Issued: 02 August 2016 **Press Release**

PENDRAGON PLC - The UK's Leading Automotive Online Retailer Announces Interim Results to 30 June 2016

"The UK's largest automotive online retailer increases earnings by 9.7% with continued strong performance and underlying market dynamics."

Financial Highlights

- Underlying profit before tax up £3.9 million (+9.7%), from £40.3 million to £44.2 million.
- Underlying earnings per share up 0.2p (+9.5%), from 2.1p to 2.3p.
- Interim dividend of 0.7p per share following our 2015 final dividend of 0.7p per share.
- Share buyback programme of £20 million underway with £2.6 million purchased and cancelled to date.

Strategic Highlights

- Our strategy is focused on our four 'pillars' of Choice, Value, Service and Convenience, supported by our people.
- Web visits to Evanshalshaw.com and Stratstone.com increased by 13.1% in the period, with 21.6 million visitors over the 12 months to the 30 June 2016.
- 'Move Me Closer', the UK's first used vehicle click and collect service, expanded into Stratstone.com
- Encouraging progress from our 'Sell Your Car' service, providing value to the consumer and additional used vehicle supply to the business.
- Eight additional sites in progress as part of our sales footprint expansion.

Operational Highlights

- Another record breaking year so far in used vehicles, with like for like gross profit up £4.7 million (+6.2%).
- Our initiatives and market tailwinds have led to like for like aftersales gross profit up £1.9 million (+2.0%).
- New vehicle market growth, as predicted, is beginning to ease, with like for like gross profit increasing by £9.3 million (+11.6%).
- We improved our underlying costs to gross profit ratio from 80.1% to 79.6% and maintained our underlying operating margin at 2.5%.

Trevor Finn, Chief Executive, commented:
"The business continues to perform strongly with underlying profitability up by 9.7%, as we achieved a near doubling of profitability in three years. The underlying trends in the aftersales and used vehicle markets provide a strong tailwind. Our performance is due to our focused strategy, the online growth of our brands and strong processes, helped by the launch of 'Move Me Closer' and 'Sell Your Car'. Whilst the UK's decision to exit the EU has caused some uncertainty, to date we have not experienced any noticeable change in our customers' behaviour and, based on discussions with our franchise partners, we do not anticipate any material effect on new vehicle pricing as a result of exchange rates. We anticipate our performance for 2016 will be in line with expectations."

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1. Financial Overview

Pendragon PLC Results	Underlying*			Total		
6 Months Ended 30 June £m	**2016**	**2015**	**YOY Change %**	**2016**	**2015**	**YOY Change %**
Revenue	**2,325.2**	**2,291.4**	**+1.5%**	**2,325.2**	**2,291.4**	**+1.5%**
Gross Profit	288.2	283.0	+1.8%	288.2	283.0	+1.8%
Operating Expenses	(229.5)	(226.7)	+1.2%	(230.5)	(226.7)	+1.7%
Other Income/(losses)	-	-	-	(0.6)	21.7	-102.8%
Operating Profit	**58.7**	**56.3**	**+4.3%**	**57.1**	**78.0**	**-26.8%**
Interest	(14.5)	(16.0)	-9.4%	(15.3)	(17.2)	-11.0%
Profit Before Taxation	**44.2**	**40.3**	**+9.7%**	**41.8**	**60.8**	**-31.3%**
Tax Expense	(10.7)	(9.5)	+12.6%	(10.7)	(2.6)	+311.5%
Profit For The Period	**33.5**	**30.8**	**+8.8%**	**31.1**	**58.2**	**-46.6%**
Gross Margin (%)	12.4%	12.4%	-	12.4%	12.4%	-
Operating Margin (%)	2.5%	2.5%	-	2.5%	3.4%	-0.9%
Earnings Per Share (p)	2.3p	2.1p	+9.5%	2.2p	4.0p	-45.0%
Dividend Per Share (p)	0.7p	0.6p	+16.7%	0.7p	0.6p	+16.7%

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

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

Income Statement Highlights

Revenue increased by £33.8 million, up 1.5% on the prior year, mainly due to increased contributions from the used vehicle departments. On a like for like basis, revenue increased by £149.6 million (+7.0%), reflecting used revenues improving by 6.8%, aftersales revenues by 6.0% and new revenues by 5.8% on a like for like basis.

Underlying gross profit increased by £5.2 million (+1.8%) in the period and on a like for like basis by £15.3 million (+5.7%) over the prior year. We continue to deliver strong results from our used vehicle sector, with gross profit up £4.7 million (+6.2%) on a like for like basis. The new sector has increased gross profit by £9.3 million (+11.6%) on a like for like basis as we benefit from new products and delivered a strong margin particularly in the Evanshalshaw.com vehicle ranges. Aftersales gross profit has grown by £1.9 million (+2.0%) on a like for like basis as a result of national new car sales growth and growth in used vehicle sales increasing the vehicle parc. In the period, Group underlying gross margin was maintained at 12.4%.

Operating costs increased on a like for like basis by £11.3 million (+5.3%), of which the majority are volume related costs. We have invested in television and internet advertising as part of our 'Sell Your Car' and 'Move Me Closer' initiatives, which we continue to roll out in Evanshalshaw.com and now in Stratstone.com. This has helped generate a 13.1% increase in web visits and record used vehicle performance. Overall, our costs increased at a slower rate than our gross profit, improving the ratio of underlying operating expenses to gross profit from 80.1% to 79.6%.

Underlying operating profit increased by £2.4 million in the period and by £4.0 million on a like for like basis. Underlying interest costs decreased by £1.5 million in the period, largely as a result of our revised and favourable bank facility, with some of the savings offset by stocking interest as we continue to grow and invest in our used vehicle stock. Our underlying operating profit margin of 2.5% is in line with the prior year.

