11 May 2011

Vertu Motors plc (“Vertu” or “Group”)

Preliminary results for the year ended 28 February 2011

Vertu Motors plc, the fast growing automotive retailer with a network of 77 sales and aftersales outlets across the UK, announces its audited results for the year ended 28 February 2011.

	Year ended 28 February 2011	**Year ended 28 February 2010**	**% change**
Revenue	£998.9m	£818.9m	+22.0%
Adjusted EBITDA*	£12.1m	£10.5m	+15.6%
Adjusted operating profit*	£8.7m	£7.6m	+15.8%
Adjusted profit before tax*	£8.4m	£6.9m	+22.1%
Adjusted earnings per share*	3.23p	3.20p	+1.0%
EBITDA	£10.0m	£9.0m	+10.9%
Operating profit	£6.3m	£5.8m	+8.0%
Exceptional costs	£2.8m	£1.9m	+45.3%
Profit before tax	£5.3m	£4.6m	+13.5%
Earnings per share	2.02p	2.23p	-9.4%
Operating cash inflow	£12.0m	£15.8m	-24.1%
Net cash	£13.6m	£23.5m	-42.0%
Net assets per share	48.9p	45.8p	+6.8%
Tangible net assets per share	40.1p	37.3p	+7.5%

* adjusted for exceptional costs, amortisation of intangible assets and share based payments charge

Highlights

- Sales outlets increased from 59 to 75 at year end:
  - Two more outlets have been added since year end
  - New franchises including Nissan added to balance the portfolio
- Progressive dividend policy commenced:
  Recommended final dividend of 0.3p per share
  Full year dividend of 0.5p per share
- Group margin enhanced in the second half of the year to 12.3% from 11.5% in H1
- Continued strong cash flow conversion of profits in the period with operating cash inflow of £12.0m
- £14.6m invested in acquisitions and freehold property purchases
- Aftersales initiatives being executed successfully:
  - Like-for-like gross profit growth of £1.5m with growth of sales and profits witnessed in all areas of aftersales activities
- New car retail volumes rose on a like-for-like basis by 1.2% against market decline in private registrations of 10.5%
- Group market share of private retail market has increased from 1.4% in 2008 to 2.4% in 2011
- Used car like-for-like volumes rose 7.1% in the period strongly outperforming a flat market with margins strengthening in the second half

Current Trading and Outlook

- Current year trading performance in March and April has been ahead of the Board's expectations:
  - New car retail like-for-like volumes down 10.4% against a decline in private registrations in the UK of 18.6% representing outperformance
  - Manufacturer new car targets achieved at high levels
  - Used car volumes down 9% partially offset by stronger margins
  - Strong aftersales performance with growth in retail revenue in service continuing
- Short term uncertainty over new car supply as manufacturers assess the impact on components supply chain following Japan earthquake
- Group well positioned for further organic and acquisition growth

Robert Forrester, Chief Executive of Vertu Motors, said:
"The Group has had a successful year with the two key elements of the Group's strategy, growth through acquisition and improving aftersales, both contributing to a significant increase of 22% in underlying profit.

We introduced a dividend for shareholders for the first time this year, which marks a significant milestone in the development of the Group.

Current trading in March and April has been stronger than anticipated. Whilst the new vehicle supply constraints arising from the natural disaster in Japan in March pose a short term uncertainty, in the medium term new vehicle sales are set to rise and start to climb back to pre-recession levels. Used car sales and aftersales remain areas of significant opportunity particularly in the acquired businesses.

Going forward the Group's growth strategy remains in place, as we look to benefit from our strong balance sheet and the structural growth opportunities available to acquisitive motor retail businesses in what remains a highly fragmented market."

An analysts' briefing will be held at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB at 9.30am on 11 May 2011.

For further information please contact:

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Notes to Editors

Vertu Motors is a fast growing automotive retailer with a network of 77 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu Honda and Macklin Motors brand names. Manufacturer partners are Alfa Romeo, Chevrolet, Citroen, Fiat, Ford, Honda, Hyundai, Iveco, Mazda, Mitsubishi, Nissan, Peugeot, Renault, SEAT and Vauxhall.

Vertu Motors was established in November 2006 and listed on AIM in December 2006, with the strategy to consolidate the UK motor retail sector. It is intended that the Group will continue to acquire motor retail operations to grow a scaled dealership group. The Group's acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network.

The Group currently operates 74 franchised sales outlets and 3 non-franchised sales operations from 61 locations across the UK.

Vertu Motors group websites - .vertumotors. / .vertucareers.

Vertu Motors brand websites - .bristolstreet.co. / .vertuhonda. / .motornation.co. / .macklinmotors.co.

CHAIRMAN'S REPORT

Since flotation in December 2006, the Group has established itself as a major player in the United Kingdom automotive retail sector. The Group operates 74 franchised and three non-franchised sales operations. Indeed, our four year record is already impressive:

Vertu: 2008 – 2011 a four year track record of growth

	Feb 2008	**Feb 2009**	**Feb 2010**	**Feb 2011**
Number of Outlets	**44**	**42**	**59**	**75**
Turnover * (£m)	677	761	755	946
Gross Profit % *	11.5%	11.7%	12.4%	11.9%
Adjusted Operating Profit % *	0.45%	0.72%	0.99%	1.03%
Adjusted PBT (£'000)	1,834	3,471	6,856	8,369
Group Share of UK New Retail Private Market	1.4%	1.8%	1.7%	2.4%

* Continuing operations

The Board has maintained a consistent strategy since flotation to grow a scaled motor retail dealership Group driving performance improvements through the implementation of consistent business processes and systems. The recruitment, development and retention of high performing motor retail professionals is of paramount importance and the Board has developed its business model to ensure the culture of the Group is entrepreneurial and consistent with the encouragement of top performers. This has led to the Group delivering increasing profits, growing market share and generating strong operating cashflows throughout the recessionary period of the past few years.

