftersales services. Our investments in the medium and long-term will build on this footprint and scale in the UK to bring us even closer to existing and potential customers, by further enhancing our offering of choice, convenience of contact and service and our unique used car consumer proposition.

Mercedes-Benz C-Class available from Stratstone.com

INDUSTRY INSIGHT AND OUTLOOK

Industry Insight

Looking at the UK **new car market**, the year on year growth in new vehicle sales will probably come to an end in March next year. March this year signalled this with the greatest monthly registrations in a decade. We tracked our share of the market through the whole recovery, and in the month of March we became disconnected and our share of the "March registrations" of new cars fell in that month. After March it reconnected to the previous pattern. In March it appears that a lot of cars were "registered" but not actually sold to a customer (pre-registered). Summarising, the year on year growth phase is coming to an end and this will become apparent in March 2015 in the year on year comparison. We believe the UK new car market should now run at a "natural" 2.4 to 2.5 million units per annum level, until the car manufacturers find a more attractive market to send their cars to, perhaps a recovering Europe. The forthcoming new car registration month of September will be an important indicator of the natural new car market.

For the last few years, since 2009, the UK **used car market** has been pretty constant at 6.7 million transactions per annum. The good news is that this should start to grow as the supply of younger used cars feed through as a result of new car sales growth. Supply of three to six year old cars will grow. One to six year old used cars drive the bulk of Pendragon's used car sales (81.3%). The national used car market grew marginally for the first time in 2013, having previously fallen every year since 2006. There was further growth in quarter one of this year. With regard to this previously stable market we have increased our used volume by 64.5% (like for like) in the five year period ended 30 June 2014.

The **aftersales servicing and repair** business will benefit from the new and used car activity. As a result of the increased number of younger used cars on the road, coupled with a stable new car repeating sales rate, for businesses like Pendragon, this area will grow. We first saw growth in quarter two of 2013 and have now experienced five quarters of growth.

INDUSTRY INSIGHT AND OUTLOOK *CONTINUED*

Our customers are central to everything we do. 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 our overall rating in this area has increased from 82.7% at 30 June 2013 to 85.4% at 30 June 2014. We see this an important component of our business going forward and will continue to invest to build on our recent innovations and success in this area.

Finally, this year Pendragon will celebrate 25 years as a public company, thanks to all stakeholders in the company, and yes, we will be going out to celebrate.

Outlook

We continue to lead the car retail sector in size, scale and innovation. We are well placed to take advantage of the growing market segments in new and aftersales and we will continue to invest in our winning used car strategy. In the short and medium term we are focussed on further investment in the internet transformation of our business. Given our strong balance sheet, we will be seeking further geographical expansion to become closer to more potential customers in the UK. After a strong start to 2014 and our momentum across all areas, we are well placed for the full year. September is an important month for new car sales and we will update the market when we have visibility of this. Our performance for the full year remains comfortably in line with expectations.

