Contents

Table of Contents

Financial Diary

Annual General Meeting	21 July 2008
Interim Results 2008/9	October 2008
Final Results 2008/9	May 2009

Chairman's Report

I am delighted to report that since flotation in December 2006, through a series of acquisitions, Vertu Motors plc has become the tenth largest motor retailer in the United Kingdom. The Group now operates 40 franchised and 6 non-franchised operations across England.

The Company set out a strategy on flotation to seek to acquire motor retail businesses with the potential for performance improvements and which may contain freehold property portfolios. It was envisaged that performance improvement opportunities would arise in acquired dealerships from increasing sales in new and used cars and after-sales services through improving efficiency of the business processes and providing exceptional customer service. The Board considered that this process would be aided through the development of high performing motor retail professionals throughout the business as a result of training and selective recruitment. Further profit enhancements are sought through the development and maximisation of channels to market, such as internet and fleet operations.

The strategy remains to grow the business through operational improvements and through selective acquisitions in such a way that we deliver maximum value to our shareholders.

Financial Commentary

Revenue in the period from the commencement of trade on 27 March 2007 to 29 February 2008 was £677.2m.

Operating profit before exceptional costs, amortisation of intangibles and share based payments charge amounted to £3.1m, generating adjusted earnings per share of 1.6p. The trading results exclude the key month of March 2007, due to the timing of the acquisitions.

As indicated at the time of the flotation, the Board is not proposing a dividend at the present time since the Group remains committed to pursuing its growth strategy. It is the aim of the Board in the medium term to commence payment of a dividend.

On 9 May 2008 the Company obtained authority from the shareholders to repurchase up to 10% of the Company's share capital. The Board believes that shareholder value may be generated from using this authority to repurchase shares where it will be accretive to earnings per share.

Current Trading and Outlook

March is the most important month for profitability in the UK motor retail sector. New car retail sales in the month at Vertu rose 23.4% on a like for like basis against a 1.4% decline in UK registrations to private buyers in the month. Manufacturer targets were achieved and bonuses earned in the period without recourse to any significant pre-registration activity. Used car sales were strong with like for like unit growth of 15.1%. After-sales activity also contributed to a trading performance that was ahead of expectations in March. In April the trading performance of the Group was in line with expectations.

The Board continues to identify growth opportunities and is confident that growth will be delivered through operational improvements together with the delivery of further acquisitions executed to deliver maximum value to our shareholders.

The Board is aware of the potential for challenging market conditions in the UK in 2008 and 2009 including: exchange rate movements impacting manufacturer pricing and incentive strategies; potential disruption to the supply and pricing of consumer finance; and future consumer demand levels. However, as a result of the important operational improvements made to date and the first rate team we have assembled, the Board remains confident about the Group's prospects for the current financial year.

PRWilliams

Paul Williams
Non-Executive Chairman
23 June 2008

Chief Executive's Review

Strategy

The strategy of the Group is focused on creating shareholder value through delivering operational and financial improvements in our existing businesses, and supplementing this by the purchase of other UK motor retail operations.

Portfolio Development

A platform deal was concluded on 27 March 2007 with the acquisition of the Bristol Street Motors Group. This acquisition of 35 operations delivered the Group a scaled business with annualised turnover in excess of £570m and a geographic reach across England under the operating brands of Bristol Street Motors for franchised operations and Motor Nation for used car supermarkets. Bristol Street Motors and Bristol Street Motor Nation will be the Group's core trading brands.

In May 2007 the Blakes Group was acquired comprising Vauxhall and Peugeot dealerships in the North Midlands with annualised turnover of £60m. These dealerships have now been re-branded Bristol Street Motors and are fully integrated into the Group.

At the end of June 2007, the Group acquired Grantham Motor Company Limited comprising four Honda car dealerships and a Honda motorcycle franchise in the East of England. The operation is among the strongest performing group of Honda dealerships within the Honda network.

Also at the end of June, a Ford dealership in Morpeth, Northumberland was acquired and has been re-branded as Bristol Street Motors.

On 1 March 2008, the Group opened a start-up used car outlet in Doncaster trading as Bristol Street Motor Nation. This brought the number of Bristol Street Motor Nations operated by the Group to four.

During the period, the Board reviewed the acquired operations and a number of smaller, marginal operations were exited. These comprised a used van centre in Stoke-on-Trent and a used car operation in Bexleyheath, Kent. In April 2008, in agreement with Hyundai, the Group ceased its Hyundai sales operations at Gloucester. The Gloucester dealership complex continues to represent Ford, Iveco and Renault. The Group continues to represent the Hyundai franchise in Banbury.

Bristol Street Commercials, the Group's Commercial Vehicle Division, holds the Iveco and Fiat Commercial franchises. Iveco have recently announced a network reorganisation which will see a reduction in the number of franchised partners in the UK from 24 to 18. The Group has been chosen to be one of the 18 partners going forward in its existing locations. Commercial vehicles, with its strong after-sales base, represents an opportunity for the Group which will be enhanced by the prospective network changes.

Dealerships held by the Group

Vehicle Franchises	
Ford	14
Peugeot	6
Vauxhall	4
Citroen	4
Honda	4
Renault	2
Hyundai	1
Commercial Vehicle Franchises	
Iveco	3
Fiat Commercial	1
Motorcycle Franchises	
Honda	1
Others	
Motor Nation Used Car Outlets	4
Other Used Vehicle Outlets	2
Stand alone Service Centres	2

Operating Review

Franchised Businesses

The Group saw improving performances across its car franchise operations in the period despite a competitive trading environment. Strong rises in like for like volumes in new and used vehicles were witnessed.

New retail vehicle volumes for the Bristol Street Motors' dealerships rose, on a like for like basis, 10.6% in the April to February period against a market in terms of private retail registrations that rose by 0.7%. This growth reflected excellent new models offered by our manufacturer partners, strong consumer offers and high levels of bonus incentives available to dealers. Of the Top 10 selling vehicles in 2007 the Group retails 8 of these from its franchised dealerships.

Fleet new vehicle sales to corporates represent 33% of total Group turnover and are a significant element of the Group's operations. Like for like volumes grew 2.4% from April to February in line with the increase in UK fleet registrations.

The growth of used car sales is a major priority for the Group, not only to boost immediate profitability, but also to build a customer database for future sales and after-sales marketing activity. On a like for like basis, Bristol Street Motors dealerships' grew used car volumes by 23.6% in the April to February period with an increasing pace of growth as the period progressed. Margins reduced in line with our strategy but per unit margin levels are acceptable. The significant rise in used car sales in the period reflects the management focus on this area. Dealership performance has benefited from the creation of a central purchasing and distribution function for used cars (Vertu Vehicle Solutions), use of technology to aid sales prospecting activity and the impact of increased internet sales.

It has been a key element of the Group's strategy to develop a strong internet presence and to support this with a dedicated, centralised sales function located in Sunderland. www.bristolstreet.co.uk and www.motornation.co.uk have been successful in generating a significant increase in sales from their relaunch in October and this growth is anticipated to continue.

The after-sales operations of the franchised businesses represented 47.7% of the gross profit generated in the period and are conducted at a higher gross margin percentage than vehicle sales. The operations performed well in the period despite a decline in warranty service work in a number of franchises, reflecting the enhanced quality and reliability of new cars.

A significant number of strategies are being implemented to improve the profitability of our service operations. These include increased investment in dedicated telemarketing functions for service, centralised after-sales marketing campaigns and the centralisation of purchasing across the Group leading to cost reductions. The Group continues to invest in apprenticeship programmes and, where appropriate, in enlarged after-sales facilities. Investments are currently in progress at Boston Honda and Kings Norton Ford to increase workshop capacity.

Within the after-sales arena, parts sales represent 27.8% of after-sales gross profit and 13.3% of total gross profit. In January 2008 the Group was awarded a 3D contract by Ford for parts distribution in the West Midlands as part of that manufacturer's revised strategy for parts distribution in its dealer network. This will result in higher volumes and margin in the Birmingham based parts business going forward.

Within the Peugeot and Citroen franchised operations, trade parts operations have previously been organised on a regional basis and this has led to a reduction in the share of the trade market obtained by the Group. These trade operations have now been decentralised to individual dealerships so that the parts operations can best serve their local markets and rebuild activity levels over the medium term.

Chief Executive's Review (continued)

Bristol Street Motor Nation Used Car Outlets

The Bristol Street Motor Nation used car operation now operates from four locations. The period saw a significant reorganisation of the business including management changes, a cost reduction programme and the opening of a new start-up outlet in Doncaster in March. The operating strategy of the business has been to reduce stock levels, whilst maintaining sales levels, so as to improve stock turn and financial returns. Like for like volumes of used cars sold in the April to February period rose 2.6% in a flat market. As a consequence of these changes the financial performance of the three established locations has improved year on year to achieve a breakeven position in the period at the operating profit level.

Commercial Vehicles

UK registrations for new heavy trucks rose 3.1% in the April to February period, although the second half of the period showed much stronger growth with a 21.1% rise from September to February. Light commercial vehicles saw a stable rise in UK registrations of 4.0%. Iveco, the manufacturer represented by the Group, saw heavy and light registrations decline in the period by 5.1% and 9.1% respectively as the manufacturer lost market share.

Like for like volumes of new vehicles within Bristol Street Commercials fell 10.8% in the April to February period whilst used vehicle volumes rose 11.1%. New vehicle order levels have improved over the past six months which will lead to a higher sales rate going forward. The sector is currently operating under significant supply constraints for new heavy vehicles. During the April to February period the business achieved a breakeven performance at the operating profit level.

Management and Colleague Development

The Group has implemented a divisional management structure. The operations of the Group are led by the CEO Committee comprising the Chief Executive, Finance Director and four senior executives, each responsible for one of four separate divisions. Two divisions represent car operations split along franchise lines to ensure a co-ordinated approach with each of our manufacturer partners. The remaining two divisions represent Bristol Street Commercials and the Bristol Street Motor Nation used car outlets. Responsibility for these two divisions is combined with the management of certain central functions.

As part of the post-acquisition integration process, dealership management has been reorganised in a selected number of cases to replace regional management structures with a revised structure of having a General Manager in place in each dealership. These reorganisations are now complete. In addition, Head office functions of the acquired businesses have been rationalised and relocated in the period.

The Group has commenced a significant training programme for all colleagues in the Group in order to ensure critical processes are consistent and efficient. Key programmes include after-sales customer service training, health and safety training and crucially the introduction of a Vertu vehicle sales process branded "Active". The Board believes that this programme will result in an enhanced sales performance in the Group and increased customer satisfaction.

Motor retail is a 'people' business and the quality of management and colleagues is the critical factor in determining success. Training, development, remuneration packages and the culture of the Group are all reviewed with an aim of ensuring the Group is best placed to recruit and retain the highest quality motor retail professionals.

It is the Board's view that the current operational management structure has the appetite and capacity to manage a larger motor retail group.

Robert Forrester
Chief Executive
23 June 2008

Finance Director's Review

Profit and Loss

Bristol Street Motors Group was not acquired until 27 March 2007 and consequently the key trading month of March is not included in the result for the period to 29 February 2008.

Revenue totalled £677.2m, which reflects the acquisitions undertaken and the resulting like for like unit sales improvements achieved in new and used vehicle sales. The Group generated earnings before interest, taxation, depreciation and amortisation, "EBITDA", before exceptionals of £5.1m in the period and an operating profit before amortisation, share based payments charge and exceptional costs of £3.1m. This performance reflects the strong profitability of the underlying businesses acquired during the period.

Following the acquisition activity, substantial reorganisations were undertaken of the acquired businesses and exceptional costs of £1.4m were incurred. These costs include reorganisation costs in relation to the rationalisation of head office functions acquired of £0.4m and dealership management reorganisation costs of £0.6m. In addition, a small number of dealership closures were undertaken and a provision for property commitments in relation to leasehold premises has been created totalling £0.4m.

Net finance costs were £1.2m for the period. Net interest costs in relation to bank loans and overdrafts totalled £1.4m. Whilst the Group continues to hedge a proportion of its interest rate exposure to ensure a degree of certainty over the Group's borrowing costs, the interest charge was impacted by a succession of base rate rises in 2007. In addition, since loan interest charges are based on LIBOR rates, the widening spread between LIBOR and base rate since August 2007 has also had an impact.