Our objective has been to enhance the experiences of our customers and, in turn, secure significant gains in vehicle sales market share in our local territories. This increasing local vehicle parc coupled with high levels of customer retention then drives higher aftersales activity levels. This virtuous circle of growth has allowed the Group to deliver improvements in profitability. The Board believes operational gearing benefits will further accelerate profitability as the United Kingdom economy recovers over the next few years and new car volumes rise over this period. Over two million new cars are needed to be sold per annum to maintain the current size of the total UK vehicle parc and in 2011 the market is expected to be below this level. Going forward the SMMT have forecast the new car market to naturally return to above 2 million units in 2012. Following a contraction in the sector these higher levels of new car sales will be sold and maintained by a smaller number of dealerships than prior to the recession.

It is also clear that the current focal point for retail demand is cars with low running costs particularly through increased fuel efficiency. While the shift in demand has been moving in this direction for some time, the above inflation increases in fuel and insurance have now accelerated this trend. The Group is positioned with manufacturer partners who are focused on delivering this market requirement. In 2011 the Group will commence retailing electric vehicles for the first time with Renault and Nissan and in 2012 with Vauxhall.

The Group has delivered against its stated strategy in 2010/11 through successfully increasing the number of sales outlets operated from 59 to 77 since 1 March 2010. This includes two additional outlets opened since the year end. A significant number of the businesses acquired in the year have the potential for performance improvements over a three to four year period to deliver higher margins and returns. These turnarounds are a key element of the Group's strategy to deliver shareholder value and to generate future earnings growth. Dealerships acquired in the year ended 28 February 2011 generated a loss of £1.0m, due in part to the peak trading month of March being excluded from the results given the timing of the acquisitions undertaken.

The Group's robust balance sheet position with net cash of £13.6m at 28 February 2011 and committed debt capacity of an additional £35 million enables further expansion of the Group to be undertaken from existing resources.

Going forward the Group's growth strategy remains in place, as we look to benefit from our strong balance sheet and the structural growth opportunities available to acquisitive motor retail businesses in what remains a highly fragmented market. The Board is committed to continuing to build a sustainable, scalable business to deliver shareholder value.

Financial Commentary

Revenue in the year increased to £998.9m (2010 : £818.9m) reflecting both the impact of acquisitions made during the period and growth in the underlying business. Like-for-like revenue increased £37.4m in the year reflecting both increases in vehicles sales prices and the number of vehicles sold. Gross margins strengthened in the second half after having fallen from the very high levels seen in the first half of last year. The mix of sales from the dealerships acquired during the year had a significantly lower proportion of low margin fleet business. This trend will continue to strengthen margins for the enlarged business.

Adjusted EBITDA increased to £12.1m, compared to £10.5m in the year ended 28 February 2010. Profitability growth included a £2.4m increased contribution from acquisitions made in the year ended 28 February 2010. This was partly offset by the losses of £1.0m relating to acquisitions made in the current year. The core business saw profits flat despite the return to more normal, lower used car margins compared to the unprecedented high levels in the prior year and the ending of the Government Scrappage Scheme in the summer of 2010. Importantly, aftersales operations saw a like-for-like increase in profitability of £1.5m year on year. EBITDA and profit before tax were £10.0m (2010 : £9.0m) and £5.3m (2010 : £4.6m) respectively. Exceptional costs of £2.8m (2010 : £1.9m) were incurred in the period predominantly reflecting losses on property held for resale and costs related to the refinancing of the Group's borrowing facilities and the restructuring of the associated hedging arrangements.

The Group has continued to focus on working capital management in the period and generated £12.0m of operating cashflow. Strong cash generation has resulted in the Group having a net cash position of £13.6m at 28 February 2010 despite significant investment in new businesses in the period. The Board intends to continue to fund the acquisition of additional motor retail dealerships from these resources and from its available committed loan and working capital facilities of £35m.

Current Trading and Outlook

The Group has traded ahead of the Board's expectations in March and April reflecting a stronger than budgeted new car and aftersales performance offsetting slower used car sales. Cash generation has also been significantly ahead of the Board's expectations.

March is the most important month for the profitability of UK motor retail as a consequence of the plate change and its impact on new car demand. UK new car registrations to private buyers in March and April fell by 18.6% year on year partly reflecting the impact of the Government's Scrappage Scheme in the prior year. The Group's like-for-like new retail volumes declined 10.4% and therefore the Group gained market share. Substantial bonus income from manufacturers was earned by achieving manufacturer targets at high levels, and overall profitability in new cars was ahead of the Board's expectations albeit, as anticipated, behind last year's levels on a like-for-like basis.

The fragility and unpredictability of retail consumer demand in March and in April, as witnessed elsewhere in the consumer facing economy, was apparent with the Group's like-for-like used retail volumes down 9.0% year-on-year. The impact of this higher than expected volume shortfall has been partially mitigated by higher margins being achieved.

Aftersales profitability since the year-end has exceeded the Board's expectations, running ahead of prior year and budgeted levels, and continues to benefit from the customer retention initiatives being executed by the Group.

There is a degree of uncertainty over the impact of disruption of new vehicle supply over the next six months due to the natural disaster which occurred in Japan on 11 March. The Board anticipates that certain manufacturers will see a curtailment of new vehicle supply and the Board will continue to assess the short term impact of this as a clearer picture emerges. This, together with the underlying subdued consumer environment and pricing pressures on new cars coming from commodity price rises is likely to dampen the growth of the new car market in the short term. In contrast, used vehicle pricing is likely to be boosted by any new vehicle supply constraints which may enhance used car margins. Aftersales remains resilient and an area of opportunity.