Balance Sheet and Cash Flow

The Group has a strong balance sheet and low debt level and is in a strong position to reinvest at the appropriate return on investment. The following table summarises the cash flows and net debt of the Group for the six month periods ended 30 June 2016 and 30 June 2015 as follows:

Summary Cashflow and Net Debt 6 Months Ended 30 June £m	**2016**	**2015**
Underlying Operating Profit Before Other Income	**58.7**	**56.3**
Depreciation and Amortisation	14.1	12.7
Share Based Payments	1.2	1.0
Working Capital	15.1	26.1
Operating Cash Flow	**89.1**	**96.1**
Tax Paid	(9.9)	(13.4)
Underlying Net Interest	(15.0)	(14.8)
Replacement Capital Expenditure	(11.0)	(14.6)
Acquisitions and Investments	(17.4)	(17.9)
Disposals	9.0	13.1
Dividends	(10.2)	(8.6)
Proceeds from Sale of Investments	-	22.4
Share Buyback	(1.3)	-
Other	(0.3)	(6.6)

Reduction In Net Debt	**33.0**	**55.7**
Closing Net Debt	**46.6**	**53.1**

The Group's net debt was £46.6 million at 30 June 2016, a reduction of £33.0 million from 31 December 2015. The refinancing described in the 2015 accounts was completed as planned in March 2016.

As a consequence of our lower debt level and strong EBITDA performance, the debt : underlying EBITDA ratio has reduced from 0.5 at 31 December 2015 to 0.3 at 30 June 2016 and remains below our target range of 1.0 to 1.5. We have a strong balance sheet, good cashflow generation, new financing facilities and realisations from low performing assets, all of which give us the ability to invest for the future.

Capital Allocation

Given the Group is currently trading below our target range for the debt to underlying EBITDA ratio, the Board considered the Group's capital structure and capital allocation priorities with a view to a return of surplus cash to shareholders. The Board believes the Group will continue to generate strong cash flows and, after assessing the capital needs of the business and the current leverage position, concluded in May that there was scope to return surplus cash to shareholders. Accordingly, on 20 May 2016, the Board initiated a £20 million share buyback programme, which will increase capital efficiency whilst ensuring the balance sheet remains strong, enabling the Group to pursue its investment strategy and progressive dividend policy.

Over the last two years, the Group has demonstrated a disciplined approach to capital allocation. The Group's five year, £100 million investment programme initiated in 2015, aimed at expanding the Group's UK national footprint, continues on plan. The Group has also spent a total of £20.3 million in the last 18 months purchasing certain previously leased properties occupied by the Group's businesses. The Board continues to look for further acquisition opportunities. However, the opportunities seen to date were at valuations which would not have delivered an acceptable level of return to justify investment by the Group.

The Board has ongoing capital expenditure requirements, and will continue to pursue organic and acquisitive growth and investment opportunities, and evaluate them against the returns generated via the share buyback programme. The buyback programme is capable of being stopped and restarted. This flexibility will enable the Group to pursue other, higher returning, capital allocation opportunities if they arise. At 2 August 2016, the Group had spent £2.6 million on the share buyback programme since launch. At the end of this share buyback programme, the Board will evaluate whether a further return of capital would be appropriate.

Property and investment, acquisitions and disposals

Our property portfolio is an important aspect of our business. The Group's holdings include both leasehold and freehold properties from which our business operates. In addition, through strategic investment choices, including some franchise closures, we hold for sale a number of vacant property assets. At 30 June 2016, the Group had £199.1 million of land and property assets (2015: £189.5 million) of which assets held for sale were £11.9 million (2015: £11.6 million). Business disposals resulted in a loss on disposal of £0.7 million and property disposals resulted in a profit of £0.1 million.

Pensions

The net liability for defined benefit pension scheme obligations has increased from £43.4 million at 31 December 2015 to £74.3 million at 30 June 2016. This increase in obligations of £30.9 million is largely due to an increase in the present value of funded defined benefit obligations. The result of the referendum on the UK's exit from Europe, impacted UK Bond and Gilt rates. The next triennial valuation of the pension scheme will reflect the position as at 31 December 2015 and is scheduled to be completed by 31 March 2017 at the latest.

Dividend
The Group is proposing an interim dividend of 0.7p per share in respect of 2016, following a final dividend of 0.7p per share. This dividend will maintain our dividend cover at a similar level to the prior year's. We intend to maintain a progressive dividend approach in the future.

The interim dividend for 2016 will be paid on the 25 October 2016 for those shares recorded on 23 September 2016.

Non-underlying Items
Non-underlying items for the six month periods ended 30 June 2016 and 30 June 2015:

Non-underlying Items 6 Months Ended 30 June £m	**2016**	**2015**
(Loss) / Gain on Disposals of Businesses and Property	(0.6)	7.9
Impairment of Assets Held For Sale	(1.0)	-
Gain on Disposal of Investments	-	13.8
Pensions	(0.8)	(1.2)
Total	**(2.4)**	**20.5**

In the period, property and business disposals, net of impairments and associated property and business disposal costs, generated a non-underlying loss of £1.6 million (2015: profit of £7.9 million).

In the prior year, the Group disposed of its £10.0 million 6% investment in King Arthur Properties S.a.r.L for £23.8 million, consisting of dividends and repayment of share capital, which realised a profit of £13.8 million.

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

2. Segmental Results

The Group has three segments which, combined, we refer to as the Motor Segment and three segments which, combined, we refer to as the Support Segment. The Motor Segment consists of: Stratstone, Evans Halshaw and California. The Support Segment consists of: Pinewood, Leasing and Quickco. The following table shows the revenue, gross profit, operating costs and operating profit by segment for our Motor Segment for the six month periods ended 30 June 2016 and 30 June 2015:

Underlying Motor Segment 6 Months Ended 30 June	Stratstone		Evans Halshaw		California		Motor Segment	
£m (unless stated)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue:								
Aftersales	65.8	65.6	75.7	75.8	15.5	13.6	157.0	155.0
Used	351.0	367.1	577.5	547.9	36.3	32.9	964.8	947.9
New	441.6	451.6	593.2	619.1	106.1	74.2	1,140.9	1,144.9
Revenue	**858.4**	**884.3**	**1,246.4**	**1,242.8**	**157.9**	**120.7**	**2,262.7**	**2,247.8**
Gross Profit:								
Aftersales	36.5	38.4	54.3	55.1	8.0	7.0	98.8	100.5
Used	22.2	19.8	57.5	57.4	2.4	2.0	82.1	79.2
New	37.4	40.7	41.5	34.8	11.7	10.5	90.6	86.0
Gross Profit	**96.1**	**98.9**	**153.3**	**147.3**	**22.1**	**19.5**	**271.5**	**265.7**
Operating Costs	**(75.8)**	**(78.1)**	**(126.5)**	**(123.0)**	**(17.4)**	**(15.2)**	**(219.7)**	**(216.3)**
Operating Profit	**20.3**	**20.8**	**26.8**	**24.3**	**4.7**	**4.3**	**51.8**	**49.4**
Metrics:								
Gross Margin (%)	11.2%	11.2%	12.3%	11.9%	14.0%	16.2%	12.0%	11.8%
Units Sold ('000)	27.2	28.3	110.4	118.2	3.3	2.5	140.9	149.0