Taxation

The Group's tax charge in the period of £0.06m represented an effective tax rate on profit before taxation of 47%. This is higher than the standard rate of tax of 30% due primarily to the impact of certain disallowables, such as the amortisation of intangible assets, being high in comparison to profit levels after exceptional items. Going forward, the Group anticipates the effective tax rate will be closer to 28% of profit before tax.

Financial Position

The Group has a strong balance sheet position with shareholders' funds of £60.2m, representing net assets per share of 66p. The balance sheet is underpinned by a freehold and long leasehold property portfolio (including properties held for resale) of £51.5m.

The capital structure of the Group comprises shareholders' equity funds, bank loans and overdraft facilities. The Group has bank loan facilities of £10.0m repayable in instalments until March 2012 and a £20.0m revolving loan facility until March 2012. In addition, significant overdraft facilities are in place. Loans are subject to an interest rate of 1% above LIBOR and 1% above base rate is applied in relation to overdrafts.

At the balance sheet date, the Group had loans outstanding of £24.3m and cash balances of £9.5m. In addition, loan notes of £2.1m were issued to the vendors of Bristol Street Group Limited on 29 February 2008. The loan notes carry an interest rate of 1% above base rate and are redeemable for cash on 1 September 2008. The resulting net debt at 29 February 2008 of £16.9m represents gearing of 28.1%. During the period the Group raised a net £50.2m of cash from equity placings.

On 9 May 2008 the Group obtained approval from shareholders to repurchase up to 10% of the Company's shares. The Board believes that given the low gearing position, positive cash flows and the finance facilities in place, the Group has sufficient resources to continue investment in growth opportunities and to undertake a share buyback programme should this be judged to be in the interests of shareholders.

Finance Director's Review (continued)

Property Disposals

The Group currently has four surplus empty properties which are conditionally contracted for sale or under option. Three of the properties have been subject to initial planning rejections despite being recommended to planning committees by Council officers. The Board has reduced the expectations of anticipated proceeds from £12.0m to £11.4m and has revised the expected timings of receipts.

Interest Rate Risk

The Group has treasury contracts in place in order to manage the risk of adverse movements in interest rates. The details of these contracts are set out in note 26 to the accounts.

Cash Flows

The Group's cash inflow from operating activities was £21.9m, after deduction of cash outflows in respect of exceptional reorganisation costs of £0.8m. The Group reduced the investment in working capital by £18.1m in the period of which approximately £15.0m can be attributed to seasonal movement arising from the timing of the purchase of Bristol Street Motors at the peak working capital position in March compared to a seasonal low working capital position as at 29 February 2008. Preparation for the opening of Bristol Street Motor Nation Doncaster on 1 March 2008 absorbed £1.0m of working capital at the balance sheet date. The remaining £4.1m inflow relates to improvements in working capital management. A significant factor in this improvement has been a strong focus on both managing used vehicle stocks and the enhanced speed of recovery of debtors. This focus has been aided by the implementation of new accounting and treasury policies within the dealerships.

Tax payments were made in the period of £2.5m. These payments included £0.8m of cash outflows in relation to taxation of exceptional VAT income recognised by the Bristol Street Motors Group prior to acquisition, and payment of tax assessments relating to pre-acquisition periods of £1.5m.

The significant acquisition activity in the period saw acquisitions absorb £77.9m of cash. In addition, capital expenditure arose in the period of £4.7m, primarily relating to the refurbishment of a number of Group properties and the purchase of plant and equipment associated with the opening of relocated dealerships in new locations. During the period the Group relocated its Stoke Ford, Kings Norton Ford and Newcastle-upon-Tyne Vauxhall dealerships and refurbished Worksop Peugeot and Chesterfield Peugeot. As a result, the Group significantly enhanced a number of the retail environments within the Group. Going forward, no dealership relocations are currently planned although a significant refurbishment of Oxford Peugeot is currently in progress.

Pensions

The Group has a defined benefit pension scheme which has been closed for a number of years. Current colleague pension provision is through a defined contribution scheme. The Group has been actively managing its pension liability and as at 29 February 2008 a pension surplus arose under IAS 19 (Employee Benefits) of £3.1m. This asset has been recognised in non-current assets with its related deferred tax liability of £0.9m in non-current liabilities.

Karen Anderson
Finance Director
23 June 2008

Main Board Directors

The Board currently comprises the Directors outlined below.

Paul Williams – Non-Executive Chairman

Paul (61) was Chief Executive of Bristol Street Group Limited until its acquisition by Vertu Motors plc. Paul has over thirty years of retail experience and is well respected in the motor retail sector. This is reflected in his role as a director of the Retail Motor Industry Federation (RMIF) and as Chairman of the National Franchised Dealer Association (NFDA).

William Teasdale – Non-Executive Director

Bill (65) is a non-executive director of a number of private companies including British Engines Limited, Astrum Limited, Bedmax Limited in addition to him being a Governor of Northumbria University. He was non-executive Director and Chairman of the Audit Committee at Reg Vardy plc between 2002 and 2006. Prior to this he was the Senior Partner at the Newcastle upon Tyne office of PricewaterhouseCoopers. Bill has substantial experience of corporate transactions and within the quoted company environment.

Robert Forrester – Chief Executive

Robert (38) was a director of Reg Vardy plc between 2001 and 2006, appointed as Finance Director in 2001 and Managing Director in 2005, until the sale of the business to Pendragon plc in 2006. During this time Reg Vardy plc moved from 65 to 100 car dealerships and provided a significant return to shareholders from the sale of the business in February 2006. Prior to this he was a director of Brookhouse Group Limited, a substantial private property investment company in the North West of England, where he was responsible for development, investment and financing of the portfolio. Robert qualified as a chartered accountant with Arthur Andersen. He is also a member of the Economic Affairs Committee of the Confederation of British Industry.

Karen Anderson – Finance Director

Karen (36) was Group Financial Controller of Reg Vardy plc prior to its acquisition in February 2006 by Pendragon plc. Karen worked for Pendragon plc from February 2006 to September 2006 and was heavily involved in the implementation of a new financial management structure for the enlarged group. Karen trained as a chartered accountant with Arthur Andersen.

Advisers

Nominated Adviser and Broker

Brewin Dolphin Securities Limited
Time Central
Gallowgate
Newcastle upon Tyne
NE1 4SR

Solicitors

Muckle LLP (formerly Robert Muckle LLP)
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Tax Advisers

Deloitte & Touche LLP
Gainsborough House
34-40 Grey Street
Newcastle upon Tyne
NE1 6AE

Registrars

Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Financial PR Advisers

Financial Dynamics
Holborn Gate
26 Southampton Buildings
London
WC2A 1PB

Company Secretary and Registered Office

Andrew Davison
Rotterdam House
116 Quayside
Newcastle upon Tyne
NE1 3DY

Corporate and Social Responsibility Report

Introduction

Vertu Motors plc is conscious of the importance of Corporate Social Responsibility ("CSR") although the environmental impact of the core automotive business is comparatively low. The Group believes sound CSR policies and practices are fundamental to long-term business success. This belief is demonstrated in many ways including the way the businesses are operated and the support that is provided to local communities.

CSR Overview

Health and Safety and Environment

The Group affords a high degree of autonomy to local managers, allowing them to serve local markets in the most appropriate manner. There are, however, certain aspects of the business that require conformity and consistency of approach. Health and Safety and Environmental practices are examples of these and for which the Board has set down a number of principles and policies with which all businesses are required to comply.

The Health and Safety principles require all colleagues to comply with its Health and Safety Policy and the procedures detailed within it at all times to ensure compliance with applicable laws and regulations. These principles are applied within the businesses in many ways including:

- Clear lines of responsibility established and communicated
- On-line Health and Safety systems implemented at all locations designed to guide, monitor and support the businesses through information provision, checklists and audit programmes, plant inspection records and accident reporting
- A comprehensive training programme for all Directors, General Managers, Line Managers and Health and Safety Co-ordinators completed by May 2008.

The principles relating to the Environment cover the integration of environmental management into business operations and a commitment to care and protect the environment by avoiding contamination of air, water and soil while preserving the quality of life which can be spoiled by nuisance from noise, vibration and visual encroachment.

The Group has adopted, where practicable environmental management systems and it continues to strive for continual improvement. The Health, Safety and Environmental principles are applied within the Group's businesses in many ways and the following examples are representative:

Acquisitions

A great deal of importance is placed on Environmental and Health and Safety matters during the due diligence process for acquisitions with external environmental consultants reviewing and assessing environmental risks. Assessment may include site and soil surveys, reviews of environmental management systems, compliance with laws and regulations. In addition, Health and Safety compliance and processes are considered. Appropriate warranties and indemnities are then sought from vendors.

Corporate and Social Responsibility Report (continued)

Environmental Management

The licences required to operate the businesses are obtained from the relevant authorities and controls are in place in relation to substances that may harm the environment including:

- Substances that may be hazardous to health are logged and recorded on sites together with written assessments of precautions necessary while in use
- Waste from sites is disposed by authorised carriers in accordance with the Environmental Protection Act 1990
- Water based paints are used in the sites and the Group does not use paints containing isocyanates
- Paint Spray booths are examined and serviced annually and Interceptor filtration systems are provided to all vehicle wash facilities
- Sourcing policies to seek to positively promote suppliers who provide environmentally positive solutions.

Energy Management

The Group is committed to reducing energy costs by eliminating unnecessary consumption of energy. It is installing intelligent digital metering across all gas and electricity supplies to assist in the maintaining and management of our energy reduction programme. The Group is seeking to reduce energy consumption by 10% year on year, and will invest in other intelligent solutions to assist us in this goal.

Colleagues

The Company seeks to fulfil the career aspirations and potential of all colleagues. We want every colleague to enjoy coming to work, feel motivated in everything that they do and to take pride in their contributions to the Group. As the Group expands, the enthusiasm and dedication of our people is a vital factor in the Group's success.

Values

- **Passion**

  We are proud of our Company and dedicated to its purpose. We are enthusiastic, enjoy challenges and are eager for success.

- **Respect**

  We are friendly and courteous in all our relationships with colleagues, customers and suppliers.

- **Professionalism**

  We are reliable and consistent and we excel in the standards and preparation of our people, products and premises.

- **Integrity**

  We are trustworthy and honest in all that we say and do and take responsibility for our own actions.

- **Recognition**

  We appreciate the endeavours of our colleagues. We praise their achievements and enjoy celebrating their success.

- **Opportunity**

  We have a vision of what can be achieved and provide colleagues with personal development, supportive training and exciting career progression.

- **Commitment**

  We are all determined to achieve total customer satisfaction by providing a service..... built on trust.

Corporate and Social Responsibility Report (continued)

Employment Policies

The Company's aim is to attract and retain the best people in the automotive retail sector while observing best practice in employment policies and procedures through a commitment to:

- Offering equal opportunities in recruitment and promotion;
- The continuous development of all colleagues;
- Encouraging internal promotion;
- Using progressive, consistent and fair selection methods;
- Offering family friendly policies and ensuring colleagues are treated with respect and dignity in an environment where no form of intimidation or harassment is tolerated;

All appointments are made solely on the basis of a person's suitability for a particular post and without reference to gender, age, ethnic origin, religion or (except where it directly affects safety or job performance) disability. The principle of equality also applies to career development opportunities and to our operations, human resources practices and management processes.

Employment of disabled people is considered on merit with regard only to the ability of the applicant to carry out the function required. Arrangements to enable disabled people to carry out the function required will be made if it is reasonable to do so. A colleague becoming disabled would where appropriate be offered retraining.

Sharing our Success

The Group pays attractive salaries and additional benefits to dedicated people. Every colleague is offered access to the Group's pension plan and free life insurance.

The Group encourages colleagues to become shareholders in the Company through participation in the Group's share schemes. In 2007, the Group introduced an all colleague Share Incentive Plan to further encourage colleague share ownership in the Company.

Communication

Whilst individual achievement is always recognised, good teamwork is at the core of how we operate our business. At the heart of this is good communication. Every colleague has a stake in the business and we want everyone to feel that their voice can be heard. The Company utilises many formal and informal channels to achieve this.