The Group has made significant progress executing its growth strategy having undertaken a significant number of acquisitions which have been fully integrated into the Group's management systems and processes. 16 dealerships were added to the Group's portfolio during the year to February 2011, and a further two since the year-end. These dealerships are showing a consistent trend of enhanced performance with the scope for significant margin enhancement as they generate retail margins closer to the core Group average over time. This, combined with the resilience of the Group's used car and aftersales operations, gives the Board confidence about the Group's prospects for the remainder of the financial year. Investment in growth remains at the top of the Board's agenda and the Group is considering a number of additional acquisition opportunities which are likely to lead to further expansion of the Group's number of sales outlets in the coming months.

Dividend

As the cash generation of the underlying business grows, the Board has established the payment of dividends with a maiden interim dividend of 0.2p paid in January 2011 and a final dividend of 0.3p recommended to be paid in July 2011. The dividend strategy will be progressive going forwards with an interim and final component.

P R Williams
Non-Executive Chairman

CHIEF EXECUTIVE'S REVIEW

Portfolio Development

The Group has expanded the number of sales outlets from 59 on 1 March 2010 to 77 today. These purchases of both freehold and leasehold dealerships have been made with a view to improving their financial performance over a three to four year period through a virtuous circle of increased vehicle sales, leading to an increased vehicle parc and hence growing higher margin aftersales revenues.

The Group currently operates 74 franchised and three non-franchised sales operations from 60 United Kingdom locations. These are summarised below:

Dealership numbers	**May**	**May**
Car Franchises	**2011**	**2010**
Ford	20	17
Vauxhall	10	7
Peugeot	8	7
Honda	5	5
Renault	5	3
Citroen	4	4
Mazda	4	2
Hyundai	3	2
SEAT	3	1
Fiat	2	2
Nissan	2	-
Alfa Romeo	1	-
Chevrolet	1	1
Mitsubishi	1	-
	69	**51**
Commercial Vehicle Franchises		
Iveco	3	3
Fiat	1	1
	4	**4**
Motorcycle franchise		
Honda	1	1
Non-franchised outlets		
Bristol Street Motor Nation	3	4
Sales outlets	**77**	**60**
Stand alone Service Centres	-	2
Total	**77**	**62**

The Group added three Ford and three Vauxhall dealerships in the year. These franchises represent the largest market share franchises in the UK and exhibit very strong levels of aftersales activity. The acquisition of Glasgow Ford and Hamilton Ford in July 2010 augmented the Macklin Motors brand in Scotland. The Group now has eight sales outlets in Scotland having added seven in the year. This number will be added to on 1 July 2011 when the Group opens a new Nissan dealership in South Glasgow. This start-up operation on a previously acquired brown field site, adjacent to the Group's Ford and Mazda operations, will encompass sales of electric vehicles, cars and commercial vehicles in addition to a Nissan Sports Performance Centre selling the GTR and 370 models.

The Nissan development in Glasgow follows the Group's entry into the Nissan franchise in October 2010 with the acquisition of a Renault and Nissan dealership in Altrincham from Lookers plc. Subsequent to this the Group also re-franchised the Motor Nation used car outlet in Darlington to the Nissan franchise.

The Group expanded its presence in the Cheshire area during the year. In addition to the Altrincham outlet noted above, the Group acquired Vauxhall outlets in Crewe and Macclesfield in June 2010 and

Ford and Renault in Macclesfield in October 2010. These businesses, alongside the existing Group operations in the area, now bring the number of sales outlets operated in Cheshire to eight

During the period the Group acquired Derby SEAT representing its second SEAT dealership. SEAT is the only Volkswagen Group franchise operated by the Group and produces very high quality, desirable products which are highly affordable to the consumer. This key relationship has been further deepened in April 2011 with the acquisition of Barnsley SEAT.

The Group also added Alfa Romeo and Mitsubishi to the portfolio through multi-franchising existing operations in Worcester and Hamilton respectively. This provides the Group with benefits such as allowing access to the fleet market for these franchises and growing aftersales activity in the specific dealerships through servicing the historic vehicle parc in these geographies.

The Group has also increased its capacity in a number of existing operations through strategic relocations. In March 2010, Gloucester Renault was relocated to a new stand alone dealership and in February 2011, Nottingham Citroen relocated to significantly larger premises, giving the Group greater ability to maximise the market opportunity and allowed the opening of a new significant, start-up Hyundai sales outlet servicing Nottingham. This flagship outlet, which opened on 7 March 2011, represents the largest Hyundai showroom in the UK and is a major opportunity. The Group now operates three Hyundai outlets in the UK. This will increase to four on 1 July 2011 when a new start-up Hyundai dealership will open in Peterlee, Co. Durham. The Hyundai franchise continues to expand its product line up, extend its retail market share and grow its vehicle parc, having received a significant boost from the Scrappage Scheme in 2009/10.

The Group continues to assess its franchise portfolio with an aim that it is balanced and reflective of market shares of the wider UK vehicle market. To this end additional franchises will be sought over the medium term to develop this balanced portfolio.

In line with the Group's strategy to enhance margins, the proportion of fleet and commercial new vehicle sales in the dealerships acquired in the last two years (5% of turnover) is significantly lower than for the core like-for-like business (31% of turnover). Fleet and commercial sales typically have a low gross margin percentage. This has resulted in a richer mix of new retail, used and aftersales turnover and a consequential strengthening of gross margins for the enlarged business. As we continue to acquire new dealerships we expect this growth in the retail element of sales mix to progressively increase the return on sales of the Group.

Going forward, the Board will aim to purchase a balance of leasehold and freehold dealerships and as at 28 February 2011 freehold locations accounted for 48% of total Group locations.

Operating Review

Dealership Operations

The Group saw enhanced profitability in the year as a result of the contribution from dealerships acquired in the previous year and performance improvements achieved following acquisition. Acquisitions made in the year ended 28 February 2010 contributed £2.4m to the adjusted Group profit before tax of £8.4m. Dealerships acquired in the year lost £1.0m reflecting in part the timing of acquisitions which excluded the peak trading month of March. Significant performance improvements are expected from these dealerships over a three to four year period. The profitability of the core business was flat in the year as the impact of very high used car margins in 2009/10 and the Scrappage Scheme, which ended in May 2010, unwound.