Stratstone (Stratstone.com)
Our Stratstone business is one of the UK's leading premium motor car retailers, with 69 franchise points. Stratstone holds franchises to retail and service Aston Martin, BMW, Ferrari, Jaguar, Land Rover, Mercedes-Benz, MINI, Morgan, Porsche and Smart vehicles as well as two motor-cycle franchises. This segment also contains our retail and service outlets for DAF commercial vehicles.

Stratstone.com had a significant improvement in the used car sector as result of higher focus and investment in this area. Used revenue increased by 7.0% on a like for like basis with margin improvements. Within the aftersales department, revenue increased by 5.7% on a like for like basis with a slight reduction in margin. The new department improved like for like revenue by 7.2% with a slight reduction in margin. We have now fully implemented and rolled out high definition video within both our used vehicle retailing and aftersales activities. We continue to selectively roll out the successful Evans Halshaw used car initiatives within Stratstone.com.

Evans Halshaw (Evanshalshaw.com)
Our Evans Halshaw business is the UK's leading volume motor car retailer, with 117 franchise points. Evans Halshaw holds franchises to retail and service Citroen, Dacia, Ford, Honda, Hyundai, Kia, Nissan, Peugeot, Renault, SEAT and Vauxhall vehicles.

Evanshalshaw.com has increased like for like operating profit, by £3.1 million (+12.0%), with strong growth in used and new vehicle departments. Used continues to be a strategic area of focus for our business and we continue to be delighted with the performance from Evanshalshaw.com. Used revenue increased by 6.5% in the period on a like for like basis with a slight reduction in margin. We are benefiting from our market leading initiatives and a recovery in the used market.

We have been investing in our aftersales activities to ensure we can meet the demands of the growing car parc and we will continue this investment in the second half of 2016. Our aftersales revenue increased by 4.7% in the period on a like for like basis with a slight reduction in margin. We believe our innovation and responsiveness to consumers' needs in this area gives us a competitive advantage.

Our like for like new vehicle revenue in the period was stable but profitability improved as a result of strong margin, as we delivered against our targets.

California
Our retail businesses in California generates a greater proportion of profitability from new car activities. We continue to deliver outstanding results from nine franchise points, representing the Aston Martin, Jaguar and Land Rover brands. Despite exceptional prior year comparatives, the California business continues to grow, with operating profit ahead of the prior year by £0.4 million. Within the new vehicle sector, our new vehicle gross profit increased by £1.2 million in the period. Encouragingly, aftersales gross profit was again a key performance improver in the period, up £1.0 million and we expect this to continue into the second half of 2016.

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

The following table shows the revenue and operating profit for our Support Segment and the Group results, for each of the six month periods ended 30 June 2016 and 30 June 2015:

Underlying Support Segment and Group Results	**Pinewood**		**Leasing**		**Quickco**		**Support Segment**		**Group Results**	
6 Months Ended 30 June £m	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	7.0	5.9	25.2	4.7	30.3	33.0	62.5	43.6	2,325.2	2,291.4
Operating Profit	**4.8**	**4.3**	**1.4**	**1.4**	**0.7**	**1.2**	**6.9**	**6.9**	**58.7**	**56.3**
Operating Margin (%)	68.6%	72.9%	5.6%	29.8%	2.3%	3.6%	11.0%	15.8%	2.5%	2.5%

3. Strategic Progress

Strategy
Our strategy, as the UK's leading automotive online retailer, is to grow profitability in used, aftersales and new and we represent this by our four strategic pillars. These strategic pillars are: Choice, Value, Service and Convenience and are supported by the 'Our People' foundation, underpinned by our ownership of our IT and IP processes.

We have doubled the number of web visits received, from 10.9 million in 2012 to 21.6 million in 2016, which is truly exceptional growth of the brands. This channel is the key aspect of our business to ensure our consumers are fully aware of the choice we have available and the convenience of transacting with us.

Choice
Our 'Choice' pillar represents our strategy to ensure that our consumers can access the largest and best choice of vehicles and servicing in the UK. Visits to Stratstone.com and Evanshalshaw.com increased by 13.1% over the prior year, with over 21.6 million visitors on a rolling 12 month basis. Being able to offer over 21,000 vehicles to consumers online is a key winning strategy and gives us a significant advantage over our competitors.

We have now operated our 'Sell Your Car' initiative for over a year. This enables the consumer to choose to sell their car direct to us at Evanshalshaw.com (www.evanshalshaw.com/sell-your-car/). We guarantee to pay more than 'webuyanycar.com'. This initiative is enabling us to provide a greater selection of choice and value to consumers and to turn stock more quickly, given that the vehicles we buy from these customers arrive directly at our vehicle preparation and retailing premises.

In February 2015, we launched 'Move Me Closer' which enables the consumer to reserve a vehicle direct from their electronic device and choose to have it physically delivered to their nearest store location (www.evanshalshaw.com/move-me-closer/). Through this service, consumers can research and view online over 21,000 vehicles, then inspect the vehicle they reserved at a physical location convenient to them. As we increase our UK footprint, even more customers will be able to source a vehicle throughout the UK.

We continue to be encouraged by the results of our 'Sell Your Car' and 'Move Me Closer' initiatives and have commenced expanding these initiatives into Stratstone.com.

Value
Our 'Value' pillar ensures that, for every single purchase, our consumers enjoy the benefit of our everyday low prices, achieved by our frequent research against local and national markets. We continue to invest in our central procurement areas, enabling us to provide price transparency to our customers. Our used car sales, backed by our Price Guarantee, are important for the consumer and would be even more significant if we were to see a reduction in economic growth, as consumers will interact with strong 'Value' brands.