Directors' Report

The Directors present their first annual report on the affairs of the Group together with the consolidated audited financial statements and Independent Auditors' Report, for the period ended 29 February 2008.

Principal Activity

The principal activity of the Group is the provision of new and used vehicles, together with related aftersales services.

Business Review and Future Developments

Vertu Motors plc was incorporated on 1 November 2006 and began trading on 27 March 2007 on the date of acquisition of Bristol Street Group Limited. The Company changed its name from Norham House 1101 plc to Vertu Motors plc on 2 November 2006.

The review of the business for the period is contained in the Chairman's Report, Chief Executive's Review and Finance Director's Review. This includes a description of the principal risks and uncertainties, details of acquisitions and likely future developments. It remains your Board's intention to deliver shareholder value and develop the Group through strategic acquisitions supplemented by the focused organic growth of its existing businesses.

The Group has a number of KPI's by which it monitors their business. These include sales volumes by channel, gross profit per unit and in the after-sales arena, measures such as workshop efficiency and recovery rates.

Results and Dividends

The results for the period are set out in the consolidated income statement on page 29. The Group profit on ordinary activities after taxation for the period was £72,000.

The directors do not propose a dividend for this financial period.

Share Capital

On 23 June 2008, 91,943,971 Ordinary shares of 10 pence each were in issue, fully paid up and quoted on the Alternative Investment Market of the London Stock Exchange.

On 9 May 2008, the Company obtained authority from the shareholders to repurchase 10% of the Company's share capital. The Board believes that shareholder value may be generated from using this authority to repurchase shares where it will be accretive to earnings per share.

Directors and Their Interests

Brief particulars of the Directors are listed on page 8. Further details of the Board composition are contained in the Corporate Governance Report and details of Directors' service contracts are contained in the Remuneration Report. The Directors, who served during the period ended 29 February 2008 and up to the date of signing the financial statements were:

P R Williams	(Appointed 27 March 2007)
R T Forrester	(Appointed 6 November 2006)
K Anderson	(Appointed 9 January 2007)
W M Teasdale	(Appointed 1 November 2006)

The Directors' retiring at the Annual General Meeting are R T Forrester and W M Teasdale. Each retiring Director, being eligible, offers himself for re-election.

Directors' Report (continued)

Directors and Their Interests (continued)

The Directors who held office at 29 February 2008 and their connected persons had interests in the issued share capital of the Company as at 29 February 2008 as follows:

	29 February 2008	
	Ordinary Shares	**Ordinary Share Options**
P R Williams	2,827,485	-
R T Forrester	3,866,120	-
K Anderson	546,290	186,809
W M Teasdale	500,000	-

Since 29 February 2008, R T Forrester acquired a beneficial interest in an additional 35,000 ordinary shares and options over 10,000 shares have been granted in respect of K Anderson. Details of options granted to the Directors during the period are set out on page 25.

There were no significant contracts between the Company or any of its subsidiary undertakings and any of the Directors.

R T Forrester, K Anderson and W M Teasdale who, together with their connected persons, control 5.4 per cent of the issued share capital of the Company, have undertaken to Brewin Dolphin not to (and to procure that their connected persons do not, as far as they are able) dispose of any Ordinary Shares for a period of three years from 23 December 2006 except in certain limited circumstances.

R T Forrester, K Anderson and W M Teasdale have further undertaken to Brewin Dolphin to ensure that any disposal made by them (or as far as they are able, their connected persons) of any Ordinary Shares for a period of two years from 23 December 2009 will be made in a manner designed to ensure that an orderly market can be maintained.

P R Williams, who controls 3.1 per cent of the issued share capital of the Group, has undertaken not to dispose of any ordinary shares for a period of 12 months from 27 March 2007, except in certain limited circumstances.

Derivatives and Financial Instruments

The Group's treasury activities are operated within policies and procedures approved by the Board, which include defined controls on the use of financial instruments managing the Group's risk. The major financial risks faced by the Group relate to interest rates and funding. The policies agreed for managing these financial risks are summarised below.

The Group finances its operations by a mixture of retained profits and bank borrowings. To reduce the Group's exposure to movements in interest rates, the Group seeks to ensure that it has an appropriate balance between fixed and floating rate borrowings. The Group uses interest rate swaps and collars in order to manage its exposure to interest rate risk; all such arrangements are approved by the Board in line with its treasury policies. The Group applied hedge accounting under IAS 39 'Financial Instruments' in respect of its interest rate swap arrangements.

The Group has ensured continuity of funding by entering into a five year funding agreement with Barclays Bank, comprising a £10m term loan repayable over 5 years and a £20m revolving credit facility. Short-term flexibility is achieved through the Group's overdraft facilities.

The Group has no significant exposure to foreign currency.

Directors' Report (continued)

Substantial Interests

As at 20 June 2008, in addition to those interests noted under Directors and their connected persons, the Company had been advised of the following interests in the Company's Ordinary share capital representing 3% or more of the issued share capital of the Company at that date:

Notifier	Ordinary Shares	%
Lloyds TSB Group plc	4,284,152	4.66
John Tustain	2,827,485	3.08
Patrick Smiley	2,827,485	3.08
Aviva plc	4,745,000	5.16
UBS Global Asset Management	3,136,667	3.41
Friends Provident plc	8,875,000	9.65
Octopus Investments Limited	2,916,667	3.17
Goldman Sachs Group Inc	6,999,986	7.61
Close Investments Limited	4,166,667	4.53
Brewin Dolphin Securities Limited	3,866,929	4.21
Axa SA	4,233,434	4.60
F&C Asset Management plc	14,541,667	15.82

Purchase of own shares

On 9 May 2008 a General Meeting of the Company was held and a Special Resolution passed authorising the Company to make market purchases of its own shares.

The resolution specified the maximum number of shares the Company can buy, up to a nominal value of £919,440 (9,194,397 shares), representing 10% of the Company's issued ordinary share capital, and the maximum and minimum prices at which the Company can buy them.

As at 23 June 2008, the Company does not have any outstanding options to purchase its own shares pursuant to the authority to buy its own shares granted at General Meeting.

The Company would only buy shares on the Alternative Investment Market (AIM). The Board can only use the power to buy shares after considering the effect on earnings per share and the longer term benefits for shareholders. The Directors do not intend at present to use this power but wish to retain the flexibility to do so in the future.

The authority will expire at the end of the Annual General Meeting to be held on 21 July 2008. The Directors intend to seek renewal of this authority at this and subsequent Annual General Meetings.

Charitable and Political Contributions

The Group's Corporate and Social Responsibility Report is set out on pages 10 to 12. The Group did not make any charitable or political contributions in the period. In accordance with the Companies Act 2006, shareholder authority is required for political donations to be made. Your Board does not intend for the Company or the Group to make any such donations.

Colleagues

The policies of the Company on equal opportunities, including those of disabled colleagues and colleague involvement, are set out in the Corporate and Social Responsibility Report on pages 10 to 12.

Payment of Creditors

The Company and the Group does not operate a defined code of practice regarding the payment of its creditors. The largest proportion of trade creditors in value terms relate to supplies provided by the vehicle manufacturers who have granted retail franchises to the Group. Under the terms of the franchise agreements, supplies of vehicles and parts are provided on predetermined credit arrangements to the Group and the supplier effects payments by application of a direct debit on the due date. The Group agrees with other major suppliers appropriate payment terms when

Directors' Report (continued)

Payment of Creditors (continued)

agreeing the price and other terms of purchase. Trade creditors of the Group at 29 February 2008 were equivalent to 55 days purchases.

Independent Auditors

PricewaterhouseCoopers LLP were appointed during the period and have indicated their willingness to continue as Independent Auditor and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director, in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' Responsibilities

The Directors are required by company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial period and of the profit or loss of the Group for that period. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In addition, the Directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state that the Group financial statements comply with IFRSs as adopted by the European Union, and with regard to the parent company financial statements, that applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that the accounts comply with the above requirements. The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the accounts comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website (www.vertumotors.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

A. J. Davison

Andrew Davison
Company Secretary
23 June 2008

Corporate Governance Report

The Combined Code

As an AIM quoted company, Vertu Motors plc does not have to comply with the Combined Code on Corporate Governance (the 'Combined Code') published by the Financial Reporting Council. However, the Board embraces the principles of good corporate governance.

The following statements describe how the relevant principles and provisions of the Combined Code (2006) were applied to the Company and Group during the financial period and will continue to be relevant for the forthcoming financial year.

Board of Directors

During the period under review, the Board was made up of four members comprising two executive Directors and two non-executive Directors. It is the Board's intention that, in the medium term, at least one half of the Board (excluding the Chairman) should comprise independent non-executive Directors. After carefully reviewing the guidance in the Combined Code, the Board believes P R Williams and W M Teasdale to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

In the Board's opinion, the range of experience of the Directors and the commitment to dividing the responsibilities for the running of the Board and the Company's business ensures an effective Board that leads and controls the Company. A Chief Executive's Committee comprising the executive Directors and four operational directors meets regularly to consider the day to day commercial aspects of the business and reports to the Board.

During the financial period the Board met 13 times in person and on other occasions by telephone. The number of meetings attended by each director was as follows:

	Main Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held	13	2	2	2
P R Williams	10	2	2	2
R T Forrester	13	-	-	-
K Anderson	13	2	-	-
W M Teasdale	11	2	2	2

Specific matters are reserved for the decision of the Board, as set out in a written statement adopted by the Board, including overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects, consideration of significant financial matters and risk management. The Board also seeks to ensure that the necessary financial and human resources are in place for the Company to be able to meet its objectives, to review management performance and to ensure that its obligations to its shareholders are understood and met. Whilst the executive responsibility for running the Company rests with the Chief Executive (R T Forrester) and the Finance Director (K Anderson), the non-executive Directors fulfil an essential role in ensuring that the strategies proposed by the executive Directors are fully discussed and critically examined prior to adoption. They also scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

All Directors appointed by the Board must retire and seek election at the first Annual General Meeting following their appointment. All the present Directors retired and were elected at the Company's first AGM in 2007. One third of the Directors are then required to retire and submit themselves for re-election each year so that all Directors are required to retire and submit themselves for re-election at least once in every three years. R T Forrester and W M Teasdale are to retire and submit themselves for re-election by rotation at the 2008 Annual General Meeting. Both R T Forrester and W M Teasdale were last re-elected as Directors on 30 August 2007. In accordance with paragraph A.7.2 of the Combined Code, the Board believes that W M Teasdale should be re-elected as a non-executive Director because of the strength of his contribution to the Board's activities and his considerable financial expertise. Biographical details

Board of Directors (continued)

of the Directors are shown on page 8. The Board is satisfied that plans are in place for orderly succession for appointments to the Board and senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

The performance of the Board is intended to be evaluated annually by a formal and rigorous process. Each director completes a questionnaire. The results are fed back to the Chairman and then to the Board for discussion. These discussions are used to identify actions to improve effectiveness and also to identify individual and collective training needs.

Certain of the Board's duties are delegated to committees, each of which has formal terms of reference (copies of which are available from the Company Secretary) approved by the Board. The Company Secretary acts as secretary to all Board committees and is responsible for advising the Board, through the Chairman, on all corporate governance matters.

The Audit Committee

The Audit Committee consists of the two non-executive Directors (W M Teasdale as Chairman and P R Williams). The Committee met twice in the last financial period with all Committee members present at both meetings. With the consent of the Chairman, meetings are normally attended by the Executive Directors and by invitation, a representative of the Group's Independent Auditors. The Committee reviews the effectiveness of accounting and financial policies and controls (including that in relation to FSA regulation compliance) and non-audit work carried out by the Group's Independent Auditors. Time is set aside for discussions between the non-executive Directors and the Independent Auditors in private.

Remuneration Committee

The Remuneration Committee consists of the two non-executive Directors (W M Teasdale as Chairman and P R Williams). The Committee met twice in the last financial period with all Committee members present at both meetings. The main duties of the Remuneration Committee are to make recommendations to the Board on the Company's framework of executive remuneration and to award appropriate remuneration packages to individual executive Directors. Part of the remuneration may be in the form of bonuses, which can be earned against certain set criteria, based principally on the reported profit on ordinary activities before taxation of the Group. It is also responsible for the granting of options, under the Vertu Motors plc Share Option Schemes, to executive Directors and senior management within the Group. No executive Director takes part in discussions regarding his own remuneration. In addition, the Committee reviews and makes recommendations in respect of the remuneration of senior management of the Group. Further details on remuneration are included in the Remuneration Report.