Vehicle Unit Sales Analysis	2011 Core	2011 Acquired*	2011 Total	2010 Total**	Like-for-Like % Variance
New Retail	16,136	6,129	22,265	17,468	1.2
Fleet and Commercial	15,979	946	16,925	17,310	(6.1)
Total New	**32,115**	**7,075**	**39,190**	**34,778**	**(2.5)**
Used Retail	28,574	7,743	36,317	28,739	7.1
	60,689	**14,818**	**75,507**	**63,517**	**1.8**

* Relates to businesses acquired or developed subsequent to 1 March 2010
** 2010 volumes include businesses acquired in the year ended 28 February 2010

Revenue and Margins	Year ended 28 February 2011				Year ended 28 February 2010			
	Revenue £'m	Revenue %	Gross Margin %		Revenue £'m	Revenue %	Gross Margin %	
New car retail	291.6	29	7.5		210.1	26	8.5	
New fleet and commercial	258.9	26	2.4		252.4	31	2.4	
Used cars	345.0	35	11.3		269.6	33	12.5	
Aftersales	103.4	10	40.8	***	**86.8**	10	40.9	***
	998.9	**100**	**11.9**		**818.9**	**100**	**12.4**	

***margin in aftersales expressed on internal and external turnover

New retail vehicle volumes rose by 1.2% in the year on a like-for-like basis. This compared to a market decline in the year of 10.5% in UK private new car registrations. The Group gained new car retail market share following the end of the Scrappage Scheme in May 2010. Market share by manufacturer largely reverted back to pre-scrappage patterns which benefitted manufacturers with which the Group has strong representation. In addition, the Group's operations performed well, delivering above national average penetrations of new car sales for our manufacturer partners in the majority of the Group's dealerships. These trends contributed to the outperformance of the market in like-for-like trends and, with acquisitions, to achieving a 2.4% market share of the new retail car market compared to 1.7% in 2010.

Gross margin percentages on new retail sales fell from 8.5% to 7.5% due predominantly to rising sales prices, driven by Euro appreciation, commodity inflation impacting manufacturers and acquisitions. Average selling prices rose by 8.9% in the period. Acquisitions undertaken in the current and previous year generated a gross margin percentage on new cars of 6.8% compared to the core group of 7.7%. This reflects the Group's strategy to drive increased volumes in these dealerships immediately post acquisition to build a greater vehicle parc for aftersales. Over a four year period it is anticipated that new retail margins will trend towards the core business's levels.

New car fleet registrations in the UK rose 8.5% in the year as the market saw replacement cycles recommence following the financing problems which began in 2008/9. In contrast, the Group saw like-for-like car fleet volumes decline by 17.6% due to a reduction in sales to the daily rental sector where the Group has typically been very strong. Manufacturers are increasingly pulling away from this low margin sales channel and, in addition, the Group sought to augment overall profitability by focusing on higher margin fleet supply business.

The Group benefited from an improvement in the market for light and heavy commercial vehicles over the period with like-for-like volumes of commercial vehicles up 12.1%.

The Group's margin percentages in the fleet and commercial sector were flat in the period at 2.4%. These reflected higher margins per unit in the car sector being offset by the impact of rising sales prices and reduced bonus earnings in the commercial sector. In the prior year, significant enhanced bonus earnings opportunities were put in place by manufacturers in order to help clear excess commercial vehicle stocks and to seek to stimulate the very depressed market at that time.

The Group's Iveco operation in the commercial vehicle market benefited from the strong growth in van and truck vehicle sales referred to above. The division has also seen enhanced profitability from used vehicle sales and aftersales as the management changes made in 2009 bear fruit. The Board is pleased to report a significant reduction in losses from £0.7m in 2010 to £0.1m in 2011.

The Group's used car operations performed well in the period. Used vehicle volumes grew 7.1% on a like-for-like basis in a market reported to be flat by Experian. The first half of the period saw margins fall from 13.7% to 10.9% as used car values normalised from the highs of H1 2010 when supply constraints led to exceptionally high margins. The Board is pleased to report that in the second half of the period used car margins rose to 11.8% - higher than in H1 and the prior year comparative of 11.4%. Combined with the volume growth, this strong used car performance reflected continued management focus and enhanced systems developed by the Group to profile and manage used car stocks on a daily basis.

The dealerships acquired in the current and previous financial year have significantly lower used car margins than those obtained in the core business. These businesses generated a used car gross margin in the year of 9.6% compared to the core business margin of 11.8%. The lower margin in newly acquired businesses reflects the Group's strategy to drive volumes post-acquisition and the previously underperforming nature of the majority of the Group's acquired businesses. As Group management processes, training and systems on used cars embed over time in these new businesses, then used car margins are expected to converge on those achieved by the Group as a whole.

The Group's aftersales operations comprise servicing, accident repair centres and parts supply. The strategy of the Group is to increase customer retention in the aftersales arena through a number of key strategies. These strategies are summarised below:

- Build an increasing local vehicle parc for aftersales through maximising new and used car sales in the local area.
- Ensure the customer has an outstanding aftersales experience through uniform customer friendly processes. For example, every car serviced receives a free wash and vacuum and free wifi is available in every customer waiting area.
- Contact centres and on-line service bookings make it very convenient to book a service and MOT.
- Service plans which allow customers to budget for services monthly at a discounted rate are increasingly being sold through a centralised contact centre, the internet and dealerships. These plans are crucial in driving long term service retention of new and used cars. This in turn aids parts sales and future car sales.
- Continued investment in training aftersales colleagues to deliver an outstanding and consistent customer experience.