Service
Our 'Service' pillar ensures that our consumers can transact easily with our business, with outstanding customer service. We monitor our customer satisfaction scores closely and regard as a key measure of our success the proportion of customers who have given us a four or five star rating for vehicle sales and aftersales service. We are pleased to report that, on this measure, our performance has progressed from 83.4% at 31 December 2013 to 85.3% at 31 December 2014 to 85.5% at 31 December 2015 and was 85.7% at 30 June 2016. We continue to put the customer first in all we do.

Convenience

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

We now have nine sites in place towards our total plan of 40 additional sites and expect our next sites to complete by H1 2017. Some of these new sites are pop-up points and these will convert to full sites as we enhance the scale of our operations at our new locations. Our 'Sell Your Car' initiative is now available at 51 of our retail locations in the UK, bringing us closer to more consumers and providing an inflow of used cars for the business, sourced directly from consumers.

Intellectual Property and Information Technology

We are leading the market in achieving transformation to a successful online driven business focussed on modern and rapidly evolving consumer demands and technology. We have the significant advantage of controlling our own IT business, Pinewood, which enables rapid deployment and change management through new IT solutions, enhanced websites and systems of consumer interaction. At the same time, we maintain ownership of those systems, proprietary processes and intellectual property. Intellectual property and IT is a key differentiator for the Group and provides us with a clear strategic advantage over our peers.

Our People

Our people are our primary asset for the business to succeed. We thank each and every team member for their commitment, enthusiasm and their desire to be part of our winning strategy. We are fully committed to continue to invest in our people. We continue to achieve records and successes, both individually and in teams, across our entire organisation which is testament to the strong culture of achievement and drive that is engrained in our business.

4. Industry Insight and Outlook

New Sector

The new vehicle sector consists of the first registration of cars and commercial vehicles. In 2015, the UK new car market, the second largest market in Europe, increased by 6.3% over the prior year, with 2.634 million registrations (2014: 2.476 million) and for the first half of 2016 the vehicle market was 1.420 million registrations, an increase of 3.2% on the prior year.

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

The following table summarises the UK new car vehicle market, separating the retail and fleet components for the six month periods ended 30 June 2016 and 30 June 2015:

New Car Vehicle Registrations 6 Months Ended 30 June '000	2016	2015	Change	Change %
UK Retail Market	649.2	636.9	12.3	+1.9%
UK Fleet Market	771.4	740.0	31.4	+4.2%
UK New Market	**1,420.6**	**1,376.9**	**43.7**	**+3.2%**
Group Represented* UK Retail Market	435.4	434.5	0.9	+0.2%
Group Represented* UK Fleet Market	546.0	511.5	34.5	+6.7%
Group Represented* UK New Market	**981.4**	**946.0**	**35.4**	**+3.7%**

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

The UK commercial vehicle market, consisting of light commercial vehicles and trucks, had a market size of 424 thousand units in 2015, an increase of 16.7% over the prior year. The commercial vehicle market grew by 2.8% in the first half of 2016. The Group has a small and successful representation in California. The USA new vehicle market was 17.3 million in 2015, an increase of 5.5% over 2014 and the highest vehicle market since 2006. The National Automobile Dealers' Association expects the USA market to be 17.7 million vehicles in 2016, an increase of 2.3%.

New Industry Insight

In quarter 1 of 2016 the new car market grew by 5.1% over the prior year, but in quarter 2 this growth slowed to 1.0%. The Society of Motor Manufacturers and Traders expects the UK market to be 2.703 million new cars in 2016, representing growth of 2.7%. We are expecting the market to run at this quarter 2 level for the remainder of the year and thus expect the market growth for the full year to be around 1.25% which is a market of 2.666 million new cars. Approximately 75% of all UK retail cars retailed in the UK are now sold with finance agreements in place which we believe should help to underpin the stability in the new car market as these customers typically move on to new financing arrangements when purchasing their next car.

Used Sector
The used vehicle sector comprises the selling of vehicles by one party to another for all vehicles except newly registered vehicles. The used car sector grew by 3.0% in 2015 following strong quarter 4 growth in 2015. Around half of these transactions are conducted by franchised dealers and the balance by independent dealers and private individuals.

Used Industry Insight
We have previously modelled the impact of the new market volumes on the used car market and continue to believe we will see growth of around 2% per annum over the next three years. When we segment the used market by age of vehicle, our analysis of the next three years shows that the supply of vehicles that are less than six years old will continue to grow more rapidly than those over six years old. We have been tracking our used volume vehicle performance to the used vehicle market for those cars aged between one and eight years old, which represents our key market segment. Since 2009, through implementation of our used car initiatives and strategies, we have more than doubled our market share from 2.5% to 5.3% in 2015.

Aftersales Sector
Aftersales encompasses the servicing, maintenance and repair of motor vehicles, including bodyshop repairs, and the retailing of parts and other motor related accessories. The main determinant of the aftersales market is the number of vehicles on the road, known as the 'vehicle parc'. The vehicle parc in the UK has risen to 34 million vehicles (cars only), having been typically around 32 to 33 million vehicles in the prior three years. The car parc can also be segmented into markets representing different age groups. Typically, around 21% of the car parc is represented by less than three year old cars, around 17% is represented by four to six year old cars, and 62% is greater than seven year old cars.

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

Aftersales Industry Insight
The aftersales servicing and repair business will benefit from increased new and used car activity. As a result of the increased new vehicle supply, we have seen growth in the less than three year old car parc of around 9% and expect this to grow by around 5% in 2016. Interestingly, in 2015, within the four to six year old vehicle parc, there was no growth following a number of years of decline. We expect this segment of the vehicle parc to grow by 4% in 2016. Overall, we expect at least for the next three years to see good continuing growth in the vehicle parc for cars up to six years old.

Outlook
As the UK's largest automotive online retailer, we are benefitting from strong underlying market dynamics and continue to deliver strong results. We are focussed on our winning strategy of delivering choice, value, service and convenience to our customers. Whilst there is great speculation about the effect of the UK's decision to exit the EU, to date we have not experienced any noticeable change in our customers' behaviour and, based on discussions with our franchise partners, we do not anticipate any material effect on new vehicle pricing as a result of exchange rates. The Board has recently reviewed our risk factors, particularly in the light of 'Brexit' as set out in note 23. Our underlying market dynamics and our winning strategy are favourable for the Group. The Group has a strong balance sheet and capital allocation strategy and we remain well positioned for another strong year. We anticipate our performance for 2016 will be in line with expectations.

