11 May 2022

Vertu Motors plc ("Vertu", "Group")
Final results for the year ended 28 February 2022
"Gaining market share and investing in brand and technology"

Vertu Motors, the UK automotive retailer with a network of 160 sales and aftersales outlets, announces its final results for the year ended 28 February 2022 ("Year").

Commenting on the results, Robert Forrester, Chief Executive, said:

"The Group performed at record profitability levels in the Year. Undoubtedly aided by well-publicised sector tailwinds, the Group executed well, gained share, strengthened its foundations, positioned itself for the transition to EV and displayed fundamental growth, all aided by its investment in the Click2Drive technology platform.

The outlook will depend on the available supply of new vehicles and continuing consumer confidence. The Group's excellent financial position provides the resilience to overcome any economic slowdown and resources to continue to grow."

FINANCIAL SUMMARY

Years ended 28 February	**2022**	**2021**	**2020**
Revenue	£3,615.1m	£2,547.7m	£3,064.5m
Adjusted[1] profit before tax	£80.7m	£24.6m	£23.0m
Basic Adjusted[1] EPS	17.92p	5.27p	4.99p
Dividends per share	1.70p	-	0.60p
Net Cash / (Debt)[2]	£16.2m	(£4.5m)	(£28.4m)

HIGHLIGHTS

- Record trading results delivered with Adjusted[1] profit before tax of £80.7m (FY21: £24.6m, FY20: £23.0m), on revenues of £3.6bn
- Vehicle sales volumes ahead of market trends in all areas on a like-for-like basis compared to FY20 (year ended 29 February 2020)
- Increased gross margin of 12.0% (FY21: 11.8%, FY20: 10.9%) reflects supply constraints and strong pricing disciplines
- Acquisitions successfully integrated and performing well
- Free Cash Flow of £44.2m in the Year and Net cash[2] of £16.2m as at 28 February 2022 (FY21 Net debt: £4.5m)
- Underlying corporation Tax charge of £16.1m (FY21: £5.2m)
- Net tangible assets per share of 66.8p (FY21: 50.2p) reflecting strong asset base, net cash position and cashflow generation

- 11.6m shares repurchased at a value of £7.1m since 20 August 2021, buyback programme continues
- Final Dividend of 1.05p per share recommended, payable in July

OUTLOOK

- Strong trading performance delivered in key months of March and April with trading profit of £19.1m (FY22: £19.2m)
- Management focus on operational excellence around costs, conversion and customer experience
- New and used vehicle supply constraints continue and cost pressures are evident
- Consumer confidence in the face of rising domestic costs is a critical determinant to continuing success in terms of demand
- Visible growth pipeline including expansion with the Toyota brand in the West of Scotland and further multi-franchising opportunities

[1] Adjusted to remove share-based payments charge, amortisation of intangible assets and impairment charges
[2] Excludes lease liabilities, includes used vehicle stocking loans

Webcast details

Vertu management will make a webcast available for analysts and investors this morning on the Group's website https://investors.vertumotors.com/results/

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CHAIRMAN'S STATEMENT

The Group executed exceptionally well during the year ended 28 February 2022, delivering a record Adjusted[1] profit before tax of £80.7m (FY21: £24.6m). There were significant highlights in the Year:

- Delivery of enhancements to the in-house developed technological capabilities, augmenting the Group's omnichannel sales process (the Click2Drive tech platform), supported by our growing nationwide dealership network from Scotland to Exeter and Kent.
- Successful growth achieved, with all acquired businesses fully integrated into Group systems and processes and delivering higher levels of profitability than anticipated.
- Strong people focus, with the delivery of enhanced benefits to colleagues, enrichment of training opportunities and improved engagement through colleague forums. This has resulted in an increase in the number of colleagues who consider the Group a great place to work.
- Continued brand focus, with Bristol Street Motors now the top automotive retail brand (including disrupters) in England and Wales. Improvements in awareness of the Vertu Motors and Macklin Motors brands also delivered.
- Application of stringent capital allocation disciplines. Acquisitions are only undertaken if they meet required return levels. Dividends were re-established and over 9.7m shares bought back in the Year, with the buyback programme continuing.

I am very proud to see how every colleague has contributed to the success of the Group and I would like to thank them for this. The commitment that they have shown over the past year has been exemplary.

As we enter the new financial year, the economic, social and health effects of the pandemic are ongoing, and we are mindful of macroeconomic and geopolitical risks. The Group's excellent financial position, continued investment in its colleagues and systems and its established track record of execution gives confidence that we will continue to deliver on our strategic objectives.

Andy Goss, Chairman

[1] Adjusted to remove share-based payments charge, amortisation of intangible assets and impairment charges

CHIEF EXECUTIVE'S REVIEW

Execution of Strategy

The Group's key long-term strategic goal remains: To deliver growing, sustainable cashflows from operational excellence in the franchise automotive retail sector. The strategic objectives of the Group were updated following a Board review during the Year and are summarised below:

- To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, whilst being mindful of industry development trends, to maximise long-run returns.
- To be at the forefront of digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy:
    - Optimise our omnichannel retail offering through leveraging the 'Click2Drive' technology and utilising this important sub-brand to promote its usage
    - Digitalise aftersales processes to improve customer service
    - Reduce the cost base of the Group by delivering efficiency using technology
    - Utilise data driven decision making to generate enhanced returns
- To develop and motivate the Group's colleagues to ensure operational excellence is delivered constantly across the business.
- To develop ancillary businesses to add revenue and returns that complement the core business.

An update on progress in executing these strategies is set out below:

Developing the Scale of the Group

The Group has an excellent platform allowing it to capitalise on opportunities:

- *Financial capacity*

  The Group's balance sheet strength is underpinned by a significant freehold and long leasehold property portfolio and a largely unencumbered inventory of used cars. This strong asset base, together with a net cash position on 28 February 2022 means there remains significant firepower available to facilitate the Group's future growth ambitions. This is estimated at around £90m. The Group will apply its very disciplined approach to acquisitive growth to ensure that only the right opportunities to drive long term success and shareholder value are executed.

- *Management capacity*

  The Group has a stable and experienced senior management team, with an established track record of execution and performance delivery. This team has very much an "owner" mentality and sets the "tone from the top" to ensure that the business's culture is appropriate and consistent across all its operations. This ensures the delivery of the Group's Mission Statement ("To deliver an outstanding customer motoring experience through honesty and trust") through application of the Group's Values ("Professionalism, Passion, Recognition, Integrity, Respect, Opportunity and Commitment"). These matters are not considered just words but are vital to the Group's success and this is evidenced by strong awareness of the Values by colleagues.

In April 2022, the Group appointed Bruce Clark as its Chief Technology Officer, a new position on the Operational CEO Committee of the Group. Bruce joined the Group in 2013 and will be responsible for IT infrastructure, data security, software development and data analytics. This appointment will be augmented by further appointments in the technology area and highlights the Group's focus on this key area and increasing bandwidth.

- *Operational Systems Platform*

  The Group's in-house developed systems provide uniform processes and control, as well as live management information and data to allow speedy and appropriate decision making. Acquired businesses are quickly migrated onto this scalable technology and process platform to ensure control is quickly established and performance improvement opportunities are highlighted. The scale of the Group allows it to continue to increase investment in the development of systems and operations to further augment the Group's customer offering and profitability. A 50 strong development team is now in place.

- *Brand Strength*

  The Group operates three major customer facing brands in the UK: Bristol Street Motors, Macklin Motors and Vertu Motors. Bristol Street Motors remains one of the largest sector brands, with a UK prompted brand awareness of approx. 48.7%, currently the third highest ranking franchised automotive retail brand in the UK, with the brand ranked number 1 on prompted brand awareness in England and Wales. In Scotland, the Group operates under the Macklin Motors brand, which has a strong 40% brand awareness. Vertu Motors is the Group's premium focused brand, with a growing prompted awareness of approx. 7%. Each of these brands is supported by extensive TV campaigns, sports sponsorships and partnerships and digital marketing initiatives.

- *Execution of growth strategy in the Year*

  The Group has the brand strength and financial, operational, and management capabilities to continue to add additional franchised outlets to the business.

  On 12 March 2021 the Group acquired the trade and assets of a Honda car dealership in Huddersfield, West Yorkshire, which also holds an authorised repair contract for Mitsubishi, from Hepworth Motor Group. Total consideration of £0.7m was settled from the Group's cash resources.

  On 10 December 2021 the Group acquired the entire issued share capital of Farmer & Carlisle Holdings Limited, which operated two Toyota franchise freehold dealerships located in Loughborough and Leicester. The share capital was acquired for cash consideration of £8.7m (including £0.9m net cash acquired). Consideration included a payment in respect of goodwill of £2.35m. The businesses have been fully integrated in terms of the Group's systems and processes.

  The Group was delighted to announce further expansion with Toyota as Macklin Motors was awarded the franchise in the West of Scotland from 1 April 2022. The Group intends to develop a total of four dealerships in the coming periods to cover this extensive territory. The first dealership opened in Darnley, South Glasgow on the 1 April 2022, in the freehold premises acquired in early 2021. An additional facility will be open in the

Autumn. These developments will augment the Group's existing three Toyota dealerships located in the East Midlands and create a scaled level of representation with this much sought-after brand.