TREVOR FINN
Chief Executive
5 August 2014

Aston Martin V12 Vantage S Coupé and Roadster from Stratstone.com

Nissan Qashqai available from Evanshalshaw.com

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

	Notes	Underlying £m	Non-Underlying £m	**2014 £m**	Underlying £m	Non-Underlying £m	2013 £m
Revenue		2,069.3	-	**2,069.3**	2,015.1	-	2,015.1
Cost of sales		(1,801.5)	-	**(1,801.5)**	(1,761.6)	-	(1,761.6)
Gross profit		267.8	-	**267.8**	253.5	-	253.5
Operating expenses		(220.0)	-	**(220.0)**	(213.2)	(0.2)	(213.4)
Operating profit before other income		47.8	-	**47.8**	40.3	(0.2)	40.1
Other income – gains on sale of businesses and property		-	1.3	**1.3**	-	-	-
Other income – dividends received		0.3	-	**0.3**	-	-	-
Operating profit		48.1	1.3	**49.4**	40.3	(0.2)	40.1
Finance expense	8	(15.5)	(0.9)	**(16.4)**	(16.9)	(8.6)	(25.5)
Finance income	9	0.2	-	**0.2**	0.2	1.9	2.1
Net finance costs		(15.3)	(0.9)	**(16.2)**	(16.7)	(6.7)	(23.4)
Profit before taxation		32.8	0.4	**33.2**	23.6	(6.9)	16.7
Income tax (expense) / credit	10	(8.3)	0.4	**(7.9)**	(6.2)	2.0	(4.2)
Profit for the period		24.5	0.8	**25.3**	17.4	(4.9)	12.5
Profit for the period attributable to:							
Equity shareholders of the parent		24.5	0.8	**25.3**	17.4	(5.9)	11.5
Non-controlling interests (pension related)		-	-	**-**	-	1.0	1.0
		24.5	0.8	**25.3**	17.4	(4.9)	12.5
Earnings per share							
Basic earnings per share	12			**1.77p**			0.81p
Diluted earnings per share	12			**1.72p**			0.79p

Non GAAP measure			
Underlying basic earnings per share	12	**1.72p**	1.22p
Underlying diluted earnings per share	12	**1.67p**	1.20p

All amounts are unaudited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2014 £m	2013 £m
Profit for the period	**25.3**	12.5
Other comprehensive income:		
Items that will never be reclassified to profit and loss		
Defined benefit plan remeasurement gains and losses	**(9.1)**	24.1
Income tax relating to defined benefit plan remeasurement gains and losses	**1.8**	(5.5)
	(7.3)	18.6
Items that are or may be be reclassified to profit and loss		
Foreign currency translation differences of foreign operations	**-**	(0.1)
	-	(0.1)
Other comprehensive income for the period, net of tax	**(7.3)**	18.5
Total comprehensive income for the period	**18.0**	31.0
Total comprehensive income for the period attributable to:		
Equity shareholders of the parent	**18.0**	30.0
Non-controlling interests (pension related)	**-**	1.0
	18.0	31.0

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	Non-controlling interests £m	**Total £m**
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**
Balance at 1 January 2013	71.8	56.8	15.1	(0.4)	98.3	33.8	**275.4**
Total comprehensive income for 2013							
Profit for the period	-	-	-	-	11.5	1.0	**12.5**
Other comprehensive income for the period, net of tax	-	-	-	(0.1)	18.6	-	**18.5**
Total comprehensive income for the period	-	-	-	(0.1)	30.1	1.0	**31.0**
Issue of ordinary shares	0.1	-	-	-	(0.1)	-	**-**
Dividends paid	-	-	-	-	(1.4)	-	**(1.4)**
Distribution from Pension Partnership to pension scheme	-	-	-	-	-	(1.3)	**(1.3)**
Share based payments	-	-	-	-	0.8	-	**0.8**
Balance at 30 June 2013	71.9	56.8	15.1	(0.5)	127.7	33.5	**304.5**