5. Detailed Financials

Condensed Consolidated Income Statement
For the six months ended 30 June

	Note	Underlying £m	Non-underlying £m	**2016 £m**	Underlying £m	Non-underlying £m	2015 £m
Revenue		2,325.2	-	**2,325.2**	2,291.4	-	2,291.4
Cost of sales		(2,037.0)	-	**(2,037.0)**	(2,008.4)	-	(2,008.4)
Gross profit		288.2	-	**288.2**	283.0	-	283.0
Operating expenses		(229.5)	(1.0)	**(230.5)**	(226.7)	-	(226.7)
Operating profit before other income		58.7	(1.0)	**57.7**	56.3	-	56.3
Other income – (losses) / gains on sale of businesses and property	6	-	(0.6)	**(0.6)**	-	7.9	7.9
Gain on disposal of investment	6	-	-	**-**	-	13.8	13.8
Operating profit		58.7	(1.6)	**57.1**	56.3	21.7	78.0
Finance expense	8	(14.5)	(0.8)	**(15.3)**	(16.1)	(1.2)	(17.3)
Finance income	9	-	-	**-**	0.1	-	0.1
Net finance costs		(14.5)	(0.8)	**(15.3)**	(16.0)	(1.2)	(17.2)
Profit before taxation		44.2	(2.4)	**41.8**	40.3	20.5	60.8
Income tax (expense) / credit	10	(10.7)	-	**(10.7)**	(9.5)	6.9	(2.6)
Profit for the period		33.5	(2.4)	**31.1**	30.8	27.4	58.2
Earnings per share							
Basic earnings per share	12			**2.2p**			**4.0p**
Diluted earnings per share	12			**2.1p**			**4.0p**

Non GAAP measure							
Underlying basic earnings per share	12	2.3p			2.1p		
Underlying diluted earnings per share	12	2.3p			2.1p		

All amounts are unaudited

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

	2016	2015
	£m	£m
Profit for the period	**31.1**	58.2
Other comprehensive income:		
Items that will never be reclassified to profit and loss		
Defined benefit plan remeasurement (losses) and gains	**(31.4)**	18.6
Income tax relating to defined benefit plan remeasurement (losses) and gains	**5.6**	(3.7)
	(25.8)	14.9
Items that are or may be reclassified to profit and loss		
Foreign currency translation differences of foreign operations	**(0.4)**	0.2
Fair value gains on investments reclassified to profit and loss	**-**	(14.0)
	(0.4)	(13.8)
Other comprehensive income for the period, net of tax	**(26.2)**	1.1
Total comprehensive income for the period	**4.9**	59.3

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

	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	**Total**
	£m	£m	£m	£m	£m	**£m**
Balance at 1 January 2016	73.0	56.8	15.1	(0.2)	250.4	**395.1**
Total comprehensive income for 2016						
Profit for the period	-	-	-	-	31.1	**31.1**
Other comprehensive income for the period, net of tax	-	-	-	(0.4)	(25.8)	**(26.2)**
Total comprehensive income for the period	-	-	-	(0.4)	5.3	**4.9**
Dividends paid	-	-	-	-	(10.2)	**(10.2)**
Own shares purchased for cancellation	(0.2)	-	0.2	-	(1.5)	**(1.5)**
Own shares issued by EBT	-	-	-	-	0.1	**0.1**
Own shares purchased by EBT	-	-	-	-	(0.3)	**(0.3)**
Share based payments	-	-	-	-	1.2	**1.2**
Income tax relating to share based payments	-	-	-	-	(0.1)	**(0.1)**
Balance at 30 June 2016	72.8	56.8	15.3	(0.6)	244.9	**389.2**
Balance at 1 January 2015	72.8	56.8	15.1	(0.6)	195.8	**339.9**
Total comprehensive income for 2015						
Profit for the period	-	-	-	-	58.2	**58.2**
Other comprehensive income for the period, net of tax	-	-	-	0.2	0.9	**1.1**
Total comprehensive income for the period	-	-	-	0.2	59.1	**59.3**
Issue of ordinary shares	0.2	-	-	-	(0.2)	**-**
Dividends paid	-	-	-	-	(8.6)	**(8.6)**
Own shares issued by EBT	-	-	-	-	1.2	**1.2**
Own shares purchased by EBT	-	-	-	-	(7.5)	**(7.5)**
Share based payments	-	-	-	-	1.0	**1.0**
Balance at 30 June 2015	73.0	56.8	15.1	(0.4)	240.8	**385.3**

Condensed Consolidated Balance Sheet

	Note	**30 June 2016 £m**	30 June 2015 £m	31 December 2015 £m
Non-current assets				
Property, plant and equipment		**375.3**	330.8	352.7
Goodwill		**356.4**	363.1	360.8
Other intangible assets		**6.8**	6.5	5.8
Investments		**-**	1.4	-
Deferred tax assets		**15.6**	18.6	11.5
Total non-current assets		**754.1**	720.4	730.8
Current assets				
Inventories		**933.9**	761.1	830.6
Trade and other receivables		**164.1**	163.6	134.5
Cash and cash equivalents	15	**54.0**	149.6	138.8
Assets classified as held for sale	14	**13.4**	11.6	16.2
Total current assets		**1,165.4**	1,085.9	1,120.1
Total assets		**1,919.5**	1,806.3	1,850.9
Current liabilities				
Trade and other payables		**(1,206.2)**	(1,038.4)	(1,050.9)
Deferred income	18	**(35.7)**	(27.4)	(32.9)
Current tax payable		**(8.7)**	(20.6)	(9.2)
Provisions	17	**(4.9)**	(2.1)	(5.0)
Total current liabilities		**(1,255.5)**	(1,088.5)	(1,098.0)
Non-current liabilities				
Interest bearing loans and borrowings		**(100.6)**	(202.7)	(218.4)
Trade and other payables		**(43.9)**	(32.7)	(41.6)
Deferred income	18	**(51.1)**	(44.4)	(50.1)
Retirement benefit obligations		**(74.3)**	(47.6)	(43.4)
Provisions	17	**(4.9)**	(5.1)	(4.3)
Total non-current liabilities		**(274.8)**	(332.5)	(357.8)
Total liabilities		**(1,530.3)**	(1,421.0)	(1,455.8)
Net Assets		**389.2**	385.3	395.1
Capital and reserves				
Called up share capital		**72.8**	73.0	73.0
Share premium account		**56.8**	56.8	56.8
Capital redemption reserve		**2.7**	2.5	2.5
Other reserves		**12.6**	12.6	12.6
Translation reserve		**(0.6)**	(0.4)	(0.2)
Retained earnings		**244.9**	240.8	250.4
Total equity attributable to equity shareholders of the company		**389.2**	385.3	395.1