The Group also continues to evaluate and execute multi-franchising actions in its locations to maximise the long-term profitability of each location, and position the Group well for the EV transition, where we have gained market share. The Year saw the Group execute on this strategy in several locations as set out below:

- In June 2021 a new franchise outlet for Citroen was added alongside the Group's existing Vauxhall outlet in Northampton. This was the third Citroen outlet added in the last 24 months.
- As planned, the Vauxhall, Renault, Dacia and Hyundai franchises were added to the Group's existing dealership premises in Dunfermline, Fife with Ford sales operations having ceased on 30 September 2021.
- The Honda Bikes franchise was added to the Group's existing Honda dealership in Stockton bringing the total number of outlets in the Group's Vertu Motorcycles Division to four.
- The Group opened new standalone Renault and Dacia franchise outlets in Leicester and York.
- The Group gained the MG franchise for the first time during the Year, and now operates three outlets in Carlisle, Beaconsfield and Edinburgh. Two more MG outlets are planned.
- The Group opened its first Stellantis multi-brand aftersales centre in Harlow in November 2021, in premises located near the Group's existing Peugeot dealership in Harlow, Essex.
- The Hyundai franchise was added to the Group's existing Honda dealership in Sunderland. In addition, the Peugeot franchise has been added to the Group's Sunderland Vauxhall dealership.
- In January 2022 a newly built freehold dealership opened in Newbridge, Edinburgh representing Kia and Peugeot. These franchises relocated from leasehold premises on the expiration of the lease. The MG franchise was also included in the new development with this business having been acquired in December 2021.
- On 1 May 2022, the Group opened a further Bristol Street Motor Nation used car outlet in newly acquired leasehold premises at Stockton, Teesside. This is a large used car operation in a prime location in the town. The development extends the Bristol Street Motors brand into the core of Teesside for the first time.

The Board continues to actively manage the Group's portfolio of dealerships and assess further growth opportunities, taking account of future trends in electric vehicles, whilst utilising strict investment return metrics to ensure discipline in capital allocation.

Pruning activities were also undertaken during the Year. The Group's single Mitsubishi and Suzuki outlets in Edinburgh ceased operation during the Year. In addition, the Group's surplus properties held for resale were sold during the Year generating cash proceeds of £1.4m.

Digitalisation Developments

- *Omnichannel Retail Sales Developments*

  The Group was the first UK retailer in 2017 to offer full online retailing of used cars and continues to be at the forefront of developments to provide customers with innovative ways to purchase and interact online. The sub-brand 'Click2Drive' was established during the Year to capitalise on online and omnichannel sales opportunities and to ensure that customers had the requisite flexibility to purchase vehicles in the manner of their choosing. This new brand was launched in October 2021 supported by TV advertising campaigns under the Bristol Street Motors umbrella. The comprehensive omni-channel Click2Drive offering is now available across the main three Group brand websites, Bristol Street Motors, Vertu Motors and Macklin Motors.

  At the same time as the 'Click2Drive' brand launch, the Group's online retailing capability was enhanced by the launch of a 'concierge' service, aiding customers who may need help with their online vehicle purchase. This service is provided by a new team within the Sales Customer Experience Contact centre located in Gateshead. In the first four months of operation, the concierge service has guided customers through the online purchase journey taking over 400 vehicle orders and increasing sales conversion in online and offline channels. The concierge effectively acts as a personal shopper, co-ordinating all interaction with the customer, including liaison with the Group's 160 sales outlets.

  A migration of the infrastructure running the Group's websites and intranet applications from physical data centres to the Amazon Web Services (AWS) cloud was completed in January 2022. This infrastructure has given the Group the ability to automatically scale its website capacity and early results are very encouraging. An immediate improvement of a 25% reduction in page load time was delivered. This led to a 35% increase in the Group's overall Google Insights score for mobile visitors. These improvements generate an improved user experience to website users and contribute to longer term improvements in search engine optimisation performance.

  The Group has made a significant investment in cloud-based telephony systems and a Customer Data Platform (CDP) during the Year. These technologies are currently in their roll-out phase, and it is expected that it will take to the end of the calendar year to fully roll these out across the Group's extensive dealer network. The telephony system will enable more effective tracking of enquiries and provide real time information to our colleagues on both calls received and calls made, allowing management to respond more quickly to ensure the Group delivers outstanding customer experiences. Data contained in the CDP will be used to improve the effectiveness of marketing activities, ensuring that we communicate with customers at the right time and with relevant personalised offers. In addition, such first party data will improve the efficiency of digital marketing activities. These initiatives will allow our colleagues to better serve our customers and will help to drive improved conversion rates on enquiries.

- *Digitalisation of Aftersales*

  The Group's aftersales functions, which include vehicle service and mechanical repair, accident repair and parts supply, represent a significant and important proportion of overall profitability. There is an increasingly important role for digitalisation within the

Group's aftersales operations. The Group's customers can book a vehicle service appointment fully online, 24 hours a day. The number of online bookings made in this way continues to grow year-on-year, with over 73,000 made in FY22 (FY20: 36,000). In addition, further development work is underway to deliver self-service and online functionality to customers after the booking and during the visit. The aim is to create as effortless a customer journey as possible to increase sales conversion of additional work identified, average invoice value and future customer retention.

The Group seeks to capture new aftersales customers as they are looking for vehicle repairs or service on-line through its digital conquest strategy. This successful strategy has continued to augment our service operations with additional bookings from customers who in the main have never used the Group's aftersales services before. The successful execution of this strategy has delivered a 143% growth in the number of bookings via this strategy over the Year. The Group anticipates 28,000 such bookings in the next 12 months. These bookings tended to be for older vehicles out of manufacturer warranty periods which is a growing part of the aftersales market.

- *Digitalisation to improve efficiency and reduce cost*

  The Group has always been very focused on the detailed management of its cost base and has been successful in the digitalisation of processes to drive efficiency and therefore reduce costs. Further digitalisation and robotic process automation has been delivered by the in-house development team in the Year to improve efficiency in the areas of vehicle administration, inventory control, smart repair ordering, customer refunds and payment receipts. Another area identified for technology deployment is in the vehicle valet arena. A new App to control the activity of the Group's substantial valeting resource is being developed and will be piloted in May 2022. This App will link data from our sales and aftersales systems to instruct valet activity, measure productivity and allow ease of cost allocation, facilitating efficiency savings and removal of duplicated activity.

Recruiting, Retaining and Developing Colleagues

It is a priority of the Group to develop and motivate the Group's colleagues to ensure the delivery of operational excellence and outstanding customer experiences. One of the most significant current challenges in the business remains workforce recruitment and retention. The number of UK job vacancies has continued to grow to record levels of 1.3 million (source: ONS), with half of UK industry sectors showing record highs. The inevitable consequence of these resource constraints has been wage inflation. The Group is not immune to these effects and has consistently seen vacancy levels of approx. 500 vacancies over the second half of the Year with recent reductions visible. A key objective for the Group remains to significantly reduce the number of outstanding vacancies to ensure customer service levels are met and revenue opportunities maximised.

A survey conducted in January 2022 saw 88% of colleagues ranking the Group as a great place to work (up from 85.3% in July 2021). This improvement is in part due to the initiatives delivered to ensure that the Group remains an employer of choice in the sector. For example, the enhancement of maternity pay provisions in the Summer and pay reviews for the majority of non-management colleagues which were actioned by 1 January 2022. In addition, in March

2022 the Group announced an enhancement to holiday entitlement for all colleagues from 23 to 25 days with up to four additional days available to longest serving colleagues. These initiatives should aid colleague retention and attraction.

The Group launched dealership colleague forums during the Year, a formalised way in which colleagues of all levels can provide their feedback on work matters. Forums have also had the opportunity to access the non-executive director for colleague engagement, Pauline Best. It was feedback from these forums that aided Group management on the need for actions in respect of the colleague initiatives above.

The Group has long been committed to extensive investment in the development of all colleagues to provide opportunity to those who are talented and driven to succeed. Programmes include a degree apprentice scheme, technician apprentice schemes and development programmes to facilitate progression to management roles in all areas. The Group has also launched a new modern apprentice programme for service advisors and has recruited 51 out of the targeted 112 positions to date. In addition, the Group deepened its partnership with the Dale Carnegie Institute, increasing the scope of online and offline personal and leadership development training across the Group. All colleagues now have access to online personal development programmes based on the principles of Dale Carnegie's book, "How to Win Friends and Influence People".

Ancillary Businesses

The Group's growing ancillary business division has a dedicated divisional team to drive the success of the businesses, which include Vansdirect, AceParts and TaxiCentre. The Group has a strategy to develop such businesses to add revenue and returns that complement the core businesses.

On 31 May 2021, the Group executed on this strategy to add complementary ancillary businesses with the purchase of Powerbulbs Online Limited for £481,000. This business complements the Group's existing AceParts online parts sales operation, which currently sells to consumers via Marketplaces. Powerbulbs represents an established ecommerce website, with good reach and rankings, historically selling to customers both in the UK and substantially overseas. The business has been integrated into AceParts and has strong growth prospects.

Strategic Summary

Our experienced management team, strong brands, digital prowess and financial strength ensure the Group is well positioned to take advantage of the opportunities arising and the team is ambitious to do so. The Group will continue to innovate and execute to ensure that it excels in meeting customer needs and responds to the changing external environment in which we operate. Capital is allocated to those activities, locations and franchises that are best placed to meet the competitive challenges arising and to provide the best growth opportunities and maximise long-term return on invested capital. The Group will leverage on its proven strengths and execute on cost saving initiatives, continued development of colleagues, accelerating brand growth and pursuing new business opportunities.