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Non-current assets				
Property, plant and equipment		**292.5**	284.5	295.7
Goodwill		**365.4**	365.6	365.4
Other intangible assets		**5.3**	4.6	5.0
Investments		**10.0**	-	10.0
Deferred tax assets		**23.3**	4.7	22.7
Total non-current assets		**696.5**	659.4	698.8
Current assets				
Inventories		**626.9**	617.2	602.5
Trade and other receivables		**137.3**	136.8	103.2
Cash and cash equivalents	15	**94.9**	66.6	58.4
Assets classified as held for sale	14	**13.5**	17.6	13.1
Total current assets		**872.6**	838.2	777.2
Total assets		**1,569.1**	1,497.6	1,476.0
Current liabilities				
Trade and other payables		**(863.3)**	(844.7)	(796.8)
Deferred income	18	**(19.2)**	(24.6)	(24.9)
Current tax payable		**(34.3)**	(29.7)	(30.5)
Provisions	17	**(3.1)**	(2.4)	(2.1)
Total current liabilities		**(919.9)**	(901.4)	(854.3)
Non-current liabilities				
Interest bearing loans and borrowings		**(200.6)**	(213.9)	(198.0)
Trade and other payables		**(24.3)**	(25.2)	(28.3)
Deferred income	18	**(51.0)**	(43.0)	(43.1)
Retirement benefit obligations		**(52.1)**	(6.3)	(43.4)
Provisions	17	**(5.7)**	(3.3)	(3.7)
Total non-current liabilities		**(333.7)**	(291.7)	(316.5)
Total liabilities		**(1,253.6)**	(1,193.1)	(1,170.8)
Net assets		**315.5**	304.5	305.2
Capital and reserves				
Called up share capital		**72.3**	71.9	71.9
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		**(0.9)**	(0.5)	(0.9)
Retained earnings		**172.2**	127.7	162.3
Total equity attributable to equity shareholders of the Company		**315.5**	271.0	305.2
Non-controlling interests		**-**	33.5	-
Total equity		**315.5**	304.5	305.2

All amounts are unaudited.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	**For the six months ended 30 June 2014 £m**	For the six months ended 30 June 2013 £m	For the 12 months ended 31 December 2013 £m
Cash flows from operating activities				
Profit for the period		**25.3**	12.5	41.1
Adjustment for net financing costs		**16.2**	23.4	38.3
Adjustment for taxation		**7.9**	4.2	(2.2)
Adjustment for dividend received		**(0.3)**	-	(0.3)
		49.1	40.1	76.9
Depreciation and amortisation		**9.9**	8.9	19.8
Share based payments		**0.8**	0.8	1.6
(Profit) / loss on sale of businesses and property		**(1.3)**	-	0.6
Impairment of property, plant and equipment		**-**	0.5	0.9
Impairment of assets held for sale		**1.0**	0.7	1.0
Reversal of impairment of assets held for sale		**(1.0)**	-	(0.6)
Changes in inventories	20	**(23.0)**	(24.4)	(1.0)
Changes in trade and other receivables		**(34.1)**	(39.7)	(6.2)
Changes in trade and other payables		**63.5**	105.4	56.9
Changes in retirement benefit obligations		**(1.3)**	-	(0.2)
Changes in provisions		**3.0**	(0.2)	(0.1)
Movement in contract hire vehicle balances	19	**(7.8)**	(5.9)	(14.3)
Cash generated from operations		**58.8**	86.2	135.3
Interest paid		**(14.8)**	(19.1)	(34.0)
Interest received		**0.2**	2.1	4.3
Taxation (paid) / received		**(2.9)**	0.2	(0.9)
Net cash from operating activities		**41.3**	69.4	104.7
Cash flows from investing activities				
Dividends received		**0.3**	-	0.3
Proceeds from sale of businesses		**0.2**	9.0	9.0
Purchase of property, plant and equipment		**(33.6)**	(27.5)	(68.1)
Proceeds from sale of property, plant and equipment		**34.5**	27.2	53.4
Acquisition of investments		**-**	-	(10.0)
Net cash from / (used in) investing activities		**1.4**	8.7	(15.4)
Dividends paid to shareholders		**(4.3)**	(1.4)	(2.8)
Purchase of own shares		**(4.2)**	-	-
Own shares issued under share schemes		**-**	-	1.2
Repayment of bank loans		**-**	(272.2)	(272.6)
Drawdown and proceeds from issue of bond and loans		**2.3**	215.6	199.7
Payment of transaction costs related to bonds and loans		**-**	(10.2)	(11.9)
Distribution from Pension Partnership to pension scheme		**-**	(1.3)	(2.5)
Net cash outflow from financing activities		**(6.2)**	(69.5)	(88.9)
Net increase in cash and cash equivalents		**36.5**	8.6	0.4
Opening cash and cash equivalents		**58.4**	58.0	58.0
Closing cash and cash equivalents	15	**94.9**	66.6	58.4