All amounts are unaudited

Condensed Consolidated Cash Flow Statement

	Note	**For the six months ended 30 June 2016 £m**	For the six months ended 30 June 2015 £m	For the twelve months ended 31 December 2015 £m
Cash flows from operating activities				
Profit for the period		**31.1**	58.2	72.9
Adjustment for net financing expense		**15.3**	17.2	6.1
Adjustment for taxation		**10.7**	2.6	42.7
		57.1	78.0	121.7
Depreciation and amortisation		**14.1**	12.7	25.3
Share based payments		**1.2**	1.0	2.0
Loss / (profit) on sale of businesses and property		**0.6**	(7.9)	(11.5)
Gain on disposal of investments		**-**	(13.8)	(13.8)
Impairment of assets held for sale		**1.0**	-	0.9
Changes in inventories	20	**(90.4)**	(56.3)	(109.1)
Changes in trade and other receivables		**(29.7)**	(45.8)	(16.9)
Changes in trade and other payables		**145.3**	145.4	148.4
Changes in retirement benefit obligations	21	**(1.3)**	(1.4)	(2.9)
Changes in provisions		**0.5**	1.2	3.3
Movement in contract hire vehicle balances	19	**(9.3)**	(17.0)	(21.8)
Cash generated from operations		**89.1**	96.1	125.6
Interest paid		**(15.0)**	(14.9)	(22.3)
Interest received		**-**	0.1	0.5
Taxation paid		**(9.9)**	(13.4)	(29.3)
Net cash from operating activities		**64.2**	67.9	74.5
Cash flows from investing activities				
Proceeds from sale of businesses		**7.0**	13.1	21.2
Acquisitions of businesses		**(0.5)**	-	-
Purchase of property, plant and equipment		**(77.5)**	(68.8)	(136.9)
Proceeds from sale of property, plant and equipment		**51.6**	36.3	80.8
Proceeds from the sale of investments		**-**	22.4	23.8
Net cash (used in) / from investing activities		**(19.4)**	3.0	(11.1)
Cash flows from financing activities				
Dividends paid to shareholders		**(10.2)**	(8.6)	(17.4)
Repurchase of own shares		**(1.3)**	-	-
Own shares acquired by EBT		**(0.3)**	(7.5)	(7.6)
Disposal of shares by EBT		**0.1**	1.2	1.4
Payment of transaction costs related to loans		**(2.1)**	-	-
Repayment of bond and loans		**(216.6)**	-	-
Proceeds from issue of bond and loans		**100.8**	2.2	7.6
Net cash outflow from financing activities		**(129.6)**	(12.7)	(16.0)
Net (decrease) / increase in cash and cash equivalents		**(84.8)**	58.2	47.4
Opening cash and cash equivalents		**138.8**	91.4	91.4
Closing cash and cash equivalents	15	**54.0**	149.6	138.8

Reconciliation of Net Cash Flow to Movement in Net Debt

	For the six months ended 30 June 2016 £m	For the six months ended 30 June 2015 £m	For the twelve months ended 31 December 2015 £m
Net (decrease) / increase in cash and cash equivalents	**(84.8)**	58.2	47.4
Repayment of bond and loans	**216.6**	-	-
Proceeds from issue of bond and loans (net of directly attributable transaction costs)	**(100.8)**	(2.2)	(7.6)
Non-cash movements	**2.0**	(0.3)	(10.6)
Decrease in net debt in the period	**33.0**	55.7	29.2
Opening net debt	**(79.6)**	(108.8)	(108.8)
Closing net debt	**(46.6)**	(53.1)	(79.6)

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 2016 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 2016 are unaudited but have been reviewed by the auditors.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015, 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 2 August 2016.

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 2015, 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 2016 as they are mandatory for the year ended 31 December 2016.

- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations.
- IFRIC Interpretation 21 Levies – provides guidance on when to recognise a liability for a levy imposed by a government.
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IAS 27 - Equity Method in Separate Financial Statements.
- Annual Improvements to IFRSs – 2012-2014 Cycle, including changes to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in method for disposal, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee

Benefits – Discount rate in a regional market sharing the same currency and IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'.

- Disclosure Initiative – Amendments to IAS 1.
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

There are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 December 2016. 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 2015.

Assets held for resale are held at the lower of their carrying value and fair value less costs to sell. The fair value (a Level 2 valuation, determined based on prices for similar assets) is £13.4m.

During the six months ended 30 June 2016 management reassessed its estimates and assumptions in respect of employee post retirement benefit obligations. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates and return on assets, details of which are provided in note 21 below.

The estimate in respect of the anticipated tax rate to be applied for the full financial year 2016 and subsequently used in the preparation of the results for the six month period to 30 June 2016 are set out in note 10.

5 Comparative figures

The comparative figures for the financial year ended 31 December 2015 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.

	2016	2015
	£m	£m
Within operating expenses:		
Impairment of assets held for sale	**(1.0)**	-
	(1.0)	-
Within other income - gains on the sale of businesses, property and investments:		
(Loss) / profit on the sale of businesses	**(0.7)**	8.0
Gain / (loss) on the sale of property	**0.1**	(0.1)
Gain on disposal of investment	**-**	13.8
	(0.6)	21.7
Within finance expense:		
Net interest on pension scheme	**(0.8)**	(1.2)
	(0.8)	(1.2)
Total non-underlying items before taxation	**(2.4)**	20.5

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 recognised in the period of £1.0m (2015: £nil).