The Remuneration Committee considers that inclusion of fluctuating emoluments, which include performance bonuses, is an important element of the Company's employment of executive Directors and senior managers. In recognition of the large proportion of remuneration attributable to performance bonuses, the pensionable salaries for executive Directors and senior managers is fixed at 110% of basic salary. The Combined Code recommends that, in general, bonuses should not be pensionable. However, the bonus element is regarded by the Committee as an important motivational and retention feature of emoluments.

Nominations Committee

The Nominations Committee consists of the two non-executive Directors (W M Teasdale as Chairman and P R Williams). The Committee met twice in the last financial period, with all Committee members present. The Committee is responsible for selecting candidates who are to be nominated to the Board for executive and non-executive directorships whilst approval of all Board appointments will be made by the Board as a whole. Succession is a matter considered by the Nominations Committee but ultimately on which the Board as a whole will decide. The Committee adopts a formal, rigorous and transparent procedure for the selection and appointment of candidates as executive and non-executive Directors. This includes setting the criteria for the role and conducting a search, using recruitment

Nominations Committee (continued)

consultants where appropriate, to identify appropriate candidates, who are then interviewed to assess their suitability for the role, based on merit and on objective selection criteria.

Pension Trustees

The assets of the Bristol Street Group Pension Retirement Scheme, established for the benefit of certain of the Group's colleagues, are held separately from those of the Group. The Scheme operates through a trustee company of which W M Teasdale and K Anderson are among the trustees. The management of the assets is delegated to a number of specialist independent investment houses and there is no investment of scheme assets in the shares of the Company.

Relations with Shareholders

The Company encourages two way communications with both institutional and private investors and responds quickly to all queries received orally or in writing. Institutional shareholders are regularly invited to visit the operations and a number have taken up this opportunity. The Chairman and the Executive Directors attended meetings with institutional shareholders and analysts during the period at the time of the publication of the Group’s interim results and subsequently following the issuance of the Preliminary Announcement. In addition an analysts meeting was held at the Group’s Newcastle Vauxhall dealership in January 2008.

All shareholders have at least 21 clear days’ notice of the Annual General Meeting at which all of the Directors are normally available for question. The Directors believe the Annual General Meeting is an important opportunity for communication with both institutional and private investors and invite questions from shareholders at the meeting. In accordance with the Combined Code, details of proxy voting on resolutions are available to shareholders during and after the Annual General Meeting.

Internal Controls

The Board is responsible for establishing the Group's system of internal control, which covers all aspects of the business, and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and can, therefore, only provide reasonable, rather than absolute, assurance against material misstatement or loss. The Directors regularly review the risks to which the Group is exposed, as well as the operation and effectiveness of the system of internal controls. Key features of the internal control system which have been in place throughout the year and to the date of this report are:

- Board of Directors

  The Board meets regularly and reviews and evaluates the business risks. Remedial action is determined where appropriate.

- Mission Statement and Values

  The Group has established a Mission Statement that clearly set out behaviours that are embraced by the Group and that are expected of all colleagues. This has been communicated to all colleagues and is embedded in the culture of the Group.

- Audit Committee

  The Audit Committee meets with the executive Directors, and by invitation, the Group's Independent Auditors and satisfies itself as to the adequacy of the Group's internal control systems.

- Risk Champions

  The Board has appointed Risk Champions for each of the priority risk areas. They are selected from senior management and have managerial responsibility for these risk areas. Their remit includes responsibility for understanding and managing the risk environment, establishing and driving a sound risk strategy, and reporting important changes and activities to the Board on a regular basis through personal presentation, narrative reports and key performance indicators (internal and external to the organisation).

Corporate Governance Report (continued)

Internal Controls (continued)

- Chief Executive's Committee

  The Chief Executive's Committee operates within clearly defined areas. This organisation structure has been designed in order to effectively plan, execute, monitor and control the Group's objectives and to ensure that internal control becomes embedded in the operations.

- Policies and Procedures

  Policies and procedures, covering control issues across all aspects of the business, are communicated to the respective managers. Adherence is monitored and reported upon on an ongoing basis.

- Financial Reporting

  The Group operates a comprehensive financial control system that incorporates Divisional Finance Directors who have responsibility for financial management within specific franchises. Each Divisional Finance Director works closely with their respective Divisional Director and Divisional Aftersales Manager to monitor performance at dealership and franchise levels against planned and prior year comparatives. In addition, assets and liabilities are scrutinised at several levels on a regular basis and remedial action taken where required. A comprehensive annual planning process is also carried out, which determines expected levels of performance for all aspects of the business.

The Board takes a proactive approach to the management of all forms of risk, and views risk management as a vital constituent of its commitment to provide value protection and growth for its various stakeholders.

The Board's approach involves identification of major risks that may restrict the Group's ability to meet its objectives; the assessment of these risks in terms of impact, likelihood and control effectiveness; and the establishment of risk management strategies. For some key risks, where it is felt necessary, specialist advice is sought from external agencies and professional advisers.

The Board confirms that the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the period under review.

Independence of the Independent Auditors

Both the Audit Committee and the Independent Auditors have in place safeguards to avoid the Auditors' objectivity and independence being compromised. The Group's policy with regard to services provided by the Independent Auditors, PricewaterhouseCoopers LLP, is as follows:

Statutory audit services - The Independent Auditors, who are appointed annually by the shareholders, undertake this work. The Independent Auditors also provide regulatory services and formalities relating to shareholder and other circulars. The Audit Committee reviews the Auditors' performance on an ongoing basis.

Further assurance services (this includes work relating to acquisitions and disposals) - The Group's policy is to appoint PricewaterhouseCoopers LLP to undertake this work where their knowledge and experience is appropriate for the assignment. The Board reviews their independence and expertise on every assignment. Other professional services firms are employed in certain cases on acquisition and disposal related assignments.

Corporate Governance Report (continued)

Independence of the Independent Auditors (continued)

Other non-audit services - The Independent Auditors are not permitted to provide internal audit, risk management, litigation support, remuneration advice and information technology services. The provision of other non-audit services, including taxation services, is assessed on a case by case basis, depending on which professional services firm is best suited to perform the work.
These safeguards, which are monitored by the Audit Committee, are regularly reviewed and updated to ensure they remain appropriate. The appointment of PricewaterhouseCoopers LLP to provide non-audit services requires Board approval for any assignment with fees above a set financial limit. The Independent Auditors report to the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence, including the rotation of key members of the audit team. PricewaterhouseCoopers LLP have formally confirmed this to the Board. The disclosure of non-audit fees paid to PricewaterhouseCoopers LLP during the period is included in note 5 to the consolidated financial statements.

By order of the Board

Andrew Davison
Company Secretary
23 June 2008

Remuneration Report

The Board presents the Remuneration Report for the period ended 29 February 2008.

Remuneration Committee

The Remuneration Committee comprises the two non-executive Directors, P R Williams and W M Teasdale, both of whom are independent from the executive management of the Company and have no personal financial interests in the matters to be decided. The Committee is chaired by W M Teasdale.

During the period ended 29 February 2008, the Committee took advice from Deloitte & Touche LLP in relation to the establishment of the Vertu Motors plc share option plans referred to below. Deloitte & Touche LLP also provide taxation advice to the Company.

General Remuneration Policy

The Company's policy on Directors' remuneration is designed to attract and retain the highest calibre of individuals to ensure the success of the Company relative to other businesses of similar size and complexity in the United Kingdom. The Remuneration Committee seeks to ensure that the executive Directors and senior managers are motivated to achieve the level of performance necessary to create sustained growth in shareholder value and are rewarded fairly for their contributions, whilst remaining within the range of benefits offered by similar companies. The Committee considers all elements that comprise remuneration including basic salary, performance related bonus, long term incentives, pension provision, benefits in kind and the terms of service contracts and it seeks to structure total benefits packages which align the interests of executive Directors and senior managers with those of shareholders. Directors' remuneration will be the subject of regular review in accordance with this policy.

Each executive Director's remuneration package is reviewed annually by the Remuneration Committee. The remuneration of the non-executive Directors is determined by the Board as a whole by considering comparative remuneration information.

The overall earnings, benefits and basic salary levels within the quoted motor distribution sector and within listed companies in the locale are reviewed in determining the executive remuneration and benefits together with consideration of the levels of remuneration of the senior managers of the Company. The Remuneration Committee seeks to align executive Director's remuneration packages with the automotive retail sector and other comparable regional listed companies. In addition, factors specific to the Company on remuneration are considered including the emphasis placed on performance related benefits which are utilised across the industry. These reviews will be continued in subsequent financial years.

The Remuneration Committee applied the following structure for executive remuneration packages for the financial period:

a) Basic Salary

The basic salaries in place from 27 March 2007 to 29 February 2008 for the two executive Directors were £100,000 for the Chief Executive R T Forrester and £100,000 for Finance Director K Anderson. When assessing basic salaries for 2008/9, the Remuneration Committee have fully considered the comparative information available, the levels of pay elsewhere in the Group and the responsibilities of the Company's executive Directors, having regard to their respective roles. Basic salaries for the financial year 2008/9 will remain unchanged.

b) Performance Related Bonus

The Remuneration Committee considers that performance related elements of packages should give the executive Directors the potential to receive additional annual benefits but only if significant value has been delivered to shareholders. It is, therefore, considered that, whilst in overall value terms the non-performance related elements of the Directors' packages may be the most important, in terms of providing motivation to the executive Directors to improve shareholder value, the performance related elements are the most important. This consideration accords with the Company's general remuneration policy of rewarding performance through performance related bonuses.

General Remuneration Policy (continued)

b) Performance Related Bonus (continued)

R T Forrester and K Anderson are eligible for performance bonuses which reward achievement of financial performance measured by objectives set by the Remuneration Committee. The maximum amount of performance bonus that could have been earned for the period to 29 February 2008 was 150% of basic salary for R T Forrester and 125% of basic salary for K Anderson. For the 2008/9 financial year the maximum that may be earned is 175% of basic salary for R T Forrester and 75% of basic salary for K Anderson. Targets for the purpose of bonus payments are based on consensus profit forecasts by leading analysts at the commencement of the financial period.

c) Discretionary Bonus

The Remuneration Committee is entitled to consider discretionary bonuses for the executive Directors for exceptional performance providing any such award is fully explained to the shareholders. For the period to 29 February 2008 the Remuneration Committee has not proposed to award any exceptional performance bonuses.

d) Share Option Schemes

It is the Company's policy to allow all colleagues to participate in the success of the Group through share ownership and participation in share option schemes.

The Board introduced in the financial period, an all colleague Vertu Motors plc Share Incentive Plan, ("SIP"). The SIP is an HM Revenue & Customs approved all employee share incentive plan under which colleagues can invest in "partnership shares" out of their gross salary (i.e. before tax and national insurance). The Board considers the SIP provides the Company with an effective means of aligning the interests of colleagues with those of the shareholders by using shares as part of the general all colleague reward strategy. The Company currently does not supplement or match the partnership shares acquired by colleagues.

In addition, the Company has sought to reward the performance of senior managers and executive Directors through the grant of Executive Share Options which have specific challenging performance criteria attached. Details of the performance criteria are set out on pages 24 to 25. In awarding share options the Remuneration Committee considers the performance of the Group and the individual colleague having taken representations from the executive Directors.

Service Contracts

The Company's policy on executive Directors' service contracts (copies of which are available for inspection at the offices of Muckle LLP) is as follows:

a) Notice Periods

All executive Director contracts shall be rolling contracts terminable by the Company giving one year's notice or by the executive giving one year’s notice.

b) Termination Payments

Contracts will not provide for compensation on termination which would exceed one year's basic salary excluding bonus and benefits. Provisions relating to the phased payment of compensation for termination and mitigation by the Director will be included and contracts will not provide for any liquidated damages on termination to be payable by either the Company or the Director.