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	For the six months ended 30 June 2014 £m	For the six months ended 30 June 2013 £m	For the 12 months ended 31 December 2013 £m
Net increase in cash and cash equivalents	**36.5**	8.6	0.4
Repayment of bank loans	**-**	272.2	272.6
Drawdown and proceeds from issue of bond and loans (net of directly attributable transaction costs)	**(2.3)**	(211.7)	(195.8)
Non-cash movements	**(0.3)**	-	(0.4)
Decrease in net debt in the period	**33.9**	69.1	76.8
Opening net debt	**(139.6)**	(216.4)	(216.4)
Closing net debt	**(105.7)**	(147.3)	(139.6)

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 2014 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 2014 are unaudited but have been reviewed by the auditors. The independent review report is set out on page 30.

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 2013, 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 5 August 2014.

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 2013, 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 2014 as they are mandatory for the year ended 31 December 2014.

3. Significant accounting policies *continued*

- IFRS 10 Consolidated Financial Statements: This standard provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12.
- IFRS 11 Joint Arrangements: This standard carves out from IAS 31, those cases in which there is a separate vehicle but that separation is overcome by form, contract or other facts and circumstances and removes the choice of equity or proportionate accounting for jointly controlled entities (as was under IAS 31).
- IFRS 12 Disclosure of Interests in Other Entities: Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.
- IAS 27 Separate Financial Statements 2011: IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications.
- IAS 28 Investments in Associates and Joint Ventures 2011: Amendments relating to held for sale interests and changes of classification.
- Amendments to IAS 32 and IFRS 7 for Offsetting Financial Assets and Financial Liabilities (likely to be applied at the same time as IFRS 10): Amendments to clarify offsetting criteria and specific disclosures.

There are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 December 2014. The above standards have not had a significant impact on 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 2013.

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 2014 the carrying amount of the Groups 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 £186.3m. As per note 14 we have recognised an impairment loss on assets held for resale. These assets are now held at fair value less costs to sell and the fair value (a Level 2 valuation, determined based on prices for similar assets) is £15.3m. 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 using a Level 3 methodology and results in a fair value that is not materially different to the historic cost of this investment, currently £10.0m, as the expected returns from this investment are not materially different from those anticipated at the time the original investment was made. At this time, the application of sensitivity analysis to the key inputs of the valuation does not result in a materially different valuation.

During the six months ended 30 June 2014 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 estimates in respect of the anticipated tax rate to be applied for the full financial year 2014 and subsequently used in the preparation of the results for the six month period to 30 June 2014 are set out in note 10.

5. Comparative figures

The comparative figures for the financial year ended 31 December 2013 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.

	2014 £m	2013 £m
Within operating expenses:		
VAT assessment refunds	**-**	1.0
Impairment of property, plant and equipment	**-**	(0.5)
Impairment of assets held for sale	**(1.0)**	(0.7)
Reversal of impairment on assets classified as held for sale	**1.0**	-
	-	(0.2)
Within other income - gains on the sale of businesses and property:		
Profit / (loss) on the sale of businesses	**0.2**	(0.8)
Gains on the sale of property	**1.1**	0.8
	1.3	-
Within finance expense:		
Refinancing fees and costs	**-**	(8.0)
Net interest on pension scheme	**(0.9)**	(0.6)
	(0.9)	(8.6)
Within finance income:		
Interest on VAT refunds	**-**	1.9
	-	1.9
Total non-underlying items	**0.4**	(6.9)

Total non-underlying items for the period attributable to:		
Equity shareholders of the parent	**0.4**	(7.9)
Non-controlling interests (pension related)	**-**	1.0
	0.4	(6.9)

During the previous year a VAT refund of £1.0m, net of costs, was recognised in the period in respect of VAT overpaid on demonstrator vehicles over the period from 1973 to 1996 and associated interest received of £1.9m is disclosed within finance income. There have been no similar VAT refunds during the current period.