Other Sector Trends

In addition to the well-publicised digitalisation of sales transactions, the franchised Automotive Retail sector continues to evolve in the areas of electrification and agency distribution. Responding to these trends is clearly top of mind for the Board.

1. **Electrification**

   Consumer appetite for electric vehicles is growing, aided by improvements in driving range and by a significant increase in the choice of vehicles. Local and Central Government environmental policies are playing a part in this sales growth. Despite overall supply constraints in new vehicles throughout the period, electric and hybrid vehicle sales in the UK saw growth of over 60% in calendar 2021 compared to 2020 representing a significant market share increase. The Group delivered volume growth more than these market trends so increasing its market share.

   The Group has ensured that all colleagues are appropriately trained on electric vehicles, to respond to customer enquiries and provide repair services. Training in this regard is provided by both the Group's own sales and aftersales training, with colleagues also attending manufacturer training. The Group's commitment to the electrification agenda is evidenced by the fact that the Group has significantly more dealerships approved under the Government's EVA (Electric Vehicle Approved) scheme than any other UK retailer. This scheme sets out minimum standards on operating electric vehicle sales and service outlets and is subject to audit. 21 dealerships are currently approved, and the aim is to have every dealership approved in short order to provide customer confidence.

   Increased electrification of the vehicle parc requires ongoing investment in terms of EV infrastructure such as in aftersales capabilities and charging. The Group invested £0.5m in charging infrastructure in the Year with a further £1.0m planned in the next 12 months.

2. **Agency Distribution**

   A number of Manufacturer partners in the UK are moving to an agency sales distribution model. Under this model, in respect of new vehicle sales, the Manufacturer transacts with the customer while the retailer remains the physical touchpoint with the customer and undertakes the sales process as an agent. The dealer-turned-agent receives a commission on each new vehicle sale, but will own no inventory and will no longer set prices or discounts. In turn, the dealer is exempted from all significant commercial risks associated with the sale. There are varying iterations of the agency model proposed and the picture is evolving.

   The Group has long operated on an agency basis for a significant proportion of fleet and parts sales. The first of the Group's manufacturer partners to operate the agency model for new retail sales will be Cupra electric vehicles later in 2022, with Mercedes-Benz passenger cars following from 1 January 2023.

Current Business Priorities

There is no doubt that the Group is now operating in an inflationary cost environment which has not been evident in its 15-year history to date. It is therefore more important than ever that the Group ensures there is a focus on the basics of the business – that operational excellence is pursued as market conditions may tighten. With this in mind, the Group has established three immediate priorities in addition to its longer-term strategy:

1. **Cost Management**

   Without curtailing investment in the delivery of the long-term strategic objectives of the Group, control of costs is essential. The Group is seeking to avoid inflationary pressures leading to an environment where costs are not appropriately controlled. The right mindset and culture of cost management is vital.

   The Group has recently relaunched its 'war on waste' initiative to drive behavioural change amongst our colleagues to save cost, for example around energy use given escalating costs. The Group's fixed price energy contract for the supply of electricity ends on 1 October 2022. Pricing in the energy market has meant that the Group can potentially expect higher than budgeted increases on the renewal of these contracts increasing costs.

   The Group has also identified appropriate capital investment to drive savings, for example in the fitting of LED lighting in all of the Group's vehicle repair workshops, an 18-month project of approx. £1.2m capital investment, to save significant energy use going forward. Further projects to reduce energy costs are being evaluated.

   The Group continues to identify areas in the business where the Group's 50 strong software development team can be put to work to create efficiencies through use of technology.

2. **Maximisation of Conversion of enquiries to revenues**

   The Group has an objective to increase the conversion of opportunities to revenues in both the sales and aftersales areas through a focus on process, measurement and use of technology. Maximising the return from the Group's marketing spend is a key priority.

   The Year has seen the sales processes of the Group continue to evolve, with the objectives of improving the customer journey and increasing the conversion of enquiries into sales. The development of the Group's Sales Customer Experience Centre has driven improved conversion in several ways and the continued focus on this area will be vital in the months ahead.

   A project is now underway to digitise the aftersales service process to enhance sales conversion and the customer experience.

3. **Customer Experience to drive retention**

   Delivery of the Group's Mission 'to deliver an outstanding customer motoring experience through honesty and trust' remains vital to improving retention of customers into both the Group's service departments and for future vehicle sales. Great experiences boost retention, recommendation rates and profit per transaction. In addition, positive online reviews provide a fantastic and vital window into the Group's service delivery for prospective customers.

   42% of new retail vehicle customers and 18% of used vehicle customers currently return to the Group within four years to purchase another vehicle. The Group is targeting a significant improvement in these measures, through the execution of its digitalisation and customer focused developments. This includes the recent establishment of 'renewal hubs' for both new and used car sales. Colleagues in these hubs contact previous customers at the time they are likely be in the market to change their vehicles.

CURRENT TRADING AND OUTLOOK

- March & April 2022 Trading

The Group delivered a trading profit of £19.1m (FY22 : £19.2m) in March and April 2022 ("the post year end period"). This result was in line with prior year levels, which included business rates support and significant pent-up consumer demand as the UK emerged from lockdown.

The Group's trading performance in the post year end period is summarised below, with comparisons shown against March and April 2021.

	Group Total Variance	Like-for-Like Variance	SMMT Market Variance	Like-for-like variance to SMMT Market
Group Revenue	5.1%	4.3%		
Service Revenues[11]	5.8%	5.0%		
Volumes:				
Used Retail Vehicles	(12.9%)	(13.2%)		
New Retail Vehicles	9.3%	7.4%	7.1%	0.3%
Motability Vehicles	(17.4%)	(17.2%)	(27.0%)	9.8%
New Fleet Cars[12]	(22.0%)	(24.5%)	(34.0%)	9.5%
New Commercial Vehicles	(17.4%)	(20.0%)	(28.1%)	8.1%

[11] Includes internal and external revenues
[12] Includes agency volumes

Group revenue growth was delivered in the post year end period, due to continued strong vehicle prices. Like-for-like new retail vehicle volumes grew 7.4% slightly ahead of the market, despite ongoing supply constraints due to global supply chain shortages, noticeably semiconductors. The Group significantly outperformed the wider market volume trends in the fleet, commercial and Motability channels of new vehicle sales. Margins were robust, benefitting from strong pricing disciplines and quarterly bonus in March which were absent in the prior year due to the impact of lockdown. The bulk of the gross profit increase in the post year end period, year-on- year, arose in the new retail vehicle channel.

The used vehicle market showed increased signs of normalisation in the post year end period. Consumer demand in the prior year reflected pent-up demand post lockdowns and a lack of alternative spending channels for consumers such as holidays. In addition, used vehicle demand has also been impacted by the high rise year-on-year in used vehicle prices and increased demand for electric vehicles, which are available in the new car channel rather than used. Like-for-like volumes of used cars therefore continued to decline as in H2 FY22.

Constrained supply of used vehicles is set to continue and this has underpinned used values in the post year end period. As a result, whilst gross profits per unit traded below FY22 levels, they remained significantly ahead of historic normalised levels. Higher sales prices resulted in reduced and more normal gross profit margin percentages.

Like-for-like service activity improved compared to last year by 2.8%. Internal and retail service work showed year-on-year growth with substantial shortfalls in warranty work, in part due to declines in the 0–3 year vehicle parc. As anticipated, aftersales margins reduced due to the impact of higher technician salary costs.

- Outlook

Shortfalls in the supply of both new and used vehicles in the UK are likely to continue for some time because of the dislocation in global supply chains impacting on vehicle production. Such supply constraints helped to underpin vehicle values and margins throughout March and April. Consumer confidence in the face of rising domestic costs is a critical determinant to continuing success, both in terms of demand and used vehicle pricing trends. Management is focused on operational excellence around cost, conversion and customer experience and the delivery of the Group's strategic objectives.

The Board believes that the Group is strategically very well placed to capitalise on the challenges and opportunities in the UK automotive retail sector and remains confident in the prospects for the Group. Its strong balance sheet, management and technological capability underpin this confidence. The Group's excellent relationships with its chosen Manufacturer partners underpin further growth opportunities, which are likely to accelerate.

Robert Forrester, CEO

CHIEF FINANCIAL OFFICER'S REVIEW

The lockdown restrictions throughout parts of FY21 and, to a lesser extent, the start of FY22 disrupted the Group's operations significantly. The tables below include comparatives to both the years ended 28 February 2021 (FY21) and 29 February 2020 (FY20) to help a better understanding the Group's performance. The Group's income statement for the Year is summarised below:

	FY22 £'m	FY21 £'m	FY22 Var to FY21 %	FY20 £'m	FY22 Var to FY20 %
Revenue	**3,615.1**	**2,547.7**	41.9%	**3,064.5**	18.0%
Gross profit	**435.4**	**301.0**	44.7%	**334.1**	30.3%
Operating expenses excluding Government support	(354.3)	(303.7)	(16.7%)	(301.9)	(17.4%)
Government support[5]	6.6	36.5	(81.9%)	-	-
Operating expenses reported	(347.7)	(267.2)	(30.1%)	(301.9)	(15.2%)
Adjusted Operating profit	**87.7**	**33.8**	159.5%	**32.2**	172.4%
Net Finance Charges	(7.0)	(9.2)	23.9%	(9.2)	23.9%
Adjusted Profit Before Tax	**80.7**	**24.6**	228.0%	**23.0**	250.9%
Non-Underlying items[6]	(1.9)	(2.2)	13.6%	(15.7)	87.9%
Profit Before Tax	**78.8**	**22.4**	251.8%	**7.3**	979.5%
Taxation	(18.8)	(6.1)	(208.2%)	(4.3)	(337.2%)
Profit After Tax	**60.0**	**16.3**	268.1%	**3.0**	1,900%

[5] includes receipts under the Coronavirus Job Retention Scheme and business rates relief
[6] Non-underlying items represent share-based payment charge, amortisation of intangible assets and impairment charges

The Group delivered a record result in the Year, generating an adjusted profit before tax of £80.7m. (FY21 £24.6m, FY20 £23.0m).