The above initiatives are now bearing fruit and the Group saw like-for-like sales and profit growth in servicing, accident repair and parts supply areas. Overall, like-for-like aftersales revenues and gross profits both rose by £1.5m in the year. Growth was witnessed in each area of servicing, accident repair and parts supply. Efficiency levels were improved and cost control maintained during the period and these both contributed to the strong profit growth. These positive organic trends in the business were achieved despite a decline in the vehicle parc less than five years old, which traditionally has formed the bedrock of the franchised dealer's service business and a decline in reported accidents, which form the basis of demand in the accident repair sector.

Robert Forrester
Chief Executive

FINANCE DIRECTOR'S REVIEW

Profit and Loss

Revenue in the period increased by £180m to £998.9m (2010 : £818.9m) with acquisitions in the year contributing £53.2m of additional revenue. Like-for-like revenue of the continuing operations rose by £37.4m.

Gross profit margin strengthened from 11.5% in the first half of the year to 12.3% in the second half, driven by improving performance. For the same period, in the key used car and aftersales areas, margins strengthened from 10.9% to 11.8% and from 39.7% to 41.9% respectively. For the full year, overall gross margins declined from 12.4% to 11.9%. The decline was predominantly driven by the reversal of very high used car margins driven by supply constraints in the prior year and by rising new vehicle sales prices.

For continuing operations, operating expenses reduced as a percentage of sales to 10.8% (2010 : 11.5%) as Group initiatives on cost control have been driven relentlessly. The Group generated operating profit before amortisation, share based payments charge and exceptional costs of £8.7m (2010 : £7.6m).

In the second half of the year the Group saw an increase in the level of interest shown by property developers in the three properties held for resale at 1 March 2010. In addition, as a result of internal portfolio developments, three other Group freehold properties have now been added to properties held for resale. The Board has re-assessed the carrying values of the six properties which are now classified as assets held for resale, and this has resulted in a non-cash impairment cost of £1.5m. Having recognised this exceptional cost, the net book value of these assets now stands at £6.6m.

Following the refinancing of the Group's loan facilities during the second half of the year, the financial instruments used to hedge interest rates on the old facilities have been cancelled and new hedging undertaken. The new arrangements will significantly reduce interest costs over the next five years.

The cancellation of the old hedging arrangements has resulted in the recycling of a charge of £0.5m previously held in the Group hedging reserve, into the Income Statement. Along with £0.1m of loan arrangement fees previously deferred, relating to the old loan arrangements, these costs have been shown as exceptional charges in the Income Statement.

In addition, £0.5m of reorganisation and closure costs related to new acquisitions, portfolio restructuring and the cost reduction programme, have been treated as exceptional costs.

Net finance costs in the period have reduced to £0.4m (2010 : £0.7m) due to higher vehicle stocking interest income and lower interest paid on bank borrowings following the restructuring of the interest rate hedging arrangements.

Taxation

The effective tax rate of 23% is lower than the headline UK Corporation Tax rate of 28% due primarily to deferred tax adjustments arising from the Group's property portfolio and from the reduction in the headline rate for the forthcoming year. These differences are expected to recur in future years, hence the effective and sustainable rate of tax of the Group going forward is expected to be no higher than 23%.

Financial Position

The Group has a strong balance sheet with shareholders' funds of £97.5m (2010 : £90.5m), representing net assets per share of 48.9p (2010 : 45.8p). Tangible net assets per share were 40.1p (2010 : 37.3p). The balance sheet is underpinned by a freehold and long leasehold property portfolio (including properties held for resale) of £72.8m (2010 : £66.2m).

The Group finances its operations by a mixture of shareholders' equity, bank borrowings and trade credit from suppliers and manufacturer partners. In October 2010 the Group established new loan facilities comprising a five year loan of £10m repayable in instalments beginning in January 2012, and a three year

acquisition facility of £15m. Interest is payable on these facilities at LIBOR plus 2.25% and LIBOR plus 1.85% respectively. As at 28 February 2011, the Group had drawn down £10.0m from the five year facility (2010 : £10.8m) and the acquisition facility was undrawn. During the period, the Group comfortably complied with all of the financial covenants in respect of these borrowings, which include loan to value, net debt to EBITDA and interest and lease costs to EBITDAR.

In addition to these loan facilities, the Group has £25m of overdraft and other money market facilities (an increase of £5m from 2010) on which it paid interest on drawn amounts at 2% above base rate and 1.75% above LIBOR respectively during the year. The facilities are available until the next review date of 30 April 2012. The Group operated with substantial cash balances for much of the year and these additional facilities are utilised to fund peak working capital requirements following plate change months. As at 28 February 2011, the Group had cash balances of £23.4 m (2010 : £34.3m) and as a consequence net cash of £13.6m (2010 : net cash of £23.5m). The positive net cash balance at 28 February 2011 reflects the seasonal reduction in working capital, typical of the industry, which arises at the period end prior to a plate change month. Consequently, the year end net cash balance is higher than the normalised cash balances throughout the remainder of the year by circa £10m. This cash, the Group's ongoing cash generation and the new acquisition loan facility, will be used to fund the Group's on-going acquisition strategy.

Cash Flows

The Group's cash generated from operating activities was £12.0m (2010: £15.8m) demonstrating continued strong conversion of profits into cash.

Acquisitions and freehold property purchases absorbed cash of £14.6m during the year. Of this amount, £8.0m related to the purchase of freehold and long leasehold properties. The Group invested a further £4.3m in capital expenditure related to property refurbishments and developments to enhance retail environments and increase the productive capacity of the Group.

Pensions

During the year, and in line with the funding programme agreed with the Trustees in 2010, the Group made cash contributions to the Bristol Street defined benefit pension scheme of £0.4m (2010 : £1.1m). This scheme is closed to future membership and accrual. In the period, the Group net assets have been increased by £2.8m as a result of the increase in the present value of the scheme assets and the decline of the fair value of the scheme's funded obligations in the period. The present value of the scheme's obligations takes account of an actuarial gain of £1.8m arising as a result of utilising CPI instead of RPI to calculate certain elements of statutory pension indexation. As at 28 February 2011, a gross asset in respect of retirement benefits has been recognised of £2.3m (2010 : liability of £0.5m).