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 an impairment charge against assets held for sale of £1.0m (2013: £0.7m). There was no impairment charge against tangible fixed assets (2013: £0.5m). In addition, a release of £1.0m was made on de-classification of assets held for sale (2013: £nil).

Other income, being the profit on disposal of businesses and property comprises £1.1m profit on sale of properties (2013: £0.8m) and a profit on the disposal of a motor vehicle dealership of £0.2m (2013: £0.8m loss).

In the previous year, upon the successful completion of the refinancing of the Group a net loss of £8.0m was recorded which comprised of refinancing related fees and costs.

The net interest expense on pension obligations in respect of the defined benefit schemes closed to future accrual is shown as a non-underlying item due to the volatility and non-trading nature of this amount. A net interest expense of £0.9m has been recognised during the period (2013: £0.6m).

7. Segmental analysis

For the six months ending 30 June 2014	Stratstone £m	Evans Halshaw £m	Quicks £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	814.4	1,084.4	27.0	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	1,084.4	27.0	101.3	8.7	28.2	5.3	-	**2,069.3**
Operating profit before non-underlying items	20.7	20.2	(0.9)	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	20.2	(0.9)	4.6	3.5	1.0	4.4	(4.1)	**49.4**
Finance expense	(1.5)	(1.4)	(0.2)	(0.2)	-	-	-	(13.1)	**(16.4)**
Finance income	-	-	-	-	-	-	-	0.2	**0.2**
Profit before tax	19.2	18.8	(1.1)	4.4	3.5	1.0	4.4	(17.0)	**33.2**
Reconciliation to tables in the Divisional Results section									
Operating profit as above	20.7	20.2	(0.9)	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	**-**
Segment result as presented in the Divisional Results tables	18.2	17.8	(0.9)	4.6	3.3	0.8	4.3	-	**48.1**
Depreciation and amortisation	3.0	4.5	0.1	0.7	12.8	0.1	0.1	-	**21.3**

7. Segmental analysis *continued*

For the six months ending 30 June 2013	Stratstone £m	Evans Halshaw £m	Quicks £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	**Total £m**
Total gross segment turnover	764.7	1,084.0	25.6	96.6	16.8	35.8	14.7	-	**2,038.2**
Inter-segment turnover	-	-	-	-	(5.2)	(8.2)	(9.7)	-	**(23.1)**
Revenue from external customers	764.7	1,084.0	25.6	96.6	11.6	27.6	5.0	-	**2,015.1**
Operating profit before non-underlying items	17.3	17.8	(0.9)	3.0	3.0	1.3	4.4	(5.6)	**40.3**
Other income and non-underlying items	-	-	-	-	-	-	-	(0.2)	**(0.2)**
Operating profit	17.3	17.8	(0.9)	3.0	3.0	1.3	4.4	(5.8)	**40.1**
Finance expense	(1.6)	(2.2)	(0.2)	(0.3)	-	-	-	(21.2)	**(25.5)**
Finance income	-	-	-	-	-	-	-	2.1	**2.1**
Profit before tax	15.7	15.6	(1.1)	2.7	3.0	1.3	4.4	(24.9)	**16.7**
Reconciliation to tables in the Divisional Results section									
Operating profit as above	17.3	17.8	(0.9)	3.0	3.0	1.3	4.4	(5.6)	**40.3**
Allocation of central costs	(2.5)	(2.6)	-	-	(0.2)	(0.2)	(0.1)	5.6	**-**
Segment result as presented in the Divisional Results tables	14.8	15.2	(0.9)	3.0	2.8	1.1	4.3	-	**40.3**
Depreciation and amortisation	2.0	3.5	0.1	0.8	12.6	0.1	0.1	-	**19.2**