Revenue grew to £3.6bn, a growth of £550.6m (18.0%) compared to the pre-pandemic FY20. Acquisitions completed after 1 March 2019 contributed additional revenues of £480.1m, whilst the execution of pruning activities of disposals generated a revenue reduction of £48.2m. Rising vehicle prices were largely responsible for the underlying £118.7m (3.9%) increase in Core Group revenues.

Gross margins remained strong, aided by the sector tailwinds, at 12.0% (2021: 11.8%, 2020: 10.9%).

Revenue and Gross Profit by Department

An analysis of total revenue and gross profit by department is set out below:

	FY22 £'m	FY21 £'m	FY22 Var to FY21	FY20 £'m	FY22 Var to FY20
Revenue					
New	969.9	739.7	230.2	862.5	107.4
Fleet & Commercial	772.0	578.4	193.6	708.5	63.5
Used	1,584.4	1,008.4	576.0	1,235.4	349.0
Aftersales	288.8	221.2	67.6	258.1	30.7
Total Group Revenue	**3,615.1**	**2,547.7**	**1,067.4**	**3,064.5**	**550.6**
Gross Profit					
New	80.6	54.3	26.3	62.7	17.9
Fleet & Commercial	35.5	23.2	12.3	25.8	9.7
Used	154.4	93.9	60.5	102.1	52.3
Aftersales	164.9	129.6	35.3	143.5	21.4
Total Gross Profit	**435.4**	**301.0**	**134.4**	**334.1**	**101.3**
Gross Margin					
New	8.3%	7.3%	1.0%	7.3%	1.0%
Fleet & Commercial	4.6%	4.0%	0.6%	3.6%	1.0%
Used	9.7%	9.3%	0.4%	8.3%	1.4%
Aftersales[7]	47.1%	49.3%	(2.2%)	46.9%	0.2%
Total Gross Margin	**12.0%**	**11.8%**	**0.2%**	**10.9%**	**1.1%**

[7] Aftersales margin expressed on internal and external revenues

The total volumes of vehicles sold by the Group and like-for-like trends against market data are set out below:

	FY22 Units	FY21 Units	Like-for-like FY22 % Var to FY21	FY20 Units	Like-for-like FY22 % Var to FY20
Used retail vehicles	**88,772**	**65,847**	**28.6%**	**84,771**	**(7.1%)**
New retail cars	33,366	25,437	21.4%	32,701	(14.6%)
Motability cars	8,404	8,806	(6.9%)	9,722	(21.4%)
Direct fleet cars	14,089	9,917	33.7%	17,053	(34.9%)
Agency fleet cars	4,664	4,693	10.7%	5,704	(26.0%)
Total fleet cars	18,753	14,610	26.9%	22,757	(28.0%)
Commercial vehicles	17,528	15,618	10.6%	17,596	(2.0%)
Total New vehicles	**78,051**	**64,471**	**16.1%**	**82,776**	**(16.2%)**
Total vehicles	**166,823**	**130,318**	**22.5%**	**167,547**	**(11.6%)**

	FY22 v FY21		FY22 v FY20	
	Group Variance to market[8]	**UK Market**	**Group Variance to market[8]**	**UK Market[9]**
New Retail Car	4.2%	17.2%	2.5%	(17.1%)
Motability Car	2.4%	(9.3%)	3.1%	(24.5%)
Fleet Car	25.5%	1.4%	6.0%	(34.0%)
Commercial	(6.8%)	17.4%	3.2%	(5.2%)

[8] Represents the variance of like-for-like Group volumes to the UK trends reported by SMMT
[9] Source SMMT

Used retail vehicles

The used vehicle market in the UK, has seen unprecedented market dynamics throughout the Year. The impact of the Pandemic reduced the new and used vehicle market due to lockdowns together with creating new vehicle production disruption which impacted on the supply side. Constrained supply of used vehicles has consequently been apparent driving increased vehicle prices and margins and leading to record used vehicle profitability. Record retail margins were boosted by strong profits on the disposal of trade vehicles.

A period of strong customer demand was seen as the UK emerged from lockdown in April 2021, aided by increased consumer savings rates, the absence of alternative spending options and a shift away from public transport. This strong demand meant that the April to June 2021 period was the best quarter on record for used vehicle transactions in the UK[9], growing 6.6% on pre-pandemic 2019. In all other months in calendar 2021, UK used vehicle transactions fell year-on-year compared to pre-pandemic levels (2019). Used vehicle prices rose very significantly against new vehicle values and this undoubtedly drove some used vehicle customers to switch to new vehicles which they perceived to be better value. It is also likely, that the growth in popularity for electric vehicles with greater range is boosting new vehicle demand at the expense of the used car market due to an almost complete dearth of used electric vehicles. Overall, used vehicle transactions in the UK fell 5.1% in 2021 compared to pre-Pandemic levels reflecting these trends. Reduced demand has also seen used vehicle prices start to soften albeit this impact is muted given remaining supply constraints.

The Group keeps the UK used vehicle demand, pricing and supply environment under constant review. This focus ensures that an appropriate balance between volume and margin is maintained. The Group utilised a mix of strategies to secure used vehicle inventory despite shortages of supply, including direct purchases from consumers and utilising both central purchasing capabilities and its extensive local dealership management to source supply.

A 40% rise in prices over the Year has meant that overall used vehicle inventory levels in the Core Group increased by £21.5m. Ensuring a good supply of used vehicle inventory left the Group well placed to capitalise on the favourable market conditions, resulting in a record profit performance both in used cars and for the Group as a whole.

Group gross profit from the sale of used vehicles totalled £154.4m for the Year (FY21: £93.9m; FY20: £102.1m). When comparing to the more stable period of the year ended 29 February 2020 (FY20), the following like-for-like variances arose:

- £38.1m increase in gross profit generated from used vehicle sales
- 7.1% decrease in the number of used retail units sold
- Gross profit per unit of £1,763, a rise of 45.6% from £1,211
- Average selling price of £17,376 per unit, a 19.3% increase
- Gross margin rising substantially to 10.1% from 8.3%

[9] Source: SMMT

New retail cars and Motability sales

UK retail registrations significantly improved, by 17.2%, over the FY21 comparative period which was impacted by longer and more complete lockdowns. Compared to the pre-pandemic year ended 29 February 2020 (FY20), UK new vehicle retail registrations actually fell by 17.1%, reflecting reduced supply of new cars and March 2021 being a month where showrooms were closed to customer visits. Well documented component shortages together with disruption at factories and within the global supply chain have all adversely affected new vehicle supply. Against this backdrop, the Group's like-for-like new retail vehicle volumes declined by 14.6% when compared to the year ended 29 February 2020. The Group therefore outperformed the market decline of 17.1%. Despite supply constraints dampening UK new vehicle registrations, sales of electric and hybrid vehicles have significantly increased with the SMMT highlighting new retail registrations of these vehicles having increased by 101.3% in FY22 compared to FY21. The Group saw like-for-like sales of electric and hybrid vehicles grow by over 170% in the Year and consequently grew its market share in this vital and growing channel. Ordertake has been very strong and the Group's order bank levels for new retail vehicles remain at record levels, with over 16,000 new retail vehicles ordered in the Year remaining undelivered as at 28 February 2022. This figure represents 48% of new retail vehicles sold by the Group in the year ended 28 February 2022.

UK Motability registrations were also impacted by supply constraints and declined by 24.5%, compared to FY20. The Group's Motability volumes, declined by 21.4% over the same period on a like-for-like basis, slightly ahead of the market and representing a UK market share of 4.8%. The Group is Motability's largest partner in the UK.

Issues in the supply chain, meant that many of the Group's Manufacturer partners reduced or removed volume targets. The reduction in supply in a period of robust demand and reduced pressure to achieve volume targets, led to improved gross profit retention aided by the application of effective pricing disciplines. Consumers have been increasingly accepting of long lead times, especially as the rise in used vehicle prices significantly reduced the cost to change to a new vehicle. Compared to the year ended 29 February 2020, the following trends were apparent on a like-for-like basis for the New Retail and Motability sales channel:

- A £7.2m increase in gross profit generated, despite a 14.6% reduction in the number of new retail units sold
- Gross profit per unit of £1,921, a rise of 31.5% from £1,461
- An average selling price of £21,734 per unit, a 17.6% increase
- Gross margin rising to 8.4% from 7.3% despite the significant increase in average selling price

Fleet & Commercial vehicle sales

The UK car fleet market continues to see reduced activity as the restrictions in the supply of new vehicles caused many Manufacturers to divert limited capacity to higher margin retail channels. Retailers also benefit from this protection of their higher margin channels. Registration volumes in the UK car fleet market declined 34.0% in the Year compared to the year ended 29 February 2020. Like-for-like, the Group delivered 15,518 fleet cars in the Year, representing a decline of 28.0% compared to FY20, which was ahead of the market trends. Margins strengthened due to supply constraints, pricing mix changes and the Group adopting strong pricing disciplines.