Remuneration Report (continued)

Service Contracts (continued)

c) Mitigation Policy

Contracts include provision for the cessation of termination payments to a Director within a defined time period of suitable alternative employment being found by that Director. This policy is in accordance with the Board's intention to minimise exposure to the Company in this area.

The Company's policy on non-executive Directors' terms of appointment is that non-executive Directors are appointed for up to nine years renewable on re-election by the shareholders every three years and terminable on six months' notice by either party. The policy on termination payments is that the Company does not normally make payments beyond its contractual obligations. In exceptional circumstances, an additional ex-gratia payment may be considered upon termination of appointment for executive or non-executive Directors based on factors including the Director's past contribution and the circumstances of the Director's departure providing such award is fully explained to the shareholders.

Details of the Directors' service contracts are as follows:

Name	Date of Contract	Term	Notice Period
P R Williams	26 February 2007	Up to 9 years	Renewed on re-election every 3 years
R T Forrester	6 November 2006	Rolling	Rolling
K Anderson	9 January 2007	Rolling	Rolling
W M Teasdale	6 November 2006	Up to 9 years	Renewed on re-election every 3 years

The contracts for R T Forrester and K Anderson contain the full termination payment and mitigation provisions referred to above.

Pensions

R T Forrester and K Anderson are members of the Bristol Street Senior Executives Pension Plan which is a defined contribution plan. Details of contributions made in the period are set out on page 25.

Policy on Performance Criteria

The performance conditions attaching to any share options issued to executive Directors, senior management or colleagues of the Company are considered and set by the Remuneration Committee. The following option schemes are operated by the Company:

(a) Share Incentive Plan

The SIP was introduced in the financial period in accordance with appropriate legislation and it requires colleagues to invest in partnership shares out of gross salary. A participant may withdraw from the SIP at any time but if he does so before the partnership shares have been held in trust for five years (except in certain specified circumstances such as redundancy or disability) he will incur an income tax liability. The Company currently do not supplement or match the partnership shares acquired by colleagues.

(b) EMI Approved and Unapproved Share Option Scheme

The Scheme provides for the issue of executive share options to senior management and executive Directors at the discretion of and with performance criteria set by the Remuneration Committee.

Options granted prior to March 2007

Options granted may only be exercised if the market value of a share in Vertu Motors plc has increased by more than 50% from the market value at the date of grant. If the market value of a share has increased by between 50% and 100% then the percentage increase will represent the proportion of total options granted which are exercisable.

Remuneration Report (continued)

Policy on Performance Criteria (continued)

Options granted since 27 March 2007

Options under this Scheme may only be exercised if Earnings Per Share (EPS) growth is greater than 15% above the increase in RPI over a 3 year performance period taking a base EPS of 2.9p per share at 31 December 2006 per the report and accounts of Bristol Street Group Limited. If EPS is 15% above the increase in RPI then 30% of the options vest, with all options vesting at growth of 20% above RPI. The options vest, if the performance criteria have been met, on 28 February 2010.

(c) CSOP Approved and Unapproved Share Option Schemes

The Schemes provide for the issue of executive share options to senior management and executive Directors at the discretion of and with performance criteria set by the Remuneration Committee.

Options under this Scheme may only be exercised if EPS growth is greater than 15% above the increase in RPI over a 3 year performance period. If EPS is 15% above the increase in RPI then 30% of the options vest, with all options vesting at growth of 20% above RPI. The options vest, if the performance criteria have been met three years from the date of grant.

Remuneration

The remuneration of the Directors who served during the period from 1 November 2006 to 29 February 2008 is as follows:

	Basic Salary £'000	Fees £'000	Benefits £'000	Performance Bonuses £'000	Total £'000
R T Forrester	108	-	10	150	268
K Anderson	103	-	18	125	246
P R Williams	-	67	-	-	67
W M Teasdale	-	42	-	-	42
	211	**109**	**28**	**275**	**623**

The benefits above include items such as company car, medical and life assurance premiums.

Directors' Pension Entitlements

The Company has paid £13,000 in contributions to the Bristol Street Senior Executives Pension Plan during this financial period in respect of R T Forrester and £12,000 in respect of K Anderson.

Directors' Share Incentives

The following options were granted to a Director over the Ordinary share capital of the Company during the period remain outstanding:

	Date of Grant	Exercise Price (Pence)	Exercisable from	Expiry date	Number of share options
K Anderson	1 March 2007	75	1 March 2010	1 March 2017	120,000
	27 March 2007	75	27 March 2010	27 March 2017	13,333
	27 March 2007	93.5	27 March 2010	27 March 2017	53,476

All of the above share options were granted under the EMI Approved and Unapproved share option scheme.

The middle market price of the shares as at 29 February 2008 was 41.5p and the range during the financial period was 31.0p to 101.0p.

Remuneration Report (continued)

Approval by Shareholders

At the Annual General Meeting of the Company a resolution approving this report is to be proposed as an ordinary resolution.

By order of the Board

W M Teasdale
Chairman of the Remuneration Committee
23 June 2008

Independent Auditors' Report to the members of Vertu Motors plc

We have audited the Group financial statements of Vertu Motors plc for the period ended 29 February 2008, which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Vertu Motors plc for the period ended 29 February 2008.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Report, Chief Executive's Review and Finance Director's Review, that is cross-referenced from the business review and future developments section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Report, the Chief Executive's Review, the Finance Director's Review, the Corporate and Social Responsibility Report, the Directors' Report, the Corporate Governance Report and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Independent Auditors’ Report to the members of Vertu Motors plc (continued)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group’s affairs as at 29 February 2008 and of its profit and cash flows for the period then ended;

- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
23 June 2008

Consolidated Income Statement

For the period from 1 November 2006 to 29 February 2008*

	Note	Period ended 29 February 2008 £'000
Continuing operations		
Revenue		**677,180**
Cost of sales		(599,531)
Gross profit		**77,649**
Operating expenses	4	(74,573)
Operating profit before amortisation, share based payments charge and exceptional costs		3,076
Amortisation of intangible assets		(116)
Share based payments charge		(221)
Exceptional costs	6	(1,360)
Operating profit		**1,379**
Finance income	9	1,808
Finance costs	9	(3,050)
Net finance costs	9	**(1,242)**
Profit before taxation		**137**
Taxation	10	(65)
Profit for the period		**72**
Attributable to:		
Equity holders of the Group		**72**
Basic earnings per share (p)	11	**0.09**
Diluted earnings per share (p)	11	**0.09**
Adjusted earnings per share (p)	11	**1.60**

* The Group began trading on 27 March 2007 upon the acquisition of Bristol Street Group Limited.

The notes on pages 33 to 58 are an integral part of these consolidated financial statements.

Consolidated Statement of Recognised Income and Expense

For the period from 1 November 2006 to 29 February 2008

	Note	**Period ended 29 February 2008 £'000**
Actuarial gains on retirement benefit obligations	25	2,948
Cash flow hedges	26	(452)
Taxation thereon	23	(699)
Net gains recognised directly in equity		**1,797**
Profit for the period		72
Total recognised income and expense for the period		**1,869**
Attributable to:		
Equity holders of the Group		**1,869**

The notes on pages 33 to 58 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 29 February 2008

	Note	As at 29 February 2008 £'000
Non-current assets		
Goodwill	12	18,612
Other intangible assets	13	962
Retirement benefit asset	25	3,117
Property, plant and equipment	15	47,446
		70,137
Current assets		
Inventories	17	131,579
Property assets held for sale	18	11,390
Trade and other receivables	19	14,102
Cash and cash equivalents	20	9,459
Total current assets		**166,530**
Total assets		**236,667**
Current liabilities		
Trade and other payables	21	(139,702)
Current tax liabilities		(3,328)
Borrowings	22	(3,119)
Total current liabilities		**(146,149)**
Non-current liabilities		
Borrowings	22	(23,261)
Deferred income tax liabilities	23	(5,875)
Deferred consideration	14	(128)
Provisions for other liabilities and charges	24	(1,029)
		(30,293)
Total liabilities		**(176,442)**
Net assets		**60,225**
Capital and reserves attributable to equity holders of the Group		
Ordinary shares	27	9,194
Share premium	27	40,991
Other reserve	27	7,950
Hedging reserve	28	(326)
Retained earnings	29	2,416
Shareholders' equity	29	**60,225**

The notes on pages 33 to 58 are an integral part of these consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors on 23 June 2008.

Robert Forrester
Chief Executive

Karen Anderson
Finance Director

Consolidated Cash Flow Statement

For the period from 1 November 2006 to 29 February 2008

	Note	Period ended 29 February 2008 £'000
Operating profit		1,379
Loss on disposal of property, plant and equipment	4	69
Amortisation of intangible assets	13	116
Depreciation of property, plant and equipment	15	2,018
Decrease in inventories		5,792
Decrease in trade and other receivables		33,710
Decrease in payables		(21,870)
Increase in provisions		514
Movement in share based payments charge		221
Cash generated from operations		**21,949**
Tax paid		(2,473)
Net finance costs		(1,281)
Net cash generated from operating activities		**18,195**
Cash flows from investing activities		
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	14	(77,882)
Purchases of intangible fixed assets	13	(544)
Purchases of property, plant and equipment	15	(4,654)
Net cash outflow from investing activities		**(83,080)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares		50,153
Proceeds from borrowings	30	24,191
Net cash inflow from financing activities		**74,344**
Net increase in cash and cash equivalents		**9,459**
Cash and cash equivalents at end of period	20	**9,459**

The notes on pages 33 to 58 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the period from 1 November 2006 to 29 February 2008

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 Rotterdam House, 116 Quayside, Newcastle upon Tyne, NE1 3DY. The registered number of the company is 05984855.

The consolidated financial statements have been prepared in accordance with the accounting policies described below and in accordance with EU endorsed International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

Standards and interpretations not yet effective

The following IFRS and IFRIC interpretations have been issued but have not been early adopted by the Group; the adoption of these standards is not expected to have a material impact on the Group's financial statements:

- IFRS 7 – Financial instruments: Disclosures (accounting periods beginning on or after 1 January 2007)
- IFRS 8 – Operating segments (accounting periods beginning on or after 1 June 2009)
- IFRIC 10 – Interim financial reporting and impairment (accounting periods beginning on or after 1 June 2007)
- IFRIC 11 – Group and treasury share transactions (accounting periods beginning on or after 1 June 2007)
- IFRIC 12 – Service concession arrangements (accounting periods beginning on or after 1 June 2008)
- IFRIC 13 – Customer loyalty programmes (accounting periods beginning on or after 1 July 2008)
- IFRIC 14 – The limit on a defined benefit asset, minimum funding requirement and their interaction (accounting periods beginning on or after 1 January 2008)
- IAS 1 (revised) – Presentation of financial statements (accounting periods beginning on or after 1 January 2009)
- IAS 23 (revised) – Borrowing costs (accounting periods beginning on or after 1 January 2009)
- Amendments to IFRS2 (Share based payments) (accounting periods beginning on or after 1 January 2009)
- IFRS 3 (revised) – Business combinations (accounting periods beginning on or after 1 July 2009)

The financial information has been prepared on a going concern basis.

The principal accounting policies adopted are set out in note 2.

2. Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of Vertu Motors plc and its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50 per cent of the voting rights. Subsidiaries are consolidated from the date at which control is transferred to the Group using the purchase method of accounting, whereby the recognised identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. They are excluded from the consolidated financial statements from the date that control ceases.

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including intangible assets not previously recognised by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the consideration over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Where the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the consideration, the excess or "negative goodwill" is recognised immediately in the income statement. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units.

Each cash generating unit or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on the Group's primary reporting format determined in accordance with IAS 14 Segment Reporting. Gains and losses on the disposal of a business component are calculated on a basis which incorporates the carrying amount of goodwill relating to the business sold.

Other intangible assets

Intangible assets, when acquired separately from a business combination, including computer software, are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is three to four years.