8. Finance expense

Recognised in profit and loss	**2014 £m**	2013 £m
Interest payable on bond, bank borrowings and loan notes	**7.6**	8.3
Net loss on refinancing (non-underlying - see note 6)	**-**	8.0
Vehicle stocking plan interest	**7.1**	7.7
Net interest on pension scheme obligations (non-underlying - see note 6)	**0.9**	0.6
Total interest expense in respect of financial liabilities held at amortised cost	**15.6**	24.6
Unwinding of discounts in contract hire residual values	**0.8**	0.9
Total finance expense	**16.4**	25.5

9. Finance income

Recognised in profit and loss	**2014 £m**	2013 £m
Interest receivable on bank deposits	**0.2**	0.2
Interest on VAT refunds (non-underlying - see note 6)	**-**	1.9
Total finance income	**0.2**	2.1

10. Taxation

Based upon the anticipated profit on underlying activities for the full year, the effective rate on underlying profit for 2014 is estimated at 25.5% (2013: 26.2%). The effective rate for 2014 is higher than the current rate of UK tax due to the proportion of profit taxed at a higher rate in the US. On the 20 March 2013, the Chancellor stated his intention to reduce the main rate of corporation tax to 20% from 1 April 2015 and this was substantively enacted on 17 July 2013. Deferred tax has therefore been provided at 20%.

11. Dividends

	2014 £m	2013 £m
Final dividend paid in respect of 2013 of 0.3p (2012: 0.1p) per ordinary share	**4.3**	1.4

An interim dividend of 0.3p (2013: 0.1p) per ordinary share amounting to £4.3m (2013: £1.4m) will be payable on 27 October 2014.

12. Earnings per share

	2014 Pence	2013 Pence
Basic earnings per share	**1.77**	0.81
Effect of adjusting items	**(0.05)**	0.41
Underlying basic earnings per share (Non GAAP measure)	**1.72**	1.22
Diluted earnings per ordinary share	**1.72**	0.79
Effect of adjusting items	**(0.05)**	0.41
Underlying diluted earnings per share (Non GAAP measure)	**1.67**	1.20

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

Number of shares (millions)	**2014 Number**	2013 Number
Weighted average number of shares used in basic and adjusted earnings per share calculation	**1,425.8**	1,418.7
Weighted average number of dilutive shares under option	**45.7**	28.2
Diluted weighted average number of shares used in diluted earnings per share calculation	**1,471.5**	1,446.9

Earnings	**2014 £m**	2013 £m
Profit for the period	**25.3**	12.5
Less: attributable to non-controlling interests (pension related)	**-**	(1.0)
Earnings for basic and diluted earnings per share calculation	**25.3**	11.5
Adjusting items:		
Non-underlying items attributable to the parent (see note 6)	**(0.4)**	7.9
Tax effect of non-underlying items	**(0.4)**	(2.0)
Earnings for adjusted earnings per share calculation	**24.5**	17.4

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 a motor vehicle dealership generating net proceeds of £0.2m (2013: £9.0m) and a profit on disposal of £0.2m (2013: loss of £0.8m).

The Group sold property generating net proceeds of £6.1m (2013: £3.5m) and a profit on disposal of £1.1m (2013: £0.8m).

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. Impairment losses of £1.0m have been recognised in the income statement for the six months to 30 June 2014 on re-measurement of these properties to the lower of their carrying amount and their fair value less costs to sell (2013: £0.7m). Impairment losses of £1.0m have been released in the period relating to assets that ceased to be classified as held for sale (2013: £: nil).

During the period to 30 June 2014 disposals of assets classified as held for sale realised a profit of £0.4m on disposal (2013: £0.8m).