The light commercial vehicle market in the UK rebounded after the lockdown, due in part to strong underlying demand from key sectors, notably construction and home deliveries. Nevertheless, UK van registrations fell 5.2% in the year to 28 February 2022, when compared to FY20 levels, as production and supply issues also impacted this sector. The Group saw a 2.0% fall in the like-for-like volume of new commercial vehicles sold, ahead of the market trends, compared to FY20. This market outperformance by the Group was aided by a strong performance from the Group's Vansdirect business. The Group sold 5.0% of UK new light commercial vehicles in the Year.

When compared the year ended 29 February 2020, the following fleet and commercial trends were seen on a like-for-like basis:

- A £6.7m increase in gross profit, despite a reduction in the number of units sold
- Record gross profit per unit of £957, a rise of 50.2% from £637
- Gross margin rising to a record 4.6% from 3.6%

Aftersales

The Group's aftersales operations are a vital contributor to Group profitability, generating 38% of total gross profit.

Overall, compared to the Year ended 29 February 2020 (FY20) the following like-for-like trends in aftersales performance were witnessed:

	Service £'m	Parts £'m	Accident & Smart Repair £'m	Total £'m
Revenue[10]	131.0	149.2	22.5	302.7
Revenue[10] change	(0.0)	0.8	3.9	4.7
Revenue[10] change (%)	0.0%	0.5%	21.2%	1.6%
Gross profit change	(0.4)	1.7	1.4	2.7
Gross margin[11] FY22 (%)	76.7%	22.5%	37.8%	47.1%
Gross margin[11] FY20 (%)	77.0%	21.5%	38.4%	46.9%

[10] includes internal and external revenues
[11] margins in aftersales expressed on internal and external revenues

- *Service*

The Group's service performance has been impacted by higher-than-average levels of technician vacancies and by covid related absences. As set out in the Strategy section of this announcement, the Group took action to address colleague recruitment and retention through a Group wide salary review. This was implemented for technicians in November 2021 and technicians saw the highest percentage increases.

Partly because of resource constraints including covid-related absences, like-for-like, the Group sold 4.9% less service hours in the year to 28 February 2022 when compared to the pre-pandemic year to 29 February 2020. Most of this shortfall in hours arose from a reduction in warranty work undertaken by the Group on behalf of its Manufacturer partners. A decline in the 0–3 year parc in the UK, due to reduced new vehicle registrations in the last two years, along with fewer journeys being undertaken in the early part of FY22 due to lockdowns, contributed to this decline in warranty work. Some weakness in internal hours sold was also apparent, driven by reduced volumes of vehicles sold in the core Group. The Group was successful in maintaining core retail service hours sold at FY20 levels, through strong execution of retention and aftersales processes and the active targeting of conquest business particularly of older vehicles.

The Group's customer retention strategies focus on ensuring vehicle sales customers return to the Group for their service, whether they have purchased a new or used vehicle. Service plans, through which customers pay monthly or upfront for their annual service are a vital part of retention. The Group has been successful in improving the penetration of service plan sales on used vehicles over the Year, selling over 31,000 plans, representing approx. 38% of all retail used cars sold. The Group has over 160,000 live service plans including manufacturer service plans. Excellence of customer service is vital to retention, with the Group having a strong vehicle health check ("VHC") process, where any items requiring attention are highlighted in a video provided direct to the customer. The customer can then give their approval for any repairs required. On average, the Group sells £86 of work identified by this process to each customer.

Strong execution resulted in like-for-like service revenues being stable compared to FY20 despite the reduction in hours sold. Gross margin percentages on vehicle servicing declined slightly to 76.7% (FY20: 77.0%) in the Core Group reflecting the remuneration action taken to address technician resource constraints, which increased cost of sales in the service department.

- *Parts*

Parts revenues in the Core Group grew £0.8m compared to FY20, as the Group gained market share offset by increasing adoption of the agency distribution model in certain franchises in recent periods as previously reported.

As a new development in the Group's Aftersales Customer Experience Centre, inbound parts phone enquiries from retail customers are now being centralised with orders taken in Gateshead for the Group's dealerships. This unit started in early 2021, delivered revenues of £2.9m in the Year and enhanced customer experiences, augmenting the Group's high margin parts sales. Rollout to all Group dealerships of this function is now nearing completion. Gross margins in parts rose from 21.5% to 22.5% as the Group took market share in the Group's premium franchises, delivered excellent customer experiences and benefited from agency parts operations being a higher proportion of the Group activities. In agency operations, the Group records no revenues or cost of sales, except a handling fee representing 100% gross margin.

- *Accident and Smart Repair*

The Group has significantly expanded its Smart Repair operations, which now has 88 colleagues providing mobile cosmetic, windscreen and alloy wheel repairs serving both the Group's dealerships and external customers across the UK. The expansion of the Group's Smart Repair operations account for over 50% of the increase in revenues in this channel.

During the Year, the Group moved responsibility for all of the Group's accident repair centres out of the dealership divisional operations, into a new standalone division, concentrating solely on the management of this channel. In the first half of the Year, less journeys were made in the UK due to Pandemic restrictions and widespread home working, with the result that fewer accidents were recorded and therefore this reduced activity in the Group's accident repair centres. Activity recovered in the latter part of the Year and this, coupled with the increased management focus on this channel, meant that Core Group revenues grew slightly over the Year.

Margins of 37.8% were achieved (FY20 38.4%). The decline arose due to the mix impact of higher smart repair activities and technician salaries and material costs increasing, which could not be passed onto insurance providers under fixed pricing arrangements.

Acquisitions, Disposals and Closures

Acquisitions made since 1 March 2019 have contributed an additional £4.5m of profit before tax to the Group compared to FY20, summarised as follows:

	FY22		**FY20**		**FY22 Variance to FY20**	
	Revenue £m	**PBT £m**	**Revenue £m**	**PBT £m**	**Revenue £m**	**PBT £m**
BMW/MINI Acquisition (Dec 2020)	302.8	3.8	-	-	302.8	3.8
Yorkshire Volkswagen Acquisition (Jan 2020)	101.7	0.9	9.1	(0.4)	92.6	1.3
Other acquisitions	85.3	(0.7)	0.6	(0.1)	84.7	(0.6)
Total Acquisitions	**489.8**	**4.0**	**9.7**	**(0.5)**	**480.1**	**4.5**
Dealership sales or closure	2.4	(0.1)	50.6	(0.1)	(48.2)	-
Total Non-Core	**492.2**	**3.9**	**60.3**	**(0.6)**	**431.9**	**4.5**

The contribution from acquisitions is above the levels envisaged at the time of purchase, reflecting market tailwinds and solid execution of the integration strategy.

The scaled BMW/MINI dealership acquisition reached its first anniversary as part of the Group in December 2021. Prior to their acquisition by the Group, these 12 sales outlets were heavily loss making. The Group successfully executed its plan to drive performance improvements, aided by the immediate integration with Group systems and processes. A first-class BMW/MINI experienced divisional team has been assembled. The acquisition was expected to be loss making in FY22 and earnings neutral by the year ending 28 February 2023 (FY23). Aided by the Group's actions and favourable market conditions, these outlets have performed significantly in excess of these expectations, contributing a profit of £3.8m in FY22.

The other significant acquisition in the period since 1 March 2019 was the purchase of four Volkswagen Passenger car dealerships in West Yorkshire in January 2020. These businesses contributed £0.9m to Group profitability in FY22.

Other acquisitions include the addition of a Honda outlet in Bradford, Kia in Bradford and a multi-franchise site in Edinburgh, together with the acquisitions made in FY22 described in the strategic update. Collectively these outlets contributed a loss of £0.7m with the timing of acquisitions in FY22, in particular, having an impact on returns given the seasonality of profitability in the automotive retail sector.

Operating Expenses

A summary of Core Group operating expenses is set out below:

	FY22 £'m	FY21 £'m	FY22 Var to FY21 £'m	FY20 £'m	FY22 Var to FY20 £'m
Salary costs	176.7	165.0	11.7	168.5	8.2
Marketing costs	31.6	22.5	9.1	27.7	3.9
Vehicle and valeting costs	29.7	25.3	4.4	32.0	(2.3)
Property, rates and energy costs	38.4	36.0	2.4	36.9	1.5
Other	28.5	30.1	(1.6)	28.8	(0.3)
Core Group operating expenses before Government Support	**304.9**	**278.9**	**26.0**	**293.9**	**11.0**
Non Core operating expenses	49.4	24.8	24.6	8.0	41.4
	354.3	**303.7**	**50.6**	**301.9**	**52.4**
Government support (CVJRS receipts and rates relief)	(6.6)	(36.5)	29.9	-	(6.6)
Group Net Operating Expenses	**347.7**	**267.2**	**80.5**	**301.9**	**45.8**

Reported operating expenses of £347.8m, increased by £45.9m compared to the year ended 29 February 2020. This increase was partially offset by Government support of £6.6m and as a consequence the increase excluding this support was £52.4m. Dealerships acquired or sold in the period since 1 March 2019 generated a net £41.4m of this increase. Underlying Core Group operating expenses therefore grew, by £11.0m when compared to FY20.