Post balance sheet events

On 18 April 2011 the Group acquired a SEAT dealership in Barnsley, Yorkshire, for an estimated consideration of £0.9m including a freehold property, taking the number of SEAT dealerships operated by the Group to three.

On 11 May 2011, Panmure Gordon & Co. were appointed as nomad and sole broker and financial advisor to the Group.

Michael Sherwin
Finance Director

CONSOLIDATED INCOME STATEMENT (AUDITED)
For the year ended 28 February 2011

	Note	£'000	£'000
Revenue			
Continuing operations		945,739	818,922
Acquisitions		53,187	-
		998,926	**818,922**
Cost of sales			
Continuing operations		(833,458)	(717,476)
Acquisitions		(46,636)	-
		(880,094)	**(717,476)**
Gross profit			
Continuing operations		112,281	101,446
Acquisitions		6,551	-
		118,832	**101,446**
Operating expenses			
Continuing operations		(102,576)	(93,894)
Acquisitions		(7,514)	-
		(110,090)	**(93,894)**
Operating profit before amortisation, share based payments charge and exceptional charges			
Continuing operations		9,705	7,552
Acquisitions		(963)	-
		8,742	**7,552**
Amortisation of intangible assets		(274)	(209)
Share based payments charge		(81)	(119)
Exceptional charges	3	(2,100)	(1,404)
Operating profit		**6,287**	**5,820**
Finance income	2	2,089	1,736
Finance costs	2	(2,462)	(2,432)
Exceptional recycling of cash flow hedge reserve	3	-	(498)
Exceptional termination of interest rate contract	3	(544)	-
Exceptional write off of loan arrangement fees	3	(119)	-
Profit before tax, amortisation, share based payments charge and total exceptional charges		8,369	6,856
Amortisation of intangible assets		(274)	(209)
Share based payments charge		(81)	(119)
Total exceptional charges	3	(2,763)	(1,902)
Profit before tax		**5,251**	**4,626**
Taxation	4	(1,227)	(844)
Profit for the year attributable to equity holders		**4,024**	**3,782**
Basic earnings per share (p)	5	**2.02**	**2.23**
Diluted earnings per share (p)	5	**2.02**	**2.23**
Adjusted earnings per share (p)	5	**3.23**	**3.20**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
For the year ended 28 February 2011

	Note	2011 £'000	2010 £'000
Profit for the year		**4,024**	**3,782**
Other comprehensive income			
Actuarial gains (losses) on retirement benefit obligations		2,572	(1,902)
Deferred tax relating to actuarial gains (losses) on retirement benefit obligations		(693)	532
Cash flow hedges	7	81	-
Deferred tax relating to cash flow hedges	7	(22)	-
Recycling of cash flow hedge reserve to the income statement	7	933	498
Deferred tax on recycling of cash flow hedge reserve	7	(261)	(138)
Other comprehensive income for the year, net of tax		**2,610**	**(1,010)**
Total comprehensive income for the year attributable to equity holders		**6,634**	**2,772**

CONSOLIDATED BALANCE SHEET (AUDITED)
As at 28 February 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Goodwill		20,509	20,110
Other intangible assets		1,060	963
Retirement benefit asset		2,295	-
Property, plant and equipment		74,063	67,029
		97,927	**88,102**
Current assets			
Inventories		191,656	166,309
Property assets held for sale		6,630	4,900
Trade and other receivables		28,828	22,078
Cash and cash equivalents		23,442	34,347
Total current assets		**250,556**	**227,634**
Non-current assets			
Derivative financial instruments		81	-
Total assets		**348,564**	**315,736**
Current liabilities			
Trade and other payables		(229,156)	(201,899)
Current tax liabilities		(3,937)	(3,804)
Deferred consideration		-	(664)
Borrowings		(500)	(168)
Total current liabilities		**(233,593)**	**(206,535)**
Non-current liabilities			
Borrowings		(9,303)	(10,655)
Derivative financial instruments		-	(1,434)
Deferred income tax liabilities		(4,016)	(3,541)
Retirement benefit liability		-	(495)
Provisions for other liabilities		(4,150)	(2,554)
		(17,469)	**(18,679)**
Total liabilities		**(251,062)**	**(225,214)**
Net assets		**97,502**	**90,522**
Capital and reserves attributable to equity holders of the Group			
Ordinary shares		19,928	19,756
Share premium		60,506	60,506
Other reserve		8,820	8,328
Hedging reserve	7	59	(672)
Retained earnings		8,189	2,604
Shareholders' equity		**97,502**	**90,522**

CASH FLOW STATEMENT (AUDITED)
For the year ended 28 February 2011

	Note	2011 £'000	2010 £'000
Operating profit		6,287	5,820
Loss on sale of property, plant and equipment		171	12
Loss on sale of properties held for resale		-	1,304
Amortisation of other intangible assets		274	209
Depreciation of property, plant and equipment		3,389	2,945
(Increase) decrease in inventories		(5,852)	4,831
Increase in trade and other receivables		(1,479)	(2,668)
Impairment of assets held for sale		1,508	100
Increase in payables		6,028	2,021
Increase in provisions		1,595	1,121
Share based payments charge		81	119
Cash generated from operations		**12,002**	**15,814**
Tax received		311	379
Tax paid		(1,742)	(459)
Payment to terminate interest rate swap		(1,041)	-
Finance income received		711	99
Finance costs paid		(577)	(935)
Net cash generated from operating activities		**9,664**	**14,898**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(11,977)	(12,023)
Acquisition of freehold land and buildings		(2,604)	(5,950)
Purchases of intangible fixed assets		(371)	(129)
Purchases of property, plant and equipment		(4,331)	(3,360)
Proceeds from disposal of property, plant and equipment		54	895
Proceeds from disposal of property assets held for sale		-	3,839
Net cash outflow from investing activities		**(19,229)**	**(16,728)**
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		-	29,947
Repayment of borrowings	8	(10,941)	(6,677)
Proceeds from borrowings	8	10,000	-
Dividends paid to Company shareholders		(399)	-
Net cash (outflow) inflow from financing activities		**(1,340)**	**23,270**
Net (decrease) increase in cash and cash equivalents	**8**	**(10,905)**	**21,440**
Cash and cash equivalents at beginning of year		34,347	12,907
Cash and cash equivalents at end of year	**8**	**23,442**	**34,347**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
For the year ended 28 February 2011