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Property, plant and equipment	**13.5**	17.6	13.1

15. Cash and cash equivalents

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Bank balances and cash equivalents	**94.9**	66.6	58.4

16. Net borrowings

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Cash and cash equivalents (note 15)	**94.9**	66.6	58.4
Non-current interest bearing loans and borrowings	**(200.6)**	(213.9)	(198.0)
	(105.7)	(147.3)	(139.6)

During the previous period the Group completed a comprehensive debt refinancing exercise. The refinancing consisted of a new £175.0m 6.875% seven year bond and a new £145.0m four year revolving credit bank facility provided by four banks and expiring on 30 June 2017. Directly attributable transaction costs relating to the bond issue of £3.9m were incurred and are offset against the carrying value of the loan. At 30 June 2014 the value of such transaction costs offset against the carrying value of the loan is £3.1m. Costs associated with the repayment and cancellation of its previous legacy high-coupon debt private placements, the cross-currency swaps associated with them, and the previous bank facility together with other transaction costs of £8.0m were recognised in the previous periods income statement as a non-underlying expense.

17. Provisions

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Vacant property	**8.2**	4.9	5.2
VAT assessment	**0.6**	0.8	0.6
	8.8	5.7	5.8
Non-current	**5.7**	3.3	3.7
Current	**3.1**	2.4	2.1
	8.8	5.7	5.8

18. Deferred income

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Property leases - sale and leaseback proceeds excess over fair value and fixed rental increases	**17.3**	17.9	17.5
Warranty policies sold	**6.0**	6.6	6.1
Contract hire leasing income	**46.9**	43.1	44.4
	70.2	67.6	68.0
Non-current	**51.0**	43.0	43.1
Current	**19.2**	24.6	24.9
	70.2	67.6	68.0

19. Changes in contract hire vehicle balances

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Depreciation	**11.4**	10.3	21.1
Changes in trade and other payables and deferred income	**7.4**	1.1	6.1
Purchases of contract hire vehicles	**(25.8)**	(16.4)	(39.7)
Unwinding of discounts in contract hire residual values	**(0.8)**	(0.9)	(1.8)
	(7.8)	(5.9)	(14.3)

20. Changes in inventories

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Movement in inventory	**(24.4)**	(27.2)	(12.5)
Inventory changes in business combinations and disposals	**-**	(1.9)	(2.0)
Impact of exchange differences	**-**	-	(0.1)
Non cash movement in consignment vehicles	**(5.2)**	(0.1)	1.9
Transfer value of contract hire vehicles from fixed assets to inventory	**6.6**	4.8	11.7
Cash flow increase in movements in inventory	**(23.0)**	(24.4)	(1.0)

21. Pension scheme obligations

The net liability for defined benefit obligations has increased from £43.4m at 31 December 2013 to £52.1m at 30 June 2014. The increase of £8.7m comprises a net interest expense of £0.9m recognised in the income statement, a net remeasurement loss of £9.1m and contributions paid of £1.3m. The net remeasurement loss 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 2013. The assumptions subject to change are the discount rate of 4.30% (31 Dec 2013: 4.50%), the inflation rate (RPI) of 3.4% (31 Dec 2013: 3.5%), the inflation rate (CPI) of 2.4% (31 Dec 2013: 2.5%) and the rate of increase of pensions in payment of 2.93% (31 Dec 2013: 3.03%). In 2013 changes were made to the pension partnership agreement, restricting the ability of the scheme to sell or otherwise transfer its income interest without consent from the Group. The result of this change in 2013 was that the income interest no longer met the criteria for recognition as an IAS 19 plan asset and consequently the plan asset was removed from the Group's balance sheet with an effective date of 20 December 2013. The accounting result of the change was to increase to the Group's reported post-employment obligation deficit at that date by an amount of £36.0m.

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: delivery of business strategy, funding and liquidity, pensions, adverse economic and business conditions, used vehicle price movements, legislative changes in relation to vehicle taxation, regulatory compliance risk, vehicle manufacturer dependencies and marketing programmes, levels of new vehicle production, tenure of franchise agreements, reliance on certain management and key team members, failure of information systems, reliance on the use of significant estimates and competition and market challenges. The Board has recently reviewed the risk factors and confirms that they should remain valid for the rest of the 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.