The Group received significant government support in the prior year due to the dealership closures of the first national lockdowns. In the Year, support levels significantly reduced, with just £0.2m of net receipts from the Coronavirus Job Retention Scheme, for which no claims were submitted after the end of April 2021 when dealerships fully re-opened. In addition, business rates support in the Year had a value of £6.4m. Under the business rates relief scheme, business rates on English retail premises remained fully supported until 30 June 2021, with relief thereafter capped at £2m, whilst rates support continued at the Group's dealerships located in Scotland.

Salary costs in the Core Group increased by £8.2m compared to FY20 representing 75% of the underlying increase in Core Group operating expenses. Variable pay and commission levels represented most of this increase exceeding FY20 levels by £6.4m. This was the result of the record profitability delivered, with many colleagues' and management bonuses linked to profitability achieving maximum capped levels. In addition, increases in sales commissions were seen due to increased gross profit generation. The remaining increase in salary costs relates to additional headcount in both the Group's new Customer Experience Centre for sales and expansion of the team of in-house developers, partially offset by the impact of higher than historic vacancy levels across the Group. A Group wide pay review was rolled out to non-management colleagues from January 2022 with only moderate financial impact in FY22. The pay review for technicians occurred earlier in November 2021 but the impact of this review is apparent in gross margin, as technician salary costs are included in cost of sales.

The Group invested an additional £3.9m in television and other advertising in the Year as part of the strategy to grow awareness of the Group's three customer facing brands.

Other costs include the investment in digitalisation, in particular the enhancement to cloud-based telephony and the development of the CDP and the investment in data security, which increased Core Group costs by £1.8m compared to FY20. This remains a vital strategic area of investment for the Group. Partially offsetting the impact of the above cost increases were savings delivered in areas such as vehicle costs, as supply constrained the Group's demonstrator vehicle fleet and travel, curtailed through working from home and the switch to online delivery for many of the Group's in-house training programmes.

Net Finance Charges

Net finance charges fell by £2.3m year-on-year as analysed below:

	FY22 £'000	FY21 £'000	FY22 Var to FY21 £'000	FY20 £'000	FY22 Var to FY20 £'000
New vehicle Manufacturer stocking interest	1,702	3,582	(1,880)	3,918	(2,216)
Interest on bank borrowings	1,701	1,874	(173)	1,418	283
Used vehicle stock funding interest	142	317	(175)	630	(488)
Interest on lease liabilities	3,581	3,632	(51)	3,595	(14)
Interest income	(163)	(174)	11	(405)	242
Net Finance Charges	**6,963**	**9,231**	**(2,268)**	**9,156**	**(2,193)**

The bulk of the reduction in net finance charges arose in interest charged by Manufacturers on funded new vehicle inventory. This reduction is due to the continued issues in the supply chain which have led to reduced new vehicle stock which require funding. Total new vehicle stock as at 28 February 2022 was £275m (2021: £438m).

Interest on bank borrowings in the Year declined to £1.7m from £1.9m in FY21 as the Group generated significant cash. This resulted in the repayment of £10m of the Revolving Credit Facility in June 2021 and reduced utilisation of used vehicle stocking loans.

Pension Costs

The accounting surplus on the Group's closed defined benefit pension scheme (Scheme) increased to £9.1m as at 28 February 2022 (2021: £6.2m). Actual investment returns were more favourable than previously assumed. In addition, the defined benefit obligation reduced over the Year on changes in assumptions such as a higher discount rate being applied, following a rise in corporate bond yields together with an increase in expected future inflation.

The Scheme invests in an LDI portfolio which aims to fully hedge the Scheme's interest rate (relative to gilts rather than corporate bonds) and inflation risk. Changes in the discount rate and inflation would therefore be mostly offset by a change in the value of the Scheme's assets. A net actuarial gain of £2.8m was recognised in the Statement of Comprehensive Income for the Year.

Tax Payments

In the June 2021 Finance Act, it was enacted that the rate of corporation tax in the UK will rise from 19% to 25% on 1 April 2023. This has resulted in the Group's deferred tax obligations being measured at the higher rate of 25% in the Year. The impact of this change has increased the Group's tax charge in the Year by £2.9m.

The Group's underlying effective rate of tax (ignoring the deferred tax adjustment above) for the Period was 19.9% (FY21: 21.3%). The overall effective tax rate, impacted by the revaluation of deferred tax obligations, increased to 23.8% (FY21: 27.2%). The total tax charge for the Year rose from £6.1m to £18.8m reflecting these changes and the significant increase in profitability.

The Group continues to be classified as "low risk" by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

Cash Flows

Free cash flow of £44.2m (FY21: £48.4m) was generated in the Year. The Year saw a £28.0m absorption of working capital.

The significant rise in used vehicle prices, led to a £31.5m increase in year-end used vehicle inventory levels, despite a decline in the number of units held compared to 28 February 2021. Constraints on new vehicle supply saw significant reductions in the level of both new vehicle consignment inventory and the associated Manufacturer funding. These movements did have a cash impact in so far as they led to a net cash outflow because of the unwind of the VAT cash flow advantage on such funded vehicles of £32.0m. Working capital was also absorbed as the Group's demonstrator fleet started to return to more normal levels, absorbing £3.3m.

Constrained new vehicle supply resulted in an £24.3m cash inflow from a reduction in the level of fully paid new vehicle inventory held by the Group. The supply constraints have also led to record order bank levels, leading to a £12.0m increase in the value of vehicle deposits held against outstanding orders, a cash inflow in the Year.

Financing and Capital Structure

The Group has a balance sheet with shareholders' funds of £331.9m (2021: £275.9m) underpinned by a freehold and long leasehold portfolio of £236.4m (2021: £229.2m) and net cash (excluding lease liabilities) of £16.2m as at 28 February 2022. The Group's conservative financing and capital structure resulted in a strong tangible net assets position of £237.5m as at 28 February 2022, representing 66.8p per share.

The Group has a committed acquisition debt facility of £62m, maturing in February 2024, with the potential to add a further £15m which is currently uncommitted. £44m of this committed facility was drawn as at 28 February 2022. The Group operated comfortably within all covenants during the Year.

The Group periodically makes use of used vehicle stocking loans provided by third party banks, subject to interest and secured on the related used vehicle inventories. At 28 February 2022, amounts utilised on such facilities totalled £11.6m. These balances are offset against cash in the calculation of Net Cash/Debt. The Group has a £35m facility under these arrangements and held £155m of used vehicle inventory at 28 February 2022 resulting in used vehicle stock being largely unencumbered.

Capital Allocation

Consideration of capital allocation is central to the Board's decision making. The Board proactively believes that the Group's funding structure should remain conservative and that the application of the Group's debt facilities to fund activities or acquisitions which meet the Group's hurdle rates for investment, will enhance return on equity and increase cash profits in the future.

Cash returns to shareholders in the form of dividends are an important part of the Company's capital allocation decision making process and remain a priority for the Board. The Group applies a dividend policy of a cover of three to four times normalised adjusted earnings per share, with the record results of FY22 leading to a much higher cover on earnings per share than the stated strategy.

An interim dividend of 0.65p per share was paid in January 2022. The Board recommends a final dividend in respect of the year ended 28 February 2022 of 1.05p per share to be approved at the annual general meeting on 22 June 2022. This dividend will be paid, subject to shareholder approval, on 29 July 2022. The ex-dividend date will be 30 June 2022 and the associated record date 1 July 2022.

The Group also values the benefits of repurchasing shares where prices are trading below intrinsic and net asset value. On 26 August 2021, the Group announced the recommencement of its Share Buyback Programme. From 26 August 2021 to 28 February 2022, the Group repurchased 9,751,009 shares representing 2.5% of shares in issue. This buyback exercise utilised a total of £6.0m of cash in the Year with shares purchased at an average price of 61.5p per share. A further £3m buyback programme was announced on 2 March 2022. Since the year-end, 1,815,980 shares have been repurchased at an average price of 59.0p per share, with £1.9m of this latest buyback programme remaining.

The Group also deploys capital in its extensive franchised dealership network. Subsequent to the year end, the Group purchased the freehold and long leasehold interests in its extensive multi-franchise site located in Derby for £7.1m. The Group has operated the 5.5-acre Derby multi-site since September 2012 under short leasehold arrangements. There are four separate buildings on the site, currently representing the Nissan, Skoda, Renault & Dacia and Peugeot franchises, along with a standalone Bristol Street Motornation used vehicle outlet. The purchase of the freehold and long leasehold interests secures the long-term future of this strategically important location for the Group.