Intangible assets, for example, customer relationships acquired as part of a business combination, are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Such assets are amortised over their expected useful lives.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial period end. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual values, on a straight-line basis over their estimated useful lives at the following rates:

Freehold and long leasehold buildings	2%
Short leasehold properties	Lease term
Vehicles and machinery	10%-25%
Furniture, fittings and equipment	10%-25%

2. Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are included and cost is based on price including delivery costs less trade discounts. Net realisable value is based on estimated selling price less further costs to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Property assets held for sale

Property assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

Trade payables

Trade payables are recognised at fair value initially and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. If the effect is material, provisions are discounted using a pre-tax discount rate.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates. The amount of the loss is recognised in the income statement.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where fair value cannot be determined then the recoverable amount will be determined by reference to value in use. Value in use is determined for an individual asset, unless the asset

2. Accounting Policies (continued)

does not generate cash flows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in that expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of any amount recoverable. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

Taxation

Current tax

Current income tax assets and liabilities are measured at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

a. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

b. in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

c. where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

d. in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited to the income

2. Accounting Policies (continued)

statement, except when it relates to items credited or charged direct to equity in which case the deferred tax is also credited or charged to equity.

Revenue

Revenue for the sale of goods and services is measured at the fair value of consideration receivable, net of rebates and any discounts. It excludes sales related taxes and intra Group transactions.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically despatched or when a service has been undertaken.

Pension costs

The Group operates a number of pension schemes, including defined contribution schemes and a defined benefit scheme (which was closed to new entrants and future accrual in May 2003).

A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit scheme is a pension scheme that is not a defined contribution scheme. Typically defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets of the defined benefit scheme are held separately from the assets of the Group. The cost of providing benefits under this scheme are determined using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in operating costs in the consolidated income statement. Past service costs are similarly included where benefits have vested otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit pension schemes and the imputed interest on pension plan liabilities comprise the pension element of the net finance cost or income in the income statement.

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the statement of recognised income and expense in full for the period in which they arise.

Share based payments

The Group allows employees to acquire shares of the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2. Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial instruments

The Group uses derivative financial instruments to reduce the exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Such derivative financial instruments are measured at fair value. The gains and losses on re-measurement are taken to the income statement except where the derivative is designated as a cash flow hedge. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the rates prevailing at the balance sheet date.

Segmental reporting

A business segment is a group of assets and operations engaged in providing goods and services that is subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing goods and services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Exceptional costs

Exceptional costs comprise items of expenditure that are material in amount and unlikely to recur and therefore they merit separate disclosure in order to provide an understanding of the Group's underlying performance.

Share capital

Ordinary shares are classed as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above and in note 12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Segmental information

The Group is managed as one business and one geographical segment. The business comprises dealership operations where dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and aftersales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams.

Therefore, no further segmental analysis is shown, other than that disclosed within the body of this annual report.

4. Operating expenses

	Period ended 29 February 2008 £'000
Wages and salaries excluding share based payments costs (note 7)	41,202
Depreciation on property, plant and equipment – owned assets	2,018
Loss on disposal of property, plant and equipment	69
Operating lease rentals – property	3,406
Operating lease rentals – plant and equipment	206
Auditors' remuneration	150
Other expenses	27,522
	74,573

5. Auditors' remuneration

	Period ended 29 February 2008 £'000
Fees payable to the Group's auditor for the audit of the parent company and consolidated financial statements	100
Fees payable to the Group's auditor and its associates for other services:	
- audit of Group's subsidiaries	30
- other services pursuant to legislation	20
	150

In addition, amounts totalling £230,000 were paid to the Group's auditors in the period in relation to due diligence work on subsequent acquisitions, of which £205,000 has been included on the balance sheet within goodwill and £25,000 has been allocated against share premium.

6. Exceptional costs

There is no explicit definition of exceptional items under IFRS. For the purposes of the financial statements, exceptional items are items which individually, or if of a similar type, in aggregate, need to be disclosed, by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying performance of the Group.

	Period ended 29 February 2008 £'000
Reorganisation costs	985
Onerous lease costs	375
	1,360

7. Employee benefit expense

	Period ended 29 February 2008 £'000
Wages and salaries	37,422
Social security costs	3,078
Pension costs – defined contribution plans	702
	41,202
Share based payments costs (note 27)	221
	41,423

The remuneration of the Directors who served during the period from 1 November 2006 to 28 February 2008 is as follows:

	Basic Salary £'000	Fees £'000	Benefits £'000	Performance Bonuses £'000	Total £'000
R T Forrester	108	-	10	150	268
K Anderson	103	-	18	125	246
P R Williams	-	67	-	-	67
W M Teasdale	-	42	-	-	42
	211	**109**	**28**	**275**	**623**

The benefits above include items such as company car, medical and life assurance premiums.

The Remuneration Report on pages 22 to 26 contains further details of remuneration of the Directors employed by the Company.

8. Average number of people employed

	Period ended 29 February 2008
Sales and distribution	772
Service, parts and bodyshop	907
Administration	510
	2,189

9. Net finance costs

	Period ended 29 February 2008 £'000
Bank loans and overdrafts	(1,579)
Vehicle stocking interest	(88)
Other finance costs relating to Group pension scheme (note 25)	(1,371)
Other finance costs	(12)
Finance costs	**(3,050)**
Interest on short term bank deposits	212
Other finance income relating to Group pension scheme (note 25)	1,596
Finance income	**1,808**
Net finance costs	**(1,242)**

10. Taxation

a) Analysis of taxation charge in the period

	Period ended 29 February 2008 £'000
Current tax	
Current tax charge	-
Deferred tax (see note 23)	
Origination and reversal of temporary differences	65
	65
Comprising:	
Taxation – excluding exceptional items	446
Taxation – exceptional items	(381)
	65

b) Factors affecting taxation charge in the period

	Period ended 29 February 2008 £'000
Profit before taxation and exceptional items	1,497
Exceptional costs	(1,360)
Profit before taxation from continuing operations	**137**
Profit before taxation multiplied by the rate of corporation tax in the UK of 30%	41
Non-deductible amortisation	7
Non-deductible expenses	42
Impact of change in UK tax rate	(25)
Total tax charge	**65**
Effective income taxation rate	
Before exceptional items	30%
Including exceptional items	48%

10. Taxation (continued)

c) Factors affecting future taxation charges

The UK Government has announced its intention to phase out and withdraw from 2011, capital allowances on qualifying buildings. The legislation necessary to introduce the proposed changes is expected to be enacted in the forthcoming Finance Act. It is not anticipated that the proposals in their current form will have a significant impact on the Group's effective rate of taxation in future periods.

11. 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 period or the diluted weighted average number of ordinary shares in issue in the period.

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 share 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 period.

	Period ended 29 February 2008 £'000
Profit attributable to equity shareholders	72
Amortisation of intangible assets	116
Share based payments charge	221
Exceptional costs	1,360
Tax effect of adjustments	(468)
Adjusted earnings attributable to equity shareholders	**1,301**
Weighted average number of shares in issue ('000s)	81,170
Potentially dilutive shares ('000s)	123
Diluted weighted average number of shares in issue ('000s)	**81,293**
Basic earnings per share	**0.09p**
Diluted earnings per share	**0.09p**
Adjusted earnings per share	**1.60p**

12. Goodwill

	29 February 2008 £'000
Cost and net book value	
Acquired through business combinations (note 14)	18,612
Net book value at end of period	**18,612**

In accordance with IAS36, 'Impairment of Assets', the Group tests the following assets for impairment annually:

- Goodwill in a business combination;
- Other assets where there is any indication that the relevant asset may be impaired.

In the period ended 29 February 2008, the acquired goodwill was tested for impairment, with no goodwill impairment charge deemed necessary.

For the purposes of impairment testing of goodwill and intangible assets, the Directors recognise the Group's Cash Generating Units ("CGU"s), to be connected groupings of dealerships and the Bristol Street Motor Nation used car outlets.

The recoverable amount of a CGU is determined based on value-in-use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period:

- Management estimates discount rates using pre-tax rates that reflect current market assessments and the time value of money and the risks specific to the CGUs.
- Growth rates are based upon industry forecasts
- Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

An annual growth rate of 2.25% is assumed and a risk adjusted discount rate reflecting the Group's Weighted Average Cost of Capital ("WACC") of 10% is applied.

13. Other intangible assets

	Software costs £'000	Customer relationships £'000	Total £'000
Cost			
Acquisitions	-	534	534
Additions	544	-	544
At end of period	544	534	1,078
Amortisation			
Charge for the period	92	24	116
At end of period	92	24	116
Net book value at end of period	**452**	**510**	**962**

14. Business combinations

a) Bristol Street Group Limited

On 27 March 2007, the Group acquired 100% of the share capital of Bristol Street Group Limited, a motor retailer operating in the UK.

Details of the net assets acquired at fair value and goodwill are as follows:

	Carrying Value £'000	Fair Value £'000
Customer relationships	-	334
Goodwill	124	-
Property, plant and equipment	37,980	36,306
Property held for resale	8,115	11,390
Inventories	128,067	128,067
Trade and other receivables	43,730	43,730
Cash and cash equivalents	(9,444)	(9,444)
Trade and other payables	(156,015)	(156,015)
Retirement benefit obligations	(1,061)	(1,061)
Deferred tax liabilities	(4,435)	(4,435)
Provisions	(515)	(515)
Borrowings	(19,562)	(19,562)
Net assets acquired	**26,984**	**28,795**
Goodwill		13,860
Consideration		**42,655**

The total consideration of £42,655,000 consisted of cash of £33,655,000, equity of £8,000,000 and deferred consideration of up to £1,000,000. The deferred consideration was subject to finalisation of completion accounts and was settled through a further equity issue at a price of 87.5p per share on 24 December 2007.

The fair value adjustments made to property, plant and equipment represents the impairment of certain assets on acquisition.

The uplift in property held for resale arises from adjusting those four surplus properties to net realisable value.

The goodwill arising is attributable mainly to the workforce of the acquired businesses.

If the acquisition of Bristol Street Group Limited had occurred on 1 March 2007, Group revenues for the period would have been £77,722,000 higher and Group profit attributable to the equity shareholders of the parent would have been £1,785,000 higher, before interest on related debt funding.

14. Business combinations (continued)

b) Blake Holdings Limited

On 2 May 2007, the Group acquired 100% of the share capital of Blakes Holdings Limited, a motor retailer operating in the UK.

Details of the net assets acquired at fair value and goodwill are as follows:

	Carrying Value £'000	**Fair Value £'000**
Customer relationships	-	38
Property, plant and equipment	5,076	5,076
Inventories	4,753	4,753
Trade and other receivables	3,064	3,064
Cash and cash equivalents	(1,282)	(1,282)
Trade and other payables	(6,182)	(6,182)
Deferred tax liabilities	(612)	(612)
Borrowings	(1,250)	(1,250)
Net assets acquired	**3,567**	**3,605**
Goodwill		1,366
Consideration		**4,971**

The total consideration of £4,971,000 consisted of cash of £4,867,000 and deferred consideration of £104,000. The deferred consideration is in the form of equity shares yet to be issued at a price of 85.5p per share.

The goodwill arising is attributable to the workforce of the acquired businesses.

If the acquisition of Blake Holdings Limited had occurred on 1 March 2007, Group revenues for the period would have been £13,749,000 higher and Group profit attributable to the equity shareholders of the parent would have been £36,000 higher, before interest on related debt funding.

c) Grantham Motor Company Limited

On 28 June 2007, the Group acquired 100% of the share capital of Grantham Motor Company Limited, a motor retailer operating in the UK.

Details of the net assets acquired at fair value and goodwill are as follows:

	Carrying Value £'000	**Fair Value £'000**
Customer relationships	-	162
Goodwill	200	-
Property, plant and equipment	1,981	1,981
Inventories	3,549	3,549
Trade and other receivables	1,532	1,532
Cash and cash equivalents	504	504
Trade and other payables	(5,217)	(5,217)
Deferred tax liabilities	(64)	(64)
Borrowings	(1,134)	(1,134)
Net assets acquired	**1,351**	**1,313**
Goodwill		3,209
Consideration – satisfied by cash		**4,522**

The residual goodwill arising is attributable to the workforce of the acquired businesses.