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

5 August 2014

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 2014 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 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 2014 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

5 August 2014

SHAREHOLDER INFORMATION

Financial calendar

Ex-dividend date for 2014 interim dividend	24 September 2014
Record date for 2014 interim dividend	26 September 2014
Payment date for 2014 interim dividend	27 October 2014
Final results for 2014 announced	February 2015
Annual general meeting	April 2015
Final dividend for 2014 payable	May 2015

Headquarters and registered office

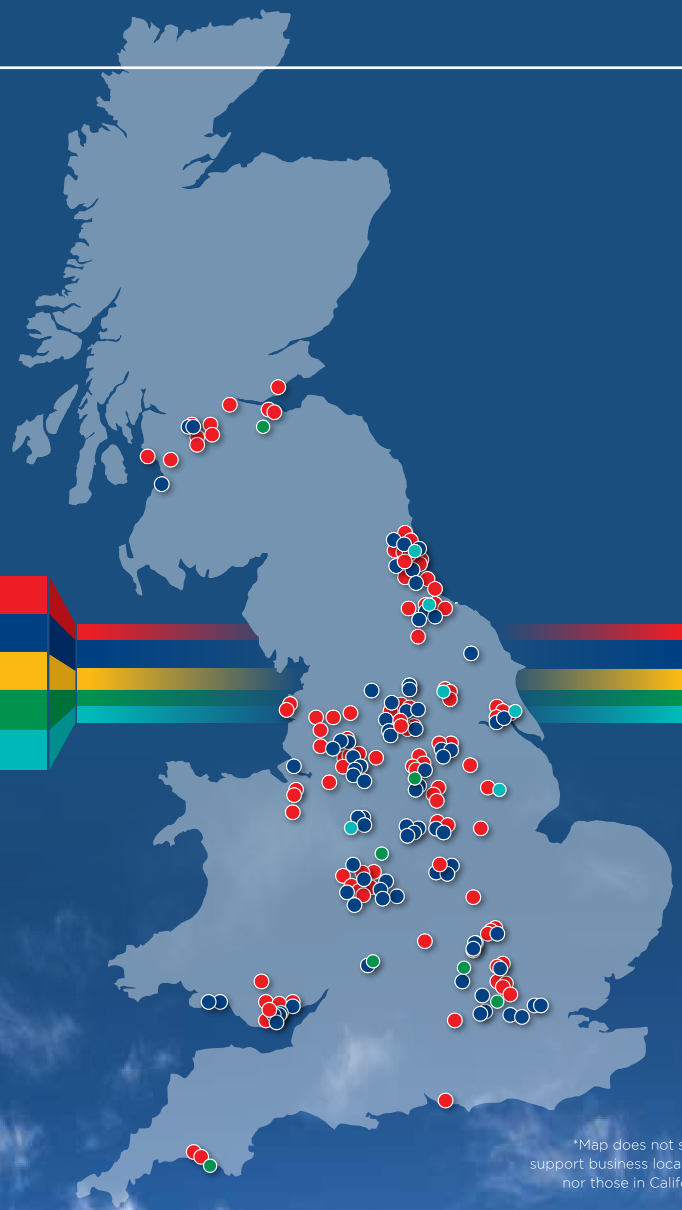
Loxley House
2 Oakwood Court
Little Oak Drive
Annesley
Nottingham, NG15 0DR
Telephone 01623 725000
Fax 01623 725010
Web www.pendragonplc.com

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

LOCATIONS

Evans Halshaw	130
Stratstone	84
California/Others	21
Used Non-franchise	8
Quicks	6



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

Pendragon | PLC

ADDRESS: Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottingham, NG15 0DR
TELEPHONE: 01623 725000 **E-MAIL:** enquiries@pendragon.uk.com
WEBSITE: www.pendragonplc.com

DESIGN: Creative Services, Loxley House, Little Oak Drive, Annesley, Nottingham, NG15 0DR