Other income, being the profit on disposal of businesses and property comprises £0.1m profit on sale of property (2015: loss on disposal £0.1m) and a loss on the disposal of motor vehicle dealerships of £0.7m (2015: profit £8.0m).

During the previous year the Group disposed of its investment in King Arthur Holdings S.a.r.L. At 30 June 2015, the Group had received proceeds of £22.4m in respect of this, realising a gain on disposal of £13.8m.

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 £0.8m has been recognised during the period (2015: £1.2m).

7 Segmental analysis

For the six months ended 30 June 2016	**Stratstone £m**	**Evans Halshaw £m**	**California £m**	**Leasing £m**	**Quickco £m**	**Pinewood £m**	**Central £m**	**Total £m**
Total gross segment turnover	858.4	1,246.4	157.9	30.8	37.4	11.8	-	**2,342.7**
Inter-segment turnover	-	-	-	(5.6)	(7.1)	(4.8)	-	**(17.5)**
Revenue from external customers	858.4	1,246.4	157.9	25.2	30.3	7.0	-	**2,325.2**
Operating profit before non-underlying items	24.6	31.4	4.7	1.6	0.9	4.9	(9.4)	**58.7**
Other income and non-underlying items	-	-	-	-	-	-	(1.6)	**(1.6)**
Operating profit	24.6	31.4	4.7	1.6	0.9	4.9	(11.0)	**57.1**
Finance expense	(1.5)	(1.9)	(0.3)	-	-	-	(11.6)	**(15.3)**
Profit before tax	23.1	29.5	4.4	1.6	0.9	4.9	(22.6)	**41.8**
Reconciliation to tables in the Segmental Results section								
Operating profit as above	24.6	31.4	4.7	1.6	0.9	4.9	(9.4)	**58.7**
Allocation of central costs	(4.3)	(4.6)	-	(0.2)	(0.2)	(0.1)	9.4	**-**
Result presented in Segmental Results table	20.3	26.8	4.7	1.4	0.7	4.8	-	**58.7**
Depreciation and amortisation	4.3	7.0	0.8	14.9	0.1	1.1	-	**28.2**

For the six months ended 30 June 2015	Stratstone £m	Evans Halshaw £m	California £m	Leasing £m	Quickco £m	Pinewood £m	Central £m	Total £m
Total gross segment turnover	884.3	1,242.8	120.7	4.7	37.5	15.9	-	**2,305.9**
Inter-segment turnover	-	-	-	-	(4.5)	(10.0)	-	**(14.5)**
Revenue from external customers	884.3	1,242.8	120.7	4.7	33.0	5.9	-	**2,291.4**
Operating profit before non-underlying items	24.9	28.5	4.3	1.6	1.4	4.4	(8.8)	**56.3**
Other income and non-underlying items	-	-	-	-	-	-	21.7	**21.7**
Operating profit	24.9	28.5	4.3	1.6	1.4	4.4	12.9	**78.0**
Finance expense	(1.5)	(1.4)	(0.2)	-	-	-	(14.2)	**(17.3)**
Finance income	-	-	-	-	-	-	0.1	**0.1**
Profit before tax	23.4	27.1	4.1	1.6	1.4	4.4	(1.2)	**60.8**

Reconciliation to tables in the Segmental Results section

Operating profit as above	24.9	28.5	4.3	1.6	1.4	4.4	(8.8)	**56.3**
Allocation of central costs	(4.1)	(4.2)	-	(0.2)	(0.2)	(0.1)	8.8	**-**
Result presented in Segmental Results table	20.8	24.3	4.3	1.4	1.2	4.3	-	**56.3**
Depreciation and amortisation	3.6	6.2	0.7	14.3	0.1	0.2	-	**25.1**

8 Finance expense

Recognised in profit and loss	2016 £m	2015 £m
Interest payable on bond, bank borrowings and loan notes	**4.9**	**7.4**
Vehicle stocking plan interest	**8.9**	**7.7**
Net interest on pension scheme obligations (non-underlying – see note 6)	**0.8**	**1.2**
Total interest expense in respect of financial liabilities held at amortised cost	**14.6**	**16.3**
Unwinding of discounts in contract hire residual values	**0.7**	**1.0**
Total finance expense	**15.3**	**17.3**

9 Finance income

Recognised in profit and loss	2016 £m	2015 £m
Interest receivable on bank deposits	**-**	0.1
Total finance income	**-**	0.1

10 Taxation

Based upon the anticipated profit on underlying activities for the full year, the effective rate on underlying profit for 2016 is estimated at 24.3% (2015: 23.6%). The effective rate for 2016 is higher than the current rate of UK tax due to the proportion of profit taxed at a higher rate in the US. The main rate of corporation tax will be 19% from April 2017 and 18% from April 2020. At the 2016 Budget it was announced that the Finance Bill 2016 will reduce the main rate of corporation tax from 18% to 17% from April 2020. The Finance Bill 2016 has not been substantively enacted as at 30 June 2016 and therefore the deferred tax liability has been calculated based on the 18% rate. Had the lower rate of 17% been substantively enacted by the balance sheet date, the deferred tax asset would have reduced by £0.8m.

11 Dividends

	2016 £m	2015 £m
Final Dividend paid in respect of 2015 of 0.7p (2014: 0.6p) per ordinary share	**10.2**	8.6

An Interim dividend of 0.7p (2015: 0.6p) per ordinary share totalling £10.2m (2015: £8.7m) will be paid on 25 October 2016.

12 Earnings per share

	2016 pence	2015 pence
Basic earnings per share	**2.15**	4.03
Effect of adjusting items	**0.16**	(1.90)
Underlying basic earnings per share (Non GAAP measure)	**2.31**	2.13
Diluted earnings per share	**2.13**	3.99
Effect of adjusting items	**0.16**	(1.90)
Underlying diluted earnings per share (Non GAAP measure)	**2.29**	2.09

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

Number of shares (millions)	**2016 number**	2015 number
Weighted average number of shares used in basic and adjusted earnings per share calculation	**1,449.7**	1,445.1
Weighted average number of dilutive shares under option	**12.5**	12.2
Diluted weighted average number of shares used in diluted earnings per share calculation	**1,462.2**	1,457.3

Earnings	**2016 £m**	2015 £m
Profit for the period	**31.1**	58.2
Adjusting items:		
Non-underlying items attributable to the parent (see note 6)	**2.4**	(20.5)
Tax effect of non-underlying items	**-**	(6.9)
Earnings for adjusted earnings per share calculation	**33.5**	30.8

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

13 Business and property disposals

During the period the Group disposed of certain assets of motor vehicle dealerships generating net proceeds of £7.0m (2015: £13.1m) and a loss on disposal of £0.7m (2015: profit £8.0m).