14. Business combinations (continued)

c) Grantham Motor Company Limited (continued)

If the acquisition of Grantham Motor Company Limited had occurred on 1 March 2007, Group revenues for the period would have been £21,554,000 higher and Group profit attributable to the equity shareholders of the parent would have been £554,000 higher, before interest on related debt funding.

d) Other acquisitions

On 29 June 2007, the Group acquired the trade and assets of a Ford dealership in Morpeth, Northumberland, from S Jennings Limited, for total cash consideration of £2,670,000. The fair value of the net assets acquired was £2,493,000, with goodwill arising on acquisition of £177,000.

Summary of acquisitions' cash consideration

	Cash Consideration £'000	Overdrafts / (cash) Acquired £'000	Loans Acquired £'000	Total £'000
Bristol Street Group Limited	33,655	9,444	19,562	62,661
Blake Holdings Limited	4,867	1,282	1,250	7,399
Grantham Motor Company Limited	4,522	(504)	1,134	5,152
Former S Jennings Limited business	2,670	-	-	2,670
	45,714	**10,222**	**21,946**	**77,882**

15. Property, plant and equipment

	Freehold and Long leasehold land and buildings £'000	Short Leasehold land and buildings £'000	Vehicles and Machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
Acquisitions	38,409	144	4,820	2,182	45,555
Additions	1,992	-	1,732	930	4,654
Disposals	-	-	(330)	(284)	(614)
Transfers	-	-	(936)	-	(936)
At 29 February 2008	40,401	144	5,286	2,828	48,659
Depreciation					
Depreciation Charge	331	-	996	691	2,018
Disposals	-	-	(286)	(259)	(545)
Transfers	-	-	(260)	-	(260)
At 29 February 2008	331	-	450	432	1,213
Net Book Value					
At 29 February 2008	**40,070**	**144**	**4,836**	**2,396**	**47,446**

Transfers of £936,000 cost (with related accumulated depreciation of £260,000) relate to demonstrator vehicles that have been reclassified to inventories during the period.

Depreciation expense of £2,018,000 has been charged in operating expenses (note 4).

Notes to the Consolidated Financial Statements (continued)

16. Principal subsidiaries

Principal subsidiary undertakings (ordinary shares 100% owned and incorporated within England and Wales), as at 29 February 2008 were:

Company	**Principal activity**
Vertu Fleet Limited	Dormant company
Vertu Motors (Third) Limited	Dormant company
Vertu Motors (Property) Limited	Property holding company
Vertu Motors (Retail) Limited	Dormant company
Bristol Street Fleet Services Limited	Dormant company
Bristol Street Commercials (Italia) Limited	Motor Retailer
Vertu Motors (AMC) Limited	Dormant company
Vertu Motors (France) Limited	Dormant company
Bristol Street Group Limited	Motor Retailer
Motor Nation Car Hypermarkets Limited	Motor Retailer
Bristol Street First Investments Limited	Motor Retailer
Bristol Street Fourth Investments Limited	Motor Retailer
Bristol Street Fifth Investments Limited	Dormant company
Vertu Motors (VMC) Limited	Motor Retailer
Grantham Motor Company Limited	Motor Retailer
Blake Holdings Limited	Dormant company
Bristol Street Limited	Dormant company
Bristol Street (No. 1) Limited	Dormant company
Bristol Street (No. 2) Limited	Dormant company
National Allparts Limited	Dormant company
Tyne Tees Finance Limited	Dormant company
Merifield Properties Limited	Dormant company
Peter Blake Limited	Dormant company
Peter Blake (Chatsworth) Limited	Dormant company
Peter Blake (Clumber) Limited	Dormant company
BSH Pension Trustee Limited	Pension Scheme Trustee
Vertu Motors (Finance) Limited	Dormant company

17. Inventories

	29 February 2008 £'000
Consignment vehicles	3,420
Motor vehicles	122,846
Parts and sundry stocks	5,313
	131,579

The cost of inventories recognised as expense and included within 'cost of sales' amounted to £596,515,000.

Motor vehicles include new vehicles invoiced not yet paid and held by manufacturers to the order of the Group of £84,928,000. A corresponding liability is held within trade payables.

18. Property assets held for sale

Property assets held for resale represent four surplus empty properties which are conditionally contracted for sale or under option.

19. Trade and other receivables

	29 February 2008 £'000
Trade receivables	9,669
Less provision for impairment of trade receivables	(127)
Trade receivables (net)	**9,542**
Other receivables	1,420
Prepayments and accrued income	3,140
	14,102

Movements on the group provision for impairment of trade receivables are as follows:

	Period Ended 29 February 2008 £'000
On acquisitions	265
Provision for receivables impairment	179
Unused amounts reversed	(228)
Receivables written off in the period as uncollectible	(89)
At 29 February 2008	**127**

The creation and release of provision for impaired receivables have been included in 'other expenses' within 'operating expenses' in the income statement (note 4). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

20. Cash and cash equivalents

	29 February 2008 £'000
Cash at bank and on hand	8,430
Short term bank deposits	1,029
	9,459

21. Trade and other payables

	29 February 2008 £'000
Current	
Trade payables	115,065
Consignment stocking loans	3,420
Social security and other taxes	1,770
Accruals and deferred income	13,565
Other payables	5,882
	139,702

22. Borrowings

	29 February 2008 £'000
Current	
Loan notes	2,119
Bank borrowings	1,000
	3,119
Non-current	
Bank borrowings	23,261
	26,380

Borrowings are repayable as follows:

	29 February 2008 £'000
6 months or less	2,619
6-12 months	500
1-5 years	9,000
Over 5 years	14,261
	26,380

a) Loan Notes

The Group issued loan notes of £2,119,000 on 29 February 2008. The loan notes were issued to the vendors of Bristol Street Group Limited in accordance with the sale and purchase agreement dated 26 February 2007. The loan notes carry an interest rate of 1% above base rate and are redeemable for cash on 1 September 2008.

b) Bank borrowings

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.7%.

Loans are subject to an interest rate of 1% above LIBOR and 1% above base rate is applied in relation to overdrafts.

22. Borrowings (continued)

The Group has the following undrawn borrowing and overdraft facilities:

	29 February 2008 £'000
Floating rate	
- Overdraft expiring within one year	10.000
- Loan expiring in greater than one year	5,540
	15,540

c) Financial assets

The Group's financial assets on which floating interest is receivable comprise cash deposits and cash in hand of £9,459,000. The cash deposits comprise deposits placed on money market at call, seven day and cash deposited with counterparty banks at commercially negotiated interest rates.

Trade and other receivables on which no interest has been received are excluded from the above.

23. Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are as follows:

	29 February 2008 £'000
Deferred tax asset to be recovered after more than 12 months	(1,183)
Deferred tax liabilities to be recovered after more than 12 months	7,058
Deferred tax liabilities (net)	**5,875**

The Group gross movement on the deferred income tax account is as follows:

	Deferred tax liabilities £'000	Deferred tax assets £'000	Net £'000
Acquired in the period (note 14)	5,747	(636)	5,111
Charged to income statement (note 10)	486	(421)	65
Charged directly to equity	825	(126)	699
At end of period	**7,058**	**(1,183)**	**5,875**

The Group gross movement on the deferred income tax account is as follows:

	Accelerated tax depreciation £'000	Share based payments £'000	Pensions £'000	Other timing differences £'000	Tax losses £'000	Total £'000
On acquisitions	6,254	-	(507)	(636)	-	5,111
Charged (credited) to income statement	(69)	(62)	555	43	(402)	65
Charged (credited) directly to equity	-	-	825	(126)	-	699
At end of period	**6,185**	**(62)**	**873**	**(719)**	**(402)**	**5,875**

24. Provisions for other liabilities and charges

	29 February 2008 £'000
On acquisition	515
Charged to the income statement (additional provisions)	809
Used during period	(295)
At end of period	**1,029**

The provision above relates to used car warranty products sold by the Group. This provision relates to income received in advance, on products sold and likely to be utilised as future repair costs. It is expected that this expenditure will be incurred within three years of the balance sheet date.

25. Retirement benefit obligations

The Group operates a contributory pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections (in which accrual ceased on 31 May 2003) and a defined contribution section. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Bristol Street Pension Scheme.

The Group has applied IAS 19 (Revised 2004) to this scheme and the following disclosures relate to this standard. The Group recognises any actuarial gains and losses in each period in the Statement of Recognised Income and Expense.

The last actuarial valuation upon which the IAS 19 figures and disclosures have been based was at 5 April 2006. A valuation of the Scheme, as required by IAS 19, has been performed as at 29 February 2008 by an independent qualified actuary. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

The fair value of the assets of the scheme and the expected rates of return on each class of assets are:

	Expected rate of return %	Market Value 29 February 2008 £'000
Equities	7.5	17,095
Bonds	5.0	11,412
Other	5.5	130
	6.5	**28,637**

Vertu Motors plc employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out above. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 29 February 2008.

25. Retirement benefit obligations (continued)

The overall net surplus between the assets of the Group's defined benefit Scheme and the actuarial liabilities of the Scheme which have been recognised on the balance sheet are as follows:

	29 February 2008 £'000
Fair value of Scheme assets	28,637
Present value of funded obligations	(25,520)
Asset on the balance sheet	**3,117**

The movement in the fair value of Scheme assets in the period are as follows:

	£'000
Opening fair value of Scheme assets	27,532
Expected return on Scheme assets	1,596
Actuarial losses	(667)
Employer contributions	1,005
Benefits paid	(829)
As at 29 February 2008	**28,637**

The movement in the present value of the defined benefit obligations of Scheme assets in the period are as follows:

	£'000
Opening fair value of Scheme liabilities	28,593
Interest cost	1,371
Actuarial gains	(3,615)
Benefits paid	(829)
As at 29 February 2008	**25,520**

The amounts recognised in the income statement in the period are as follows:

	£'000
Interest cost (note 9)	1,371
Expected return on Scheme assets (note 9)	(1,596)
Total, included in net finance costs	**(225)**

The actual return on Scheme assets in the period are as follows:

	£'000
Expected return on Scheme assets	1,596
Actuarial losses	(667)
	929

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

Discount rate for scheme liabilities	6.6%
Limited Price Indexation ("LPI") pension increases	3.5%
Inflation rate	3.5%

25. Retirement benefit obligations (continued)

Assumptions regarding future mortality experience are set based on mortality tables which allow for future mortality improvements.

The average life expectancy in years of a pensioner retiring at age 65 at the balance sheet date is as follows:

Male	22.1
Female	24.1

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is as follows:

Male	24.0
Female	25.3

Amounts recognised in the Statement of Recognised Income and Expense in the period are as follows:

	29 February 2008 £'000
Actuarial gains	2,948
Related deferred tax liability (note 23)	(825)
Total, included within retained earnings	**2,123**

26. Derivative financial instruments and hedging

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices and interest rates. The Group's treasury management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to reduce exposure to interest rate movements.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity.

The Group does not generally hold or issue derivative financial instruments for speculative purposes.

Interest Rate Risk Management

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash Flow Hedges

The effective portion of the changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the hedging reserve. There was no ineffective portion recognised in the income statement, arising from cash flow hedges.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit and loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within

26. Derivative financial instruments and hedging (continued)

'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains and losses'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported within equity is immediately transferred to the income statement within 'other gains and losses'.

The notional principle amounts of the outstanding interest rate swap contracts at 29 February 2008 were £7,500,000. Both contracts mature on 5 April 2012.

The fair values of various derivative financial instruments used for hedging purposes are disclosed below:

	29 February 2008 Current Liabilities £'000
Interest rate swaps – cash flow hedges	452

The movement on the hedging reserve within shareholders' equity is shown within note 28.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Credit Risk Management

It is the Group's policy to invest cash and assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings and the counterparty's geographical location. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be low.

Liquidity Risk Management

Ultimate responsibility for liquidity risk rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Disclosed within note 22 are the undrawn banking facilities that the Group has at its disposal, in order to further reduce liquidity risk.

27. Ordinary shares, share premium and other reserve

	Ordinary shares Number of Shares (thousands)	Ordinary shares £'000	Share premium £'000	Other reserve £'000	Total £'000
At incorporation	-	-	-	-	-
Shares issued during the period	91,944	9,194	40,991	7,950	58,135
At 29 February 2008	**91,944**	**9,194**	**40,991**	**7,950**	**58,135**

The total authorised number of ordinary shares is 125,000,000 shares with a par value of 10p per share. All issued shares are fully paid-up.