Karen Anderson, CFO

CONSOLIDATED INCOME STATEMENT (AUDITED)

For the year ended 28 February 2022

	Note	Underlying items 2022	Non-underlying items 2022 (Note 2)	Total 2022	Underlying items 2021	Non-underlying items 2021 (Note 2)	Total 2021
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue		3,615,052	-	3,615,052	2,547,665	-	2,547,665
Cost of sales		(3,179,632)	-	(3,179,632)	(2,246,642)	-	(2,246,642)
Gross profit		**435,420**	**-**	**435,420**	**301,023**	**-**	**301,023**
Operating expenses		(347,753)	(1,934)	(349,687)	(267,240)	(2,153)	(269,393)
Operating profit / (loss)		**87,667**	**(1,934)**	**85,733**	**33,783**	**(2,153)**	**31,630**
Finance income	3	163	-	163	174	-	174
Finance costs	3	(7,126)	-	(7,126)	(9,405)	-	(9,405)
Profit / (loss) before tax		**80,704**	**(1,934)**	**78,770**	**24,552**	**(2,153)**	**22,399**
Taxation	4	(16,062)	(2,708)	(18,770)	(5,217)	(867)	(6,084)
Profit / (loss) for the year attributable to equity holders		**64,642**	**(4,642)**	**60,000**	**19,335**	**(3,020)**	**16,315**
Basic earnings per share (p)	5			**16.64**			**4.44**
Diluted earnings per share (p)	5			**15.96**			**4.36**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)

For the year ended 28 February 2022

	2022 £'000	2021 £'000
Profit for the year	**60,000**	**16,315**
Other comprehensive income / (expenses)		
Items that will not be reclassified to profit or loss:		
Actuarial gains / (losses) on retirement benefit obligations	2,801	(2,619)
Deferred tax relating to actuarial (gains) / losses on retirement benefit obligations	(700)	498
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	503	(6)
Deferred tax relating to cash flow hedges	(96)	10
Other comprehensive income / (expense) for the year, net of tax	**2,508**	**(2,117)**
Total comprehensive income for the year attributable to equity holders	**62,508**	**14,198**

CONSOLIDATED BALANCE SHEET (AUDITED)

As at 28 February 2022

	2022 £'000	2021 £'000
Non-current assets		
Goodwill and other indefinite life assets	103,470	99,192
Other intangible assets	1,797	1,948
Retirement benefit asset	9,055	6,246
Property, plant and equipment	254,133	246,664
Right-of-use assets	78,278	81,152
Total non-current assets	**446,733**	**435,202**
Current assets		
Inventories	475,027	597,391
Trade and other receivables	51,839	59,375
Cash and cash equivalents	83,793	67,828
	610,659	724,594
Property assets held for sale	-	1,369
Total current assets	**610,659**	**725,963**
Total assets	**1,057,392**	**1,161,165**
Current liabilities		
Trade and other payables	(529,086)	(688,948)
Current tax liabilities	(3,734)	(1,573)
Derivative financial instruments	(13)	-
Contract liabilities	(11,752)	(12,395)
Borrowings	(12,283)	(6,582)
Lease liabilities	(14,132)	(14,126)
Total current liabilities	**(571,000)**	**(723,624)**
Non-current liabilities		
Borrowings	(55,343)	(65,777)
Lease liabilities	(74,698)	(76,975)
Derivative financial instruments	-	(497)
Deferred income tax liabilities	(13,023)	(9,180)
Contract liabilities	(11,447)	(9,172)
Total non-current liabilities	**(154,511)**	**(161,601)**
Total liabilities	**(725,511)**	**(885,225)**
Net assets	**331,881**	**275,940**
Capital and reserves attributable to equity holders of the Group		
Ordinary share capital	35,942	36,917
Share premium	124,939	124,939
Other reserve	10,645	10,645
Hedging reserve	4	(403)
Treasury share reserve	(1,586)	(2,791)
Capital redemption reserve	3,785	2,810
Retained earnings	158,152	103,823
Total equity	**331,881**	**275,940**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)
For the year ended 28 February 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Operating profit		85,733	31,630
Profit on sale of property, plant and equipment		(9)	(432)
Profit on lease modification		(269)	(234)
Amortisation of other intangible assets		407	436
Depreciation of property, plant and equipment		14,365	12,333
Depreciation of right of use asset		16,658	15,643
Impairment charges		131	1,452
Movement in working capital		(27,973)	29,640
Share based payments charge		1,061	373
Cash inflow from operations		**90,104**	**90,841**
Tax received		135	188
Tax paid		(14,479)	(6,692)
Finance income received		39	23
Finance costs paid		(6,798)	(9,440)
Net cash inflow from operating activities		**69,001**	**74,920**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(9,508)	(21,489)
Acquisition of freehold and long leasehold land and buildings		-	(2,713)
Proceeds from disposal of a business		-	1,698
Purchases of intangible assets		(44)	(264)
Purchases of other property, plant and equipment		(16,571)	(11,844)
Proceeds from disposal of property, plant and equipment		1,605	972
Net cash outflow from investing activities		**(24,518)**	**(33,640)**
Cash flows from financing activities			
Proceeds from borrowings	7	5,699	22,760
Repayment of borrowings	7	(10,638)	(19,705)
Principal elements of lease repayments		(15,786)	(15,342)
Sale/(purchase) of treasury shares		951	(2,004)
Cash settled share options		(403)	-
Repurchase of own shares		(6,014)	-
Dividends paid to equity holders		(2,327)	-
Net cash outflow from financing activities		**(28,518)**	**(14,291)**
Net increase in cash and cash equivalents	7	**15,965**	**26,989**
Cash and cash equivalents at beginning of year		67,828	40,839
Cash and cash equivalents at end of year		**83,793**	**67,828**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
For the year ended 28 February 2022

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2021	36,917	124,939	10,645	(403)	(2,791)	2,810	103,823	275,940
Profit for the year	-	-	-	-	-	-	60,000	60,000
Actuarial gains on retirement benefit obligations	-	-	-	-	-	-	2,801	2,801
Tax on items taken directly to equity	-	-	-	(96)	-	-	(700)	(796)
Fair value gains	-	-	-	503	-	-	-	503
Total comprehensive income for the year	-	-	-	407	-	-	62,101	62,508
Sale of treasury shares	-	-	-	-	1,025	-	(74)	951
Issuance of treasury shares	-	-	-	-	180	-	(15)	165
Repurchase of own shares	-	-	-	-	-	-	(6,014)	(6,014)
Cancellation of repurchased shares	(975)	-	-	-	-	975	-	-
Dividends paid	-	-	-	-	-	-	(2,327)	(2,327)
Share based payments charge	-	-	-	-	-	-	658	658
As at 28 February 2022	**35,942**	**124,939**	**10,645**	**4**	**(1,586)**	**3,785**	**158,152**	**331,881**

The other reserve is a merger reserve, arising from shares issued as consideration to the former shareholders of acquired companies.

The treasury share reserve relates to shares acquired in previous financial years by Ocorian Limited, the Trustee of Vertu Motors plc's Employee Benefit Trust ("EBT"). The shares were purchased by the Trustee to be held for the purposes of the EBT and may be used to transfer shares to individuals when options are exercised. This could include the Company's Long Term Incentive Plan ("LTIP"), the Company Share Option Plan ("CSOP") or Partnership Share Options ("PSO"), under which each of the executive directors of the Company, the Company's other PDMRs and certain other senior managers are potential participants and is therefore regarded as having a notional interest in these shares.

During the year, 2,715,927 shares were transferred from the EBT on exercise of vested CSOP and LTIP awards and a further 430,105 shares were transferred to the Executive Directors in satisfaction of 50% of the annual bonuses awarded in respect of the year ended 28 February 2021. 4,141,272 shares remain in the EBT at 28 February 2022.

For the year ended 28 February 2021

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2020	36,917	124,939	10,645	(407)	(803)	2,810	89,272	263,373
Profit for the year	-	-	-	-	-	-	16,315	16,315
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(2,619)	(2,619)
Tax on items taken directly to equity	-	-	-	10	-	-	498	508
Fair value losses	-	-	-	(6)	-	-	-	(6)
Total comprehensive income for the year	-	-	-	4	-	-	14,194	14,198
Issue of treasury shares	-	-	-	-	16	-	(16)	-
Purchase of treasury shares	-	-	-	-	(2,004)	-	-	(2,004)
Share based payments charge	-	-	-	-	-	-	373	373
As at 28 February 2021	**36,917**	**124,939**	**10,645**	**(403)**	**(2,791)**	**2,810**	**103,823**	**275,940**

NOTES

For the year ended 28 February 2022

1. Basis of preparation

Vertu Motors plc is a Public Limited Company which is listed on the AiM market and is incorporated and domiciled in England. The address of the registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. The registered number of the Company is 05984855.

Whilst the financial information included in this announcement has been computed in accordance with UK IFRS, this announcement does not itself contain sufficient information to comply with UK IFRS's. The Group audited consolidated financial statements that comply with IFRS's will be published on the Group's website, www.vertumotors.com.

The consolidated financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

In order to prepare the financial statements on the going concern basis, the Directors have considered detailed financial projections for a period of 12 months from the date of signing the financial statements ('Review Period'). These projections are based on the Group's detailed annual business plan for the year ending 28 February 2023 as well as the known financial performance of the Group in the period subsequent to 28 February 2022, projected forward to cover the Review Period ("Base Case"). The Directors have considered these financial projections in conjunction with the Group's available facilities.

The Directors have also considered sensitivity analysis performed in respect of these forecasts to model the impact of various severe but plausible downside scenarios including continued restricted supply of new and used cars or reduced demand for service work as a consequence of a reduced vehicle parc, in excess of that already allowed for in the Base Case scenario planning. This analysis did not indicate any issues with the Group's ability to operate within its banking facilities during the Review Period.

Based on the forecast information available and the sensitivity analysis performed as set out above, the Directors believe it is appropriate to prepare the annual financial statements on the going concern basis.