The Group sold property generating net proceeds of £2.0m (2015: £nil) and a profit on disposal of £0.1m (2015: loss £0.1m).

14 Assets classified as held for sale

The Group holds a number of properties that are currently being marketed for sale which are expected to be disposed of during the next 12 months. In addition the Group has classified certain assets of a motor vehicle dealership which was disposed of in July 2016 as held for sale. An impairment loss has been recognised in the income statement for the six months to 30 June 2016 on re-measurement of properties to the lower of their carrying amount and their fair value less costs to sell of £1.0m (2015: £nil).

During the period to 30 June 2016 disposals of assets classified as held for sale realised a profit of £0.2m on disposal.

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

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Goodwill	**1.5**	-	-
Property, plant and equipment	**11.9**	11.6	16.2
	13.4	11.6	16.2

15 Cash and cash equivalents

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Bank balances and cash equivalents	**54.0**	149.6	138.8

16 Net borrowings

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Cash and cash equivalents (note 15)	**54.0**	149.6	138.8
Non-current interest bearing loans and borrowings	**(100.6)**	(202.7)	(218.4)
	(46.6)	(53.1)	(79.6)

During the period the Group completed a debt refinancing exercise. The refinancing consists of a £240m 5-year committed revolving bank facility with a club of existing and new banks, and a £60m 5.75% 7-year debt private placement to refinance and replace early the £175m 6.875% bonds due 2020 and existing bank facility. The fees and expenses associated with the new debt of £2.1m will be amortised over the expected life of the facility commencing in 2016. At 30 June 2016, fees of £0.1m were included within finance expense and £2.0m remained to be amortised in future periods. The margin on the new bank facility will initially be 1.4%. The margin is ratcheted based on the ratio of debt to underlying EBITDA (after stocking interest).

17 Provisions

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Vacant property	**6.0**	6.6	5.5
VAT assessment	**3.8**	0.6	3.8
	9.8	7.2	9.3
Non-current	**4.9**	5.1	4.3
Current	**4.9**	2.1	5.0
	9.8	7.2	9.3

18 Deferred income

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Property leases – sale and leaseback proceeds excess over fair value and fixed rental increases	**14.2**	14.9	14.6
Warranty policies sold	**7.0**	7.0	6.4
Contract hire leasing income	**65.6**	49.9	62.0
	86.8	71.8	83.0
Non-current	**51.1**	44.4	50.1
Current	**35.7**	27.4	32.9
	86.8	71.8	83.0

19 Changes in contract hire vehicle balances

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Depreciation	**14.1**	12.4	22.1
Changes in trade and other payables and deferred income	**9.4**	2.9	22.5
Purchases of contract hire vehicles	**(32.1)**	(31.3)	(65.3)
Unwinding of discounts in contract hire residual values	**(0.7)**	(1.0)	(1.1)
	(9.3)	(17.0)	(21.8)

20 Change in inventories

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Movement in inventory	**(103.3)**	(85.0)	(154.5)
Inventory changes in business combinations and disposals	**(1.4)**	(0.9)	(1.2)
Impact of exchange differences	**-**	-	(0.2)
Non cash movement in consignment vehicles	**5.6**	12.8	22.8
Transfer value of contract hire vehicles from fixed assets to inventory	**8.7**	16.8	24.0
Cash flow increase in movements in inventory	**(90.4)**	(56.3)	(109.1)

21 Pension scheme obligations

The net liability for defined benefit obligations has increased from £43.4m at 31 December 2015 to £74.3m at 30 June 2016. The increase of £30.9m comprises a net interest expense of £0.8m recognised in the income statement, a net remeasurement loss of £31.4m 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 2015. The assumptions subject to change are the discount rate of 3.10% (31 Dec 2015: 3.90%), the inflation rate (RPI) of 2.9% (31 Dec 2015: 3.1%), the inflation rate (CPI) of 1.9% (31 Dec 2015: 2.1%) and the rate of increase of pensions in payment of 2.60% (31 Dec 2015: 2.75%).

22 Related party transactions

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

23 Risks and uncertainties

The Board maintains a policy of continuous identification and review of risks which may cause our actual future Group results to differ materially from expected results.

The principal risks identified were: failure to adopt the right strategy or failure of our adopted strategy to be effectively implemented or to deliver the desired results, dependence on vehicle manufacturers for the success of our business, failure to meet competitive challenges to our business model or sector, European economic instability affecting the UK in particular impacting used vehicle prices, UK governmental spending constraints, changes to the type of vehicles sold or the amount of road use, availability of debt funding, funding requirements of the occupational pension scheme, significant litigation or regulator action against or otherwise impacting the Group, failure of systems, reliance on the use of estimates, failure to attract, develop, motivate and retain good quality team members, failure to provide safe working and retail environments, failure to control environmental hazards and the potential impacts associated with the UK's decision to leave the EU. With regard to the UK's decision to leave the EU, we believe that the main risk factors are consumer confidence and the potential impact of Sterling/Euro exchange rates on vehicle prices. To date we have not experienced any noticeable change in our customers' behaviour and, based on discussions with our franchise partners, we do not anticipate any material effect on new vehicle pricing as a result of exchange rates. The Risk Control Group has met to consider these risks and uncertainties, including the impact of Brexit, and will continue to monitor how these risks evolve. The Board has recently reviewed the risk factors and confirms that they should remain valid for the rest of the current year. The Board considers the main areas of risk and uncertainty that could impact profitability to be used vehicle prices and economic and business conditions, including Sterling/Euro exchange rates.

Responsibility Statement

We confirm that to the best of our knowledge:

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

b) The interim management report includes a fair review of the information required by:
(i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
(ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

T G Finn
Chief Executive

T P Holden
Finance Director
2 August 2016

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 2016 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Balance Sheet, Condensed Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

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

2 August 2016