The numbers of shares issued and respective consideration received has been disclosed within the following two public documents: AIM admission (dated 15 December 2006) and Placing and Acquisition (dated 1 March 2007).

The other reserve is a merger reserve, arising from shares issued for shares, as deferred consideration, to the former shareholders of Bristol Street Group Limited.

Share Option Scheme

Under the Group's equity-settled share option scheme, share options are granted to executive Directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from grant date, subject to the performance criteria set out in the Remuneration Report on pages 22 to 26. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As disclosed in the Consolidated Income Statement on page 29 a share based payments charge of £221,000 has been recognised during the period, in relation to the schemes as described within the Remuneration Report on pages 22 to 26.

27. Ordinary shares, share premium and other reserve (continued)

Movements in the number of share options in issue during the period are as follows:

Award Date	Granted / Outstanding at 29 February 2008 No of shares	Exercise Price p	Date from which exercisable	Expiry Date
1 March 2007	513,333	93.5p	1 March 2010	1 March 2017
27 March 2007	705,293	93.5p	27 March 2010	27 March 2017
4 May 2007	444,444	81p	4 May 2010	4 May 2017
13 June 2007	366,559	77.75p	13 June 2010	13 June 2017
1 August 2007	971,831	71p	1 August 2010	1 August 2017
28 August 2007	307,692	65p	28 August 2010	28 August 2017
7 September 2007	352,271	66p	7 September 2010	7 September 2017
4 January 2008	360,000	40p	4 January 2011	4 January 2018
19 February 2008	10,000	37.5p	19 February 2011	19 February 2018
26 February 2008	10,000	43p	26 February 2011	26 February 2018
	4,041,423			

All options were granted at nil consideration. The middle market price of the shares as at 29 February 2008 was 41.5p and the range during the financial period was 31.0p to 101.0p.

The weighted average share price during the period was 66p.

The weighted average fair value of options granted during the period, determined using the Black-Scholes model was 28p per option.

Significant inputs into the Black-Scholes model for all share option awards above are set out below:

Vesting period	3 years
Expected volatility	30%
Option life	7 years
Expected life	5 years
Annual risk-free interest rate	5%
Dividend yield	0%
Expectations of meeting performance criteria	100%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices since the admission of Vertu Motors plc to AIM. This is then adjusted for events not considered to be reflective of the volatility of the share price going forward.

28. Hedging reserve

	29 February 2008 £'000
Cash flow hedges:	
Fair value losses during the period	(452)
Deferred taxation on fair value losses	126
	(326)

29. Statement of changes in equity

	Ordinary shares £'000	Share Premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
Profit for the period	-	-	-	-	72	72
Actuarial gains on retirement benefit obligations	-	-	-	-	2,948	2,948
Tax on items taken directly to equity	-	-	-	126	(825)	(699)
Fair value losses during the period	-	-	-	(452)	-	(452)
Share based payments credit	-	-	-	-	221	221
New ordinary shares issued	9,194	40,991	7,950	-	-	58,135
	9,194	**40,991**	**7,950**	**(326)**	**2,416**	**60,225**

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

	Period ended 29 February 2008 £'000
Net increase in cash and cash equivalents	9,459
Cash inflow from increase in borrowings	(24,191)
Cash movement in net debt	**(14,732)**
Issue of loan notes (note 22)	(2,119)
Amortisation of loan arrangement fee	(70)
Non cash movement in net debt	**(2,189)**
Movement in net debt and closing net debt	**(16,921)**

31. Contingencies

Gains

Additional amounts may be receivable from HM Revenue & Customs, "HMRC", in respect of overpayments in VAT in previous years. These will not be recognised until they have been agreed.

Losses

HMRC are currently focusing on the partial exemption methods employed by businesses in the automotive retail sector. HMRC is challenging the use of partial exemption methods which they consider do not reflect the economic use of the overhead VAT incurred by the business.

HMRC's challenge is at an early stage but in the event that it is successful, it could have a significant impact on the motor retail sector as a whole.

32. Commitments

a) Capital Commitments

The Directors are not aware of any significant capital commitments as at the balance sheet date.

b) Operating Lease Commitments

The Group leases various motor dealerships and other premises under non-cancellable operating lease agreements. The lease terms are between 2 and 25 years.

The Group also leases various plant and equipment under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Property £'000	**Plant and Equipment £'000**
Commitments under non-cancellable operating leases expiring:		
No later than 1 year	31	221
Later than 1 year and no later than 5 years	676	60
Later than 5 years	56,102	-
	56,809	**281**

33. Related party transactions

The remuneration of the Directors who served during the period 1 November 2006 to 29 February 2008 is set out in note 7.

Independent Auditors' Report to the members of Vertu Motors plc

We have audited the parent Company financial statements of Vertu Motors plc for the period ended 29 February 2008 which comprise the Company Balance Sheet and the related notes. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Vertu Motors plc for the period ended 29 February 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Report, Chief Executive's Review and Finance Director's Review, that is cross-referenced from the business review and future developments section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the Chairman's Report, the Chief Executive's Review, the Finance Director's Review, the Corporate and Social Responsibility Report, the Directors' Report, the Corporate Governance Report and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Independent Auditors' Report to the members of Vertu Motors plc (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements.

Opinion
In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 29 February 2008;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent Company financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
23 June 2008

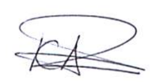
Company Balance Sheet

As at 29 February 2008

	Note	As at 29 February 2008 £'000
Fixed assets		
Tangible assets	3	805
Investments in subsidiary undertakings	4	4,838
		5,643
Current assets		
Debtors	5	58,246
Cash at bank and in hand		28,239
Total current assets		**86,485**
Creditors		
Amounts falling due within one year	6	**(12,235)**
Net current assets		**74,250**
Total assets less current liabilities		**79,893**
Creditors: amounts falling after more than one year	7	**(23,155)**
Provisions for liabilities and charges	8	**(1,029)**
		(24,184)
Net assets		**55,709**
Capital and reserves		
Called up share capital	9	9,194
Share premium account	9	40,991
Other reserve	9	7,950
Hedging reserve	10	(326)
Profit and loss account	11	(2,100)
Total shareholders' funds		**55,709**

The notes on pages 62 to 67 are an integral part of these consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors on 23 June 2008.



Robert Forrester
Chief Executive

Karen Anderson
Finance Director

Notes to the Company Financial Statements

For the period from 1 November 2006 to 29 February 2008

The separate financial statements of Vertu motors plc, the parent undertaking, are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP).

1. Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied throughout the year, are set out below.

No profit and loss is presented by the Company, as permitted under section 230 of the Companies Act 1985.

The Company is not required to prepare a cash flow statement under FRS1 (revised).

2. Accounting Policies

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial period end. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual values, on a straight-line basis over their estimated useful lives at the following rates:

Computers	25%
Office equipment	25%
Company vehicles	25%

Investments

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

Taxation

Current tax

Current income tax assets and liabilities are measured at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

2. Accounting Policies (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

b) in respect of taxable temporary differences associated with investments in subsidiaries or joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

c) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

d) in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited to the profit and loss account, except when it relates to items credited or charged direct to equity in which case the deferred tax is also credited or charged to equity.

Share based payments

The Group allows employees to acquire shares of the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Exceptional costs

Exceptional costs comprise items of expenditure that are material in amount and unlikely to recur and therefore they merit separate disclosure in order to provide an understanding of the Group’s underlying performance.

Notes to the Company Financial Statements (continued)

3. Tangible fixed assets

	Computers £'000	Office Equipment £'000	Company Vehicles £'000	Total £'000
Cost				
Additions	796	42	112	950
Disposals	(3)	(9)	-	(12)
At 29 February 2008	793	33	112	938
Depreciation				
Depreciation Charge	124	11	-	135
Disposals	(2)	-	-	(2)
At 29 February 2008	122	11	-	133
Net Book Value				
At 29 February 2008	**671**	**22**	**112**	**805**

4. Investments in subsidiary undertakings

	29 February 2008 £'000
Cost	
Additions	4,838
At end of period	**4,838**

Vertu Motors plc, the Company, as at 29 February 2008, invested in 100% of the ordinary share capital of the following subsidiary undertakings, incorporated in the United Kingdom:

Company	Principal activity
Vertu Fleet Limited	Dormant company
Vertu Motors (Property) Limited	Property holding company
Vertu Motors (Retail) Limited	Dormant company
Vertu Motors (Third) Limited	Dormant company
Vertu Motors (Finance) Limited	Dormant company
Vertu Motors (AMC) Limited	Dormant company
Vertu Motors (France) Limited	Dormant company
Vertu Motors (VMC) Limited	Motor Retailer
Bristol Street Commercials (Italia) Limited	Motor Retailer
Motor Nation Car Hypermarkets Limited	Motor Retailer
Grantham Motor Company Limited	Motor Retailer

The directors believe that the carrying value of the investments is supported by their underlying net assets.

5. Debtors

	29 February 2008 £'000
Trade debtors	148
Deferred tax asset	126
Amounts owed by Group undertakings	56,678
Value Added Tax	514
Prepayments and accrued income	780
	58,246

6. Creditors: amounts falling due within one year

	29 February 2008 £'000
Bank loans	1,000
Trade creditors	1,514
Other creditors	5,882
Other taxes and social security	121
Accruals and deferred income	3,718
	12,235

7. Creditors: amounts falling after more than one year

	29 February 2008 £'000
Bank borrowings	**23,155**

Borrowings are repayable as follows:	29 February 2008 £'000
Under 1 year	1,000
1-2 years	2,000
3-5 years	7,000
Over 5 years	14,155
	24,155

The bank borrowings are secured on the assets of the Company and the Group.

8. Provisions for liabilities and charges

	29 February 2008 £'000
On acquisition	515
Charged to the profit and loss account	809
Utilised during period	(295)
At end of period	**1,029**

The provision above relates to used car warranty products sold by the Group. This provision relates to income received in advance, on products sold and likely to be utilised on future repair costs. It is expected that this expenditure will be incurred within three years of the balance sheet date.

9. Called up share capital, share premium account and other reserve

	Called up share capital Number of Shares (thousands)	Called-up share capital £'000	Share premium account £'000	Other reserve £'000	Total £'000
At incorporation	-	-	-	-	-
Shares issued during the period	91,944	9,194	40,991	7,950	58,135
At 29 February 2008	**91,944**	**9,194**	**40,991**	**7,950**	**58,135**

The total authorised number of ordinary shares is 125,000,000 shares with a par value of 10p per share. All issued shares are fully paid-up.

The numbers of shares issued and respective consideration received has been disclosed within the following two public documents: AIM admission (dated 23 December 2006) and Placing and Acquisition (dated 1 March 2007).

The other reserve is a merger reserve, arising from shares issued for shares, as deferred consideration, to the former shareholders of Bristol Street Group Limited.

10. Hedging reserve

	29 February 2008 £'000
Cash flow hedges:	
Fair value losses during the period	(452)
Deferred taxation on fair value losses	126
	(326)

11. Profit and loss account

	29 February 2008 £'000
Loss for the period	(2,321)
Share based payments charged directly against equity	221
As at 29 February 2008	**(2,100)**

12. Share based payments

For details of share based payment awards and fair values, see note 27 to the Group Financial Statements. The Company accounts for this share based payments charge for the period £221,000.

13. Contingencies

See note 31 on page 57 for details of contingent assets or liabilities as at the balance sheet date.

14. Directors' Remuneration

The remuneration of the Directors who served during the period from 1 November 2006 to 29 February 2008 is set out within note 7 to the consolidated financial statements.

15. Commitments

a) Capital Commitments

The Directors are not aware of any significant capital commitments as at the balance sheet date.

b) Operating Lease Commitments.

The Company leases various plant and equipment under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Commitments under non-cancellable operating leases expiring:	**Vehicles £'000**
No later than 1 year	131
Later than 1 year and no later than 2 years	90
	221

16. Related party transactions

The Company has taken advantage of the exemption under FRS 8, 'Related Party Disclosures', from having to provide related party disclosures in its own financial statements when those statements are presented with consolidated financial statements of its Group. Details of any related party disclosures provided by the Group can be found on page 58.