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2010	**19,756**	**60,506**	**8,328**	**(672)**	**2,604**	**90,522**
Profit for the year	-	-	-	-	4,024	4,024
Actuarial gains on retirement benefit obligations	-	-	-	-	2,572	2,572
Tax on items taken directly to equity	-	-	-	(283)	(693)	(976)
Recycling of cash flow hedge reserve	-	-	-	933	-	933
Fair value gains	-	-	-	81	-	81
Total comprehensive income for the year	-	-	-	731	5,903	6,634
Dividend paid	-	-	-	-	(399)	(399)
Share based payments charge	-	-	-	-	81	81
New ordinary shares issued	172	-	492	-	-	664
As at 28 February 2011	**19,928**	**60,506**	**8,820**	**59**	**8,189**	**97,502**

For the year ended 28 February 2010

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2009	**9,198**	**40,991**	**7,969**	**(1,032)**	**73**	**57,199**
Profit for the year	-	-	-	-	3,782	3,782
Actuarial losses on retirement benefit obligations	-	-	-	-	(1,902)	(1,902)
Tax on items taken directly to equity	-	-	-	(138)	532	394
Recycling of cash flow hedge reserve	-	-	-	498	-	498
Total comprehensive income for the year	-	-	-	360	2,412	2,772
Share based payments charge	-	-	-	-	119	119
New ordinary shares issued	10,558	20,864	359	-	-	31,781
Costs associated with issuance of ordinary shares	-	(1,349)	-	-	-	(1,349)
As at 28 February 2010	**19,756**	**60,506**	**8,328**	**(672)**	**2,604**	**90,522**

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

NOTES

For the year ended 28 February 2011

1. Basis of Preparation

Vertu Motors plc is a Public Limited Company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the United Kingdom. The address of the registered office is Vertu House, Kingsway North, Team Valley, Gateshead, Tyne and Wear, NE11 0JH. The registered number of the Company is 05984855.

The Group prepares financial information under International Financial Reporting Standards (IFRS) issued by the IASB and as adopted by the European Union (EU) and on the same basis as in 2010. Further information in relation to the Standards adopted by the Group is available on the Group's website .vertumotors..

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS's), this announcement does not itself contain sufficient information to comply with IFRS's. The Group published full financial statements that comply with IFRS's today and these are available on the Group's website, .vertumotors..

The financial information presented for the years ended 28 February 2011 and 2010 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 2011 and 2010 financial statements were unqualified. A copy of the statutory accounts for 2010 has been delivered to the Registrar of Companies. Those for 2011 will be delivered following the Company's annual general meeting, which will be convened on 21 July 2011.

Accounting policies

The annual consolidated financial statements of Vertu Motors plc are prepared in accordance with IFRSs as adopted by the European Union. The annual report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, share based payments and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies adopted in this annual report are consistent with those of the Group's financial statements for the year ended 28 February 2010 and can be found on our website, .vertumotors..

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. There has been no change in the Group's one reportable business segment, since the Group is operated and is managed on a dealership by dealership basis. Dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and after-sales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams.

These dealerships are considered to have similar economic characteristics and offer similar products and services which appeal to a similar customer base. As such, the results of each dealership have been aggregated to form one reportable business segment.

The CODM assesses the performance of the operating segment based on a measure of both revenue and gross profit. Therefore, to increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue and gross profit within the reportable segment.

	2011 Revenue £'m	2011 Revenue %	2011 Gross Margin %	2010 Revenue £'m	2010 Revenue %	2010 Gross Margin %
New car retail	291.6	29	7.5	210.1	26	8.5
New fleet and commercial	258.9	26	2.4	252.4	31	2.4
Used cars	345.0	35	11.3	269.6	33	12.5
Aftersales	103.4	10	40.8*	86.8	10	40.9*
	998.9	**100**	**11.9**	**818.9**	**100**	**12.4**

*margin in after-sales expressed on internal and external turnover

2. Finance Income and Costs

	2011 £'000	2010 £'000
Interest on short term bank deposits	82	122
Vehicle stocking interest	650	493
Other finance income relating to Group pension scheme	1,357	1,121
Finance income	**2,089**	**1,736**
Bank loans and overdrafts	(658)	(1,054)
Recycling of cash flow hedge reserve	(224)	-
Other finance costs relating to Group pension scheme	(1,567)	(1,365)
Other finance costs	(13)	(13)
Finance costs	**(2,462)**	**(2,432)**

3. Exceptional Costs

	2011 £'000	2010 £'000
Loss on sale of properties	-	1,304
Impairment of assets held for resale	1,508	100
Reorganisation and closure costs	592	-
	2,100	**1,404**
Recycling of cash flow hedge reserve	544	498
Loan arrangement fees written off	119	-
	2,763	**1,902**

Following the refinancing of the Group's loan facilities during the second half of the year, the financial instruments used to hedge interest rates on the old facilities have been cancelled and new hedging undertaken. The new arrangements will significantly reduce interest costs over the next five years. Certain costs relating to both the refinancing, totalling £119,000, and the cancellation of the old hedging arrangements, an amount of £544,000, have been treated as exceptional costs.

At 1 March 2010 the Group held three freehold properties for resale. In addition, as a result of internal portfolio development, three other Group freehold properties have now been added to the properties held for resale. The Board has re-assessed the carrying values of the six freehold properties held for resale and this has resulted in a non-cash impairment cost of £1.5m.