The financial information presented for the years ended 28 February 2022 and 28 February 2021 does not constitute the Company's statutory accounts as defined in Section 434 of the Companies Act 2006 but is derived from those financial statements. The auditors' reports on the 2022 and 2021 financial statements were unqualified. A copy of the statutory accounts for 2021 has been delivered to the Registrar of Companies. Those for 2021 will be delivered following the Company's annual general meeting, which will be convened on 22 June 2022.

Accounting policies

The annual consolidated financial statements of Vertu Motors plc are prepared in accordance with UK IFRS. The annual report has been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies adopted in this report can be found on our website, www.vertumotors.com, and are consistent with those of the Group's financial statements for the year ended 28 February 2021.

Segmental information

The Group adopts IFRS 8 "Operating Segments", which determines and presents operating segments based on information provided to the Group's Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive Officer. The CODM receives information about the Group overall and therefore there is one operating segment.

The CODM assesses the performance of the operating segment based on a measure of both revenue and gross margin. However, to increase transparency, the Group has included below an additional voluntary disclosure analysing revenue and gross margin within the reportable segment.

Year ended 28 February 2022

	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales *	288.8	8.0	164.9	37.9	47.1
Used cars	1,584.4	43.8	154.4	35.5	9.7
New car retail and Motability	969.9	26.8	80.6	18.5	8.3
New fleet and commercial	772.0	21.4	35.5	8.1	4.6
	3,615.1	**100.0**	**435.4**	**100.0**	**12.0**

Year ended 28 February 2021

	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales *	221.2	8.7	129.6	43.1	49.3
Used cars	1,008.4	39.6	93.9	31.2	9.3
New car retail and Motability	739.7	29.0	54.3	18.0	7.3
New fleet and commercial	578.4	22.7	23.2	7.7	4.0
	2,547.7	**100.0**	**301.0**	**100.0**	**11.8**

* Margin in aftersales expressed on internal and external revenue. A significant part of the role of the service department is to support the vehicle sales department and therefore this is considered to be an important measure for the purpose of monitoring departmental performance

2. Non-underlying items

	2022 £'000	2021 £'000
Impairment charges	(131)	(1,452)
Share based payments charge	(1,396)	(265)
Amortisation	(407)	(436)
Non-underlying loss before tax	**(1,934)**	**(2,153)**

Non-underlying items are presented separately in the Consolidated Income Statement to enhance comparability of trading performance between periods.

Details of current and deferred tax arising in respect of non-underlying items is shown in note 4.

3. Finance income and costs

	2022 £'000	2021 £'000
Interest on short-term bank deposits	39	24
Net finance income relating to defined benefit pension scheme	124	150
Finance income	**163**	**174**
Bank loans and overdrafts	(1,701)	(1,874)
Vehicle stocking interest	(1,844)	(3,899)
Lease liability interest	(3,581)	(3,632)
Finance costs	**(7,126)**	**(9,405)**

4. Taxation

	2022 £'000	2021 £'000
Current tax		
Current tax charge	16,350	5,279
Adjustment in respect of prior years	14	(137)
Total current tax	**16,364**	**5,142**
Deferred tax		
Origination and reversal of temporary differences	(245)	76
Adjustment in respect of prior years	(147)	(95)
Rate differences	2,798	961
Total deferred tax	**2,406**	**942**
Income tax expense	**18,770**	**6,084**
Profit before taxation	78,770	22,399
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	14,966	4,256
Non-qualifying depreciation	638	560
Non-deductible expenses	432	305
Goodwill impairment	-	276
Effect on deferred tax balances due to rate change	2,798	961
IFRS 16 adjustment	77	31
Property adjustment	41	(30)
Permanent benefits	(49)	(43)
Adjustments in respect of prior years	(133)	(232)
Total tax expense included in the income statement	**18,770**	**6,084**

A summary of the Group's tax expense in respect of underlying and non-underlying items is as follows:

	Underlying items 2022 £'000	**Non-underlying items 2022 £'000**	**Total 2022 £'000**	**Underlying items 2021 £'000**	**Non-underlying items 2021 £'000**	**Total 2021 £'000**
Profit / (loss) before tax	80,704	(1,934)	78,770	24,552	(2,153)	22,399
Taxation	(16,062)	(2,708)	(18,770)	(5,217)	(867)	(6,084)
Profit / (loss) after tax	**64,642**	**(4,642)**	**60,000**	**19,335**	**(3,020)**	**16,315**
Effective tax rate	**19.90%**		**23.83%**	**21.25%**		**27.17%**

The Group's underlying effective rate of tax is 19.90% (2021: 21.25%) which is higher than the standard rate of corporation tax in the UK as a result of the impact of non-qualifying depreciation and non-deductible expenses in the year ended 28 February 2022.

In the June 2021 Finance Act it was enacted that the rate of corporation tax in the UK would rise from 19% to 25% on 1 April 2023. This has resulted in the Group's opening deferred tax obligations being remeasured at 25% in the year. The impact of this change has increased the Group's charge by £2,885,000.

The overall effective tax rate of 23.83% includes tax on non-underlying items (2021: 27.17%).

5. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares during the year or the diluted weighted average number of ordinary shares in issue in the year.

For the purposes of calculating the weighted average shares in issue, shares held by the Group's employee benefit trust are excluded as rights to dividends on such shares have been waived.

Details of the shares held in the Group's employee benefit trust are included in the notes to the consolidated statement of changes in equity.

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined at the average annual market price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

The number of shares calculated, as set out above, is compared with the number of shares that would have been issued assuming the exercise of the share options.

Underlying earnings per share is calculated by dividing underlying earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

	2022	**2021**
	£'000	**£'000**
Profit attributable to equity shareholders	60,000	16,315
Non-underlying loss after tax (note 4)	4,642	3,020
Underlying earnings attributable to equity shareholders	**64,642**	**19,335**
Weighted average number of shares in issue ('000s)	360,651	367,092
Potentially dilutive shares ('000s)	15,222	7,134
Diluted weighted average number of shares in issue ('000s)	**375,873**	**374,226**
Basic earnings per share	**16.64p**	**4.44p**
Diluted earnings per share	**15.96p**	**4.36p**
Basic underlying earnings per share	**17.92p**	**5.27p**
Diluted underlying earnings per share	**17.20p**	**5.17p**

6. Dividends per share

An interim dividend of £2,327,000 (0.65p per share) in respect of the year ended 28 February 2022 was paid in January 2022.

A final dividend of 1.05p per share is to be proposed at the Annual General Meeting on 22 June 2022. The ex-dividend date will be 30 June 2022 and the associated record date 1 July 2022. The dividend will be paid, subject to shareholder approval, on 29 July 2022 and these financial statements do not reflect this final dividend payable.

7. Reconciliation of net cash flow to movement in net debt

	2022	**2021**
	£'000	**£'000**
Net increase in cash and cash equivalents	15,965	26,989
Cash inflow from proceeds of borrowings	(5,699)	(22,760)
Cash outflow from repayment of borrowings	10,638	19,705
Cash movement in net debt	**20,904**	**23,934**
Capitalisation of loan arrangement fees	-	75
Amortisation of loan arrangement fees	(206)	(175)
Non-cash movement in net debt	**(206)**	**(100)**
Movement in net debt (excluding lease liabilities)	**20,698**	**23,834**
Opening net debt (excluding lease liabilities)	**(4,531)**	**(28,365)**
Closing net cash/(debt) (excluding lease liabilities)	**16,167**	**(4,531)**
Lease liabilities at 1 March	(91,101)	(96,894)
Capitalisation of new leases	(14,132)	(12,098)
Disposal of lease liabilities	617	2,549
Interest element of lease repayments (note 3)	(3,581)	(3,632)
Cash outflow from lease repayments	19,367	18,974

Lease liabilities at 28 February	**(88,830)**	**(91,101)**
Closing net debt (including lease liabilities)	**(72,663)**	**(95,632)**

8. Business combinations

On 10 December 2021, the Group acquired the entire issued share capital of Farmer & Carlisle Holdings Limited and its subsidiary companies Farmer & Carlisle Limited and Farmer & Carlisle (Leicester) Limited (together "Farmer & Carlisle") which operated Toyota dealerships in Loughborough and Leicester. Estimated total consideration of £8,724,000 was settled from the Group's existing cash resources, with a further £538,000 paid on completion to settle Company borrowings.

On 12 March 2021, the Group acquired the trade and assets of a Honda dealership in Huddersfield, West Yorkshire, which also holds an authorised repair contract for Mitsubishi, from Hepworth Motor Group. Total consideration of £739,000 was settled from the Group's existing resources.

On 31 May 2021, the Group acquired the entire issued share capital of Power Bulbs Online Ltd, a global vehicle lighting business, as well as Power Bulbs Ltd, a dormant company. Total consideration of £481,000 was settled from the Group's existing cash resources.

On 30 June 2021, the Group acquired the trade and assets of a Renault Dacia business in Leicester from Renault Retail Group UK Limited to operate from the Group's existing leasehold premises in Leicester, following the sale of the Group's Citroen business from the same location in the previous financial year. Total consideration of £347,000 was settled from the Group's existing cash resources.

On 23 December 2021, The Group acquired the trade and assets of an MG business in Edinburgh from Frasers of Falkirk Limited, to operate from the Group's newly built multi-franchise dealership in Edinburgh. Total consideration of £67,000 was settled from the Group's existing cash resources.

9. Post balance sheet events

On 6 April 2022, the Group acquired the freehold and long leasehold interests in its extensive multi-franchise site located in Derby, for consideration of £7,100,000.