Finally, as a result of the acquisition growth of the Group during the financial year, the Group has sought to reorganise the human resources at each acquired outlet to ensure that each business purchased is 'right sized'. Reorganisation costs of £592,000, which have arisen as a consequence of this restructuring, are included within exceptional costs.

4. Taxation

	2011 £'000	2010 £'000
Current tax		
Current tax charge	1,572	1,620
Adjustment in respect of prior years	155	(295)
Total current tax	**1,727**	**1,325**
Deferred tax		
Origination and reversal of temporary differences	(221)	(393)
Adjustment in respect of prior years	(160)	(88)
Rate differences	(119)	-
Total deferred tax	**(500)**	**(481)**
Income tax expense	**1,227**	**844**
Comprising:		
Taxation – excluding exceptional items	2,001	1,377
Taxation – exceptional items	(774)	(533)
	1,227	**844**

Factors affecting taxation expense in the year

	2011 £'000	2010 £'000
Profit before taxation and exceptional items	8,014	6,528
Exceptional costs	(2,763)	(1,902)
Profit before taxation from continuing operations	**5,251**	**4,626**
Profit before taxation multiplied by the rate of corporation tax in the UK of 28%	1,470	1,295
Non-deductible amortisation	77	59
Non-deductible expenses	164	120
Effect on deferred tax balances due to rate change	(119)	-
Small companies rate	(6)	(5)
Property adjustment for indexation	(271)	(242)
Permanent benefits	(83)	-
Adjustments in respect of prior years	(5)	(383)
Total tax expense included in the income statement	**1,227**	**844**

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.

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 as 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 above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	2011 £'000	2010 £'000
Profit attributable to equity shareholders	4,024	3,782
Amortisation of intangible assets	274	209
Share based payments charge	81	119
Exceptional charges	2,763	1,902
Tax effect of adjustments	(711)	(591)
Adjusted earnings attributable to equity shareholders	**6,431**	**5,421**
Weighted average number of shares in issue ('000s)	198,901	169,224
Potentially dilutive shares ('000s)	-	-
Diluted weighted average number of shares in issue ('000s)	**198,901**	**169,224**
Basic earnings per share	**2.02p**	**2.23p**
Diluted earnings per share	**2.02p**	**2.23p**
Adjusted earnings per share	**3.23p**	**3.20p**
Diluted adjusted earnings per share	**3.23p**	**3.20p**

6. Dividends per share

The dividend paid in the year to 28 February 2011 was 0.2p per share (2010 Nil). A final dividend in respect of the year ended 28 February 2011 of 0.3p per share, amounting to a total dividend of £598,000 is to be proposed at the annual general meeting on 21 July 2011. These financial statements do not reflect this dividend payable.

7. Hedging Reserve

The hedging reserve comprises cashflow hedges in relation to interest rate swap derivatives. The movements on the hedging reserve are as follows:

	2011 £'000	2010 £'000
At beginning of year	(672)	(1,032)
Fair value gains on derivative financial instruments during the year	81	-
Deferred taxation on fair value gains during year	(22)	-
Recycling of cash flow hedge reserve through the income statement	933	498
Deferred tax on recycling of cash flow hedge reserve	(261)	(138)
At end of year	**59**	**(672)**

8. Reconciliation of Net Cash Flow to Movement in Net Cash (Debt)

	2011 £'000	2010 £'000
Net (decrease) increase in cash and cash equivalents	(10,905)	21,440
Cash inflow from increase in borrowings	(10,000)	(1,089)
Cash outflow from repayment in borrowings	10,941	6,677
Cash movement in net debt	**(9,964)**	**27,028**
Amortisation of loan arrangement fee	(79)	(75)
Non cash movement in net debt	**(79)**	**(75)**
Movement in net debt	**(9,885)**	**26,953**
Opening net cash (debt)	**23,524**	**(3,429)**
Closing net cash	**13,639**	**23,524**

9. Acquisitions

On 31 March 2010 the Group acquired the trade and certain assets of Paisley Peugeot from Johnston of Renfrewshire Limited for total cash consideration of £2,076,000.

On 29 June 2010 the Group acquired two Vauxhall dealerships in Crewe and Macclesfield, through the purchase of the trade and certain assets of the business from the administrative receivers of Baker (Crewe) Limited, for total cash consideration of £2,643,000.

On 4 October 2010 the Group acquired a Renault and Nissan business in Altrincham and a Ford and Renault business in Macclesfield through the purchase of the trade and certain assets from Lookers plc. Consideration for this acquisition amounted to £3,465,000 and was satisfied in cash.

The Group also made the following acquisitions in the year to 28 February 2011 for a total cash consideration of £3,494,000.

On 29 June 2010 the Group acquired the dual franchised Ford and Mazda dealerships in Glasgow and Hamilton, Scotland, through the purchase of the trade and certain assets of the business from Shields Automotive Limited.

On 28 July 2010 the Group acquired a SEAT dealership in Derby through the purchase of trade and certain assets from GK Group Limited.

On 10 September 2010 the group acquired a Peugeot dealership in Dunfermline through the purchase of trade and certain assets from Hardie Motor Group.

On 22 February 2011 the Group acquired the entire issued share capital of Patrick (Holdings) Limited, a motor retail business which operated a Vauxhall business in Durham. If the acquisition of Patrick (Holdings) Limited had occurred on 1 March 2010, Group revenues for the year would have been £6,965,000 higher and Group profit attributable to equity holders would have been £63,000 higher.

Acquisition related costs (included in operating expenses in the consolidated income statement for the year ended 28 February 2011) totalled £361,000.

10. Events After the Balance Sheet Date

On 18 April 2011 the Group acquired a SEAT dealership in Barnsley, Yorkshire, for an estimated consideration of £0.9m, including a freehold property, taking the number of SEAT dealerships operated by the Group to three.

On 11 May 2011, Panmure Gordon & Co were appointed as nomad and sole broker and financial advisor to